

September (2) 2006 issue of Balkan Energy NEWS, with limited data

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Balkan Energy NEWS publication

Balkan Energy NEWS service provides energy related news from countries of South East Europe. Covered countries are Albania, Bulgaria, Bosnia & Herzegovina, Croatia, Greece, FYR Macedonia, Montenegro, Romania, Serbia, Slovenia and Turkey. Besides all regional energy related news, we are giving you in each issue one market analysis and review of the tenders announced and held in this area. You will be also able to see review of energy market data and relevant power exchanges.

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Country	Year	Sum	1	2	3	4	5	6
Slovenia	2007	11182	1027	891	953	850		
	2008	11570	1094	998	1012	911		
	2009	10994	1099	932	963	818		
Bosnia and Herzegovina	2007	11722	1074	979	1016	910		
	2008	12186	1155	1038	1075	938		
	2009	11599	1089	959	989	850		
Bulgaria	2007	34509	3239	2969	2960	2937		
	2008	32721	3071	2871	3196	2636		
	2009	31954	3486	3052	3021	2443		
Croatia	2007	33452	3475	3107	3087	2577		
	2008	33099	3275	2975	2975	2577		
	2009	17842	1680	1543	1570	1599		
Greece	2007	17507	1625	1530	1551	1323		
	2008	15374	1455	1481	1553	1356		
	2009	15374	1455	1481	1553	1356		
Romania	2007	50636	4736	4288	4473	3803		
	2008	53365	4971	4472	4727	4111		
	2009	51411	4819	4472	4727	4111		

Country Reports on Energy Business in South Eastern Europe

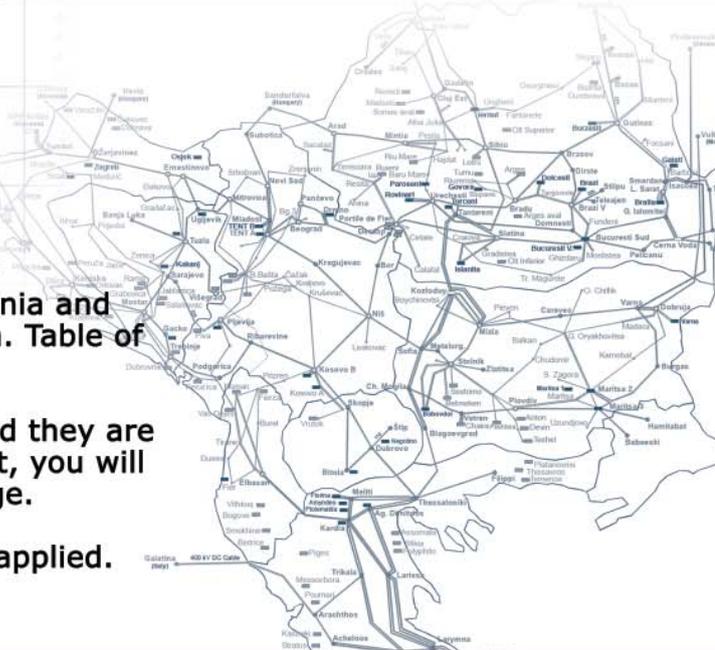
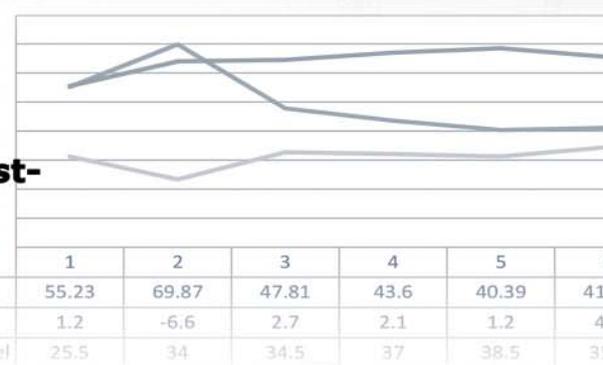
Country reports provide detailed overview of energy sector:

- Overview of the electricity market,
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- Actualities - hot topics
- Key market players,
- Legislation and electricity market opening
- Electricity prices and tariffs,
- Potentials for investments in power generation,
- Privatizations in power industry
- Current state of RES sector

