

Pursuant to Articles 4.2, 4.7 and 7 of the Law on Transmission of Electric Power, Regulator and System Operator of Bosnia and Herzegovina (Official Gazette of BiH, 7/02, 13/03, 76/09 and 1/11), Article 36 of the Rule of Practice and Procedure of the State Electricity Regulatory Commission (Official Gazette of BiH, 2/05) and Articles 16 and 51 of the Licensing Rule - Consolidated Version (Official Gazette of BiH, 63/16), at its session held on 27 November 2019 the State Electricity Regulatory Commission, passed a

DECISION
**ON REVOCATION OF LICENCE FOR PERFORMANCE OF INTERNATIONAL
ELECTRICITY TRADING ACTIVITY**

1. The license for performance of the international electricity trading activity granted to the Company "Erdal" d.o.o. Sarajevo, registry number: 05-28-12-118-19/18, issued on 23 May 2018, shall be revoked.
2. This decision shall come into force on the day of adoption and the disposition thereof shall be published in the "Official Gazette of BiH" and official gazettes of the Entities.

Statement of Rationale

Pursuant to the Decision number 05-28-12-181-19/18 of 23 May 2018, the Company "Erdal" d.o.o. Sarajevo was issued a licence for performance of the international electricity trading activity with the term from 1 July 2018 to 30 June 2023.

The "Erdal" Company addressed the State Electricity Regulatory Decision (SERC) on 18 September 2019 with the application for revocation of the existing licence stating that they have financial problems due to the impossibility of collecting receivables from their clients. This application was assessed as incomplete due to the failure to pay one-off application fee for licence revocation as prescribed by the Decision on the amount of one-off fee for carrying out the procedure pursuant to the Licensing Rule (Official Gazette of BiH, 41/13 and 17/16). Therefore, SERC called upon the applicant to complete the application leaving a reasonable deadline for removal of shortcomings, and informed the applicant that the application would be considered as unsubmitted if the shortcomings thereof were not removed within the given deadline. The Company did not remove the shortcomings of the application either within the given deadline or later. Hence, the Company was aware that the submission of an incomplete application and the failure to remove the shortcomings of that application would not have any influence on the maturity of its upcoming financial obligations on the basis of the regulatory fee.

The Company's claims of financial problems presented in the application for licence revocation already indicated that the Company's financial stability was questionable which was later confirmed by the failure to pay one-off fee following SERC's notification. In the meantime, the Company's obligations on the basis of the regulatory fee for the fourth quarter of 2019 came due, which also were not paid within the prescribed deadline, which provided sufficient grounds for SERC to initiate the licence suspension procedure for the issued licence and commence the licence revocation procedure. The licence was suspended by the SERC Decision number 05-28-12-335-4/19 of 16 October 2019 while the licence revocation procedure was initiated at the same time, on which the Conclusion number 05-28-12-335-5/19 of 16 October 2019 was adopted.

First of all, on 18 October 2019 SERC published a short public notice in daily newspapers and on its web site, summarising the reasons for initiating the licence revocation procedure and determining the deadline until 25 October 2019 for submission of public comments and requests

for acquiring intervener status in the procedure. It was concluded that the public had not submitted any comment on the initiated licence revocation procedure nor had any person expressed the interest to participate in the procedure in the capacity of the intervener.

All this provided sufficient grounds for SERC to start preparing a draft Decision on licence revocation. As of 1 November 2019, this document was made available to the “Erdal” Company as well as all other interested members of the public who were also provided with an opportunity to give their comments during a general public hearing held on 7 November 2019 at the SERC seat in Tuzla preceded by publication of an adequate notice in daily newspapers and on the SERC web site.

As the “Erdal” Company and representatives of the public did not participate in the general public hearing and the Company did not express any disagreement with the proposal of the Decision even on the last occasion until 20 November 2019 following the SERC letter number 05-28-12-335-22/19, there were sufficient grounds to conclude that it was considered that the SERC’s proposal was prepared in accordance with the Law on Transmission of Electric Power, Regulator and System Operator of BiH and secondary legislation dealing with the matters concerned.

Namely, the indications of the questionable financial stability of the “Erdal” Company were confirmed by the failure to meet the obligation under the regulatory fee for the fourth quarter of 2019, the payment of which was ordered in advance on a quarterly basis no later than 30 September 2019 pursuant to the SERC Decision number 05-28-12-370-7/18 of 18 December 2018.

Furthermore, the payment of the regulatory fee is the obligation stipulated by Point 6.1 of the Standard licence conditions for performance of the international electricity trading activity (Official Gazette of BiH, 14/16). The failure to pay the regulatory fee by itself is a reason for licence revocation pursuant to the provision of Article 51 paragraph (1) point b) indent 6) of the Licensing Rule – Consolidated Version. Furthermore, it is also a strong and reliable indicator that the licensee violates the obligations defined in point 2.1 of the Standard licence conditions as the licensee has ceased to fulfil the criterion of financial and economic capacity as one of the general criteria based on which the licence was issued, which is also a reason to revoke the licence pursuant to Article 51 paragraph (1) point b) indent 1) of the aforementioned Rule. These reasons were pointed out to the “Erdal” Company during the licence suspension procedure but the Company found no interest to remove them during the licence revocation procedure.

Lack of financial stability of licensed entities may have negative consequences on other entities in the electricity sector, electricity market functioning and quality of electricity supply. Taking into consideration primarily the aforesaid but also bearing in mind financial implications of the failure to pay the regulatory fee for SERC, pursuant to Article 51 paragraph (1) point b) indents 1) and 6) of the Licensing Rule – Consolidated Version it was decided as provided in the disposition of this decision.

Pursuant to Article 9.2 of the Law on Transmission of Electric Power, Regulator and System Operator of Bosnia and Herzegovina, proceedings may be initiated before the Court of Bosnia and Herzegovina by filing a lawsuit within sixty (60) days of receipt of this decision.

Number: 05-28-12-335-24/19

27 November 2019

Tuzla

Chairman

Suad Zeljković