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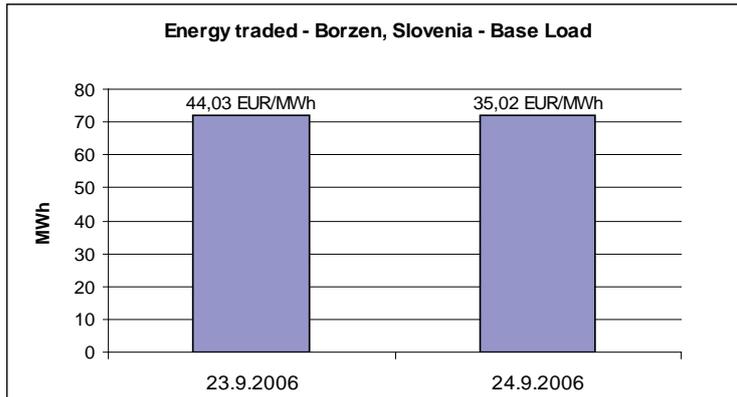


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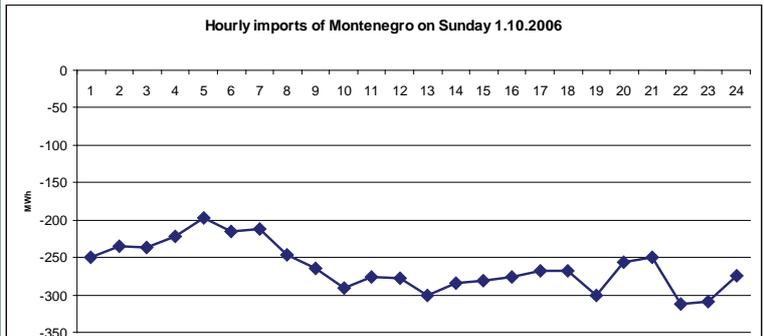
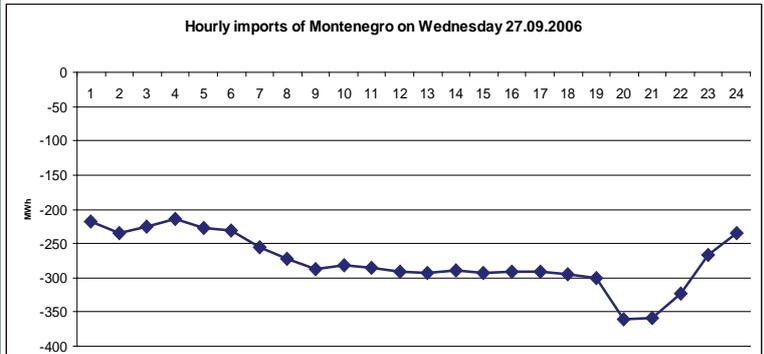
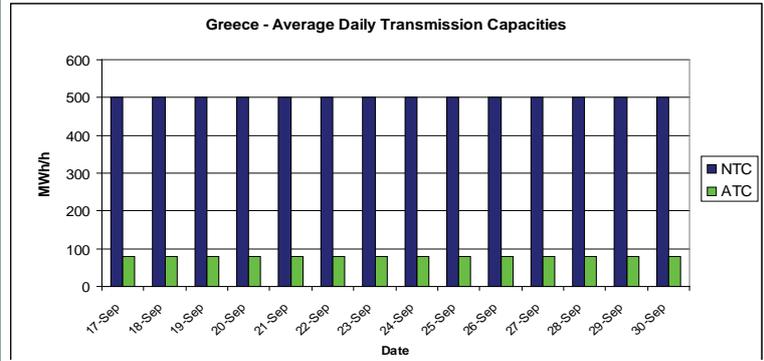
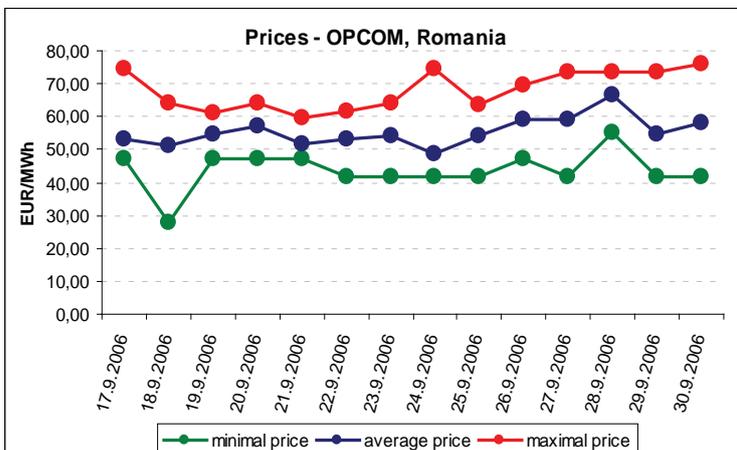
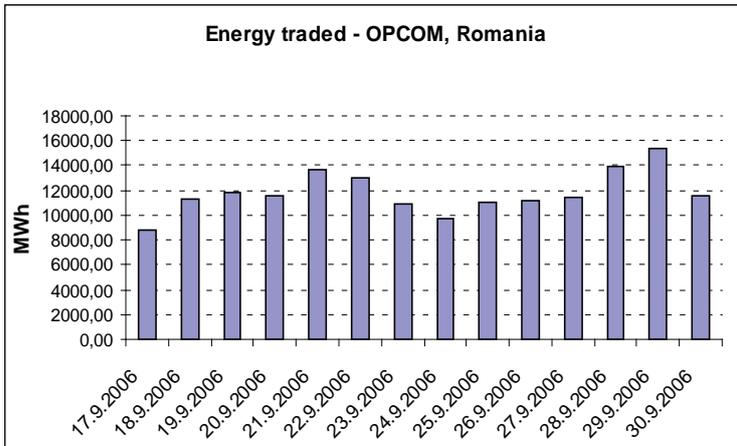
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Power exchanges data:



* In the period from 17.9.2006 till 30.9.2006 no other trades were performed on Borzen



Montenegro average daily consumption: 11GWh
 Montenegro maximal hourly consumption: 530 MWh
 Montenegro minimal hourly consumption: 420 MWh

Analysis:

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Review of power sector in Kosovo

In accordance with UN Security Council Resolution 1244 (year 1999), Kosovo is under United Nations interim administration (United Nations Mission in Kosovo - UNMIK). Following elections in November 2001, the Provisional Institutions of Self-Government (PISG) - including the President, the Assembly, and the Government of Kosovo were established. Kosovo is estimated to have a population of around 2 million people, with GDP per capita: 1,565 \$ per annum.

The creation of the Energy Community in South East Europe (ECSEE) is the outcome of the so-called "Athens Process" for regional energy co-operation. This process was launched by the European Commission, with the support of the Stability Pact in 2002. On 25th October 2005 the first ever multilateral treaty in SEE was signed in Athens. On behalf of Kosovo, UNMIK signed Treaty establishing ECSEE.

Electricity demand growth rate in Kosovo could be much higher, if we consider the potential increase of industry demand, which currently represents only a very small percentage of total electricity consumed. However, most of industrial sites are in the process

of privatization and it is considered that their consumption will be increased after they are put again in operation. Some electricity demand growth scenarios envisage annual consumption of approximately 5400 GWh in year 2010.

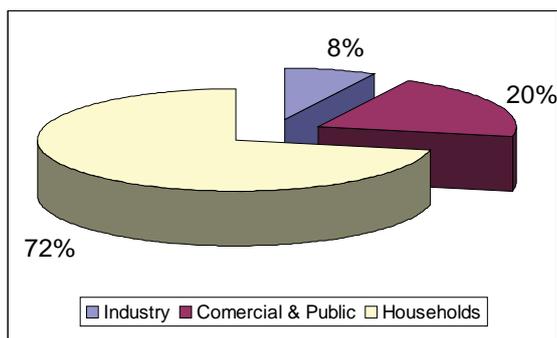


Figure: Consumption by category of customers in 2005

Due to insufficient electricity production and insufficient funds for electricity import, load shedding is regularly applied. Load shedding regime with so-called "ABC Policy" introduced good (class A – 24:0 h) and low (class B – 5:1 h) or non-paying (class C – 3:3 h) Customers where in "x:y" relation, "x" represents duration in hours with and "y" without electricity supply. The fact that only 52% of the delivered electricity (in kWh) is billed, from which only 66.6% is collected in money terms, does not generate the necessary funds required to increase electricity imports or to invest in energy capacities (generation and network) where private investments are necessary.

Actual growth of demand is not reflecting equal rates of economic development and in the case of Kosovo it can be attributed to the very low payments of the electricity bills and the weak enforcement tools by the utility company (KEK) to collect the money, both creating unfortunately the environment for uncontrollable increase of electricity consumption.

Geologically speaking, the coal (lignite) deposits in Kosovo are among the most favorable reserves of coal in Europe. The average ratio of 1.7 m³ of overburden (topsoil) to 1 ton of coal provides the optimum access to the coal deposits. The coal mined in Kosovo is the lowest cost coal in Europe in terms of unit cost of contained energy. Geological deposits of coal in Kosovo are estimated to contain between 11 and 14 billions of tons. The coal of Kosovo is geologically young lignite with a quality of 6.28-9.21 MJ/kg, consisting of 9.84-21.32% ash, with moisture content of 38–48% and sulphur 0.64-1.51%. Power generation in Kosovo is and will be based on this high calorific lignite deposits. Main lignite recourses are allocated in two big basins, named "Kosovo" and "Dukagjini"/"Metohija" with exploitable reserves of good quality, low content of sulphur and an attractive overburden to lignite ratio, making mining very economic. Until the end of year 1998, 226 million tons of coal had been mined in Kosovo, representing 1.58% of the estimated geological deposits and 1.96% of the total exploitable reserves. It is supposed that nearly 40 million tons had been mined additionally until mid 2006.

According to Energy strategy of Kosovo for the next decade, it is foreseen that the power generation in the near future 2006-2015 of at least 1800 MW will be focused on meeting demand of domestic consumers with stable, uninterrupted, and competing prices as well as export of energy surpluses (30-50%) to regional and wider market. For this reason, the following is needed:

- » Normal peration of TPP Kosovo B and the HPP Ujmani/Gazivode;
- » Rehabilitation of TPP Kosovo A;
- » Start of operation of new TPP units with installed capacity of around 1,000 MW in the first phase, through strategic partners, especially with joined investments;

- » Construction of HPP Zhur with a concession;
- » Stimulation of construction of small HPPs by private investors.

In line with previous goals, Ministry of energy and mining of Kosovo provisional institutions issued in mid August 2006 a Pre-Qualification Memorandum "EXPRESSION OF INTEREST FOR THE DEVELOPMENT OF A NEW LIGNITE MINING FACILITY AND ASSOCIATED NEW ELECTRIC GENERATING AND ASSOCIATED TRANSMISSION CAPACITY AND REHABILITATION OF EXISTING GENERATORS" for which prospective bidders must submit their credentials by October 31, 2006. Announcement of pre-qualified bidders will be no latter than the end of the first quarter of 2007. Energy development project, given through the Pre-Qualification Memorandum, encompasses the following components:

- » a) Construction of a new TPP Kosovo C with an estimated installed capacity of up to 2100 MW and associated transmission capacity;
- » b) The development of a new coal mine for existing generation units (Sibovc SW);
- » c) The development of a new mine (the Sibovc mine) for TPP Kosovo C; and
- » d) Rehabilitation of certain units of the existing TPP Kosovo A.

Transmission system in Kosovo is interconnected with all neighboring systems at 400 kV level, except with Albania (only at 220 kV). A new interconnection line of 400 kV with Albania is considered vital for implementation of considerable energy exchanges in medium and long term between Kosovo's system based on base load lignite-fired thermal power plants and Albania's system based on hydro power plants. The total length of this new 400kV overhead line Kosovo B – Kashar(Albania) is 239km which part spread in Kosovo's territory is 85.5 km long with a total cost estimated in range from 39 to 51 million €. Construction of the line is foreseen to start in 2008 and to be accomplished by 2010. This new line, in combination with planned 400 kV line Podgorica(Montenegro) – Kashar – Elbasan will also enable more secure transmission of electricity produced by new TPP Kosovo C.

News:

Auctions of transmission capacities till the end of year (Region)

Mr. Mitiu Christozov, Head of national dispatching center of NEK, said on the energy conference organized by East Euro Link in Sofia last week, that coordinated tender for transfer capacities for year 2007 on the most important borders in the region has to be performed before the end of the year. Exact or approximate date is still not known. Countries involved, Serbia, Romania, Bulgaria, Greece, are generally agreed and possible delays and discordances can be expected, eventually, only from Greek side. Ms. Chistozov expects that for certain part of available capacity yearly auction is going to be organized, while for the rest monthly auctions will be performed.

This coordinated tender becomes especially important because since 01.01.2007 NEK will loose its monopoly position as an entity in charge for all exports and imports in Bulgaria. Auctions are expected to be very interesting since 880 MW (units 3 and 4) in Nuclear Power Plant (NPP) Kozloduy are going to be shut down permanently till the end of 2006, and Bulgaria will due to that lose its position of major exporting country in the region. Also, second 700 MW unit in NPP Cernavoda in Romania is expected to be put in operation till sum-

mer 2007. So, these auctions are probably going to be very atypical for the region due to these significant expected changes in energy balances of Romania and Bulgaria.

§ § §

Gazprom and MOL consider expansion of Blue stream project (Region)

According to the Reuters, Russian Gazprom and Hungarian MOL have been considering an option for start of feasibility study on the extension of Blue stream natural gas pipeline.

Head of Gazprom said that Blue stream 2 would go across Turkey, Greece, and Italy and probably toward Israel, where extensions of the pipeline would deliver natural gas to Romania, Hungary and Austria.

Blue stream pipeline has capacity of 16 billion cubic meters of gas, and it delivers natural gas from Russia to Turkey.

§ § §

World Bank ready to provide 1 billion dollars natural gas projects in f Southeastern Europe (Region)

The summit "Natural gas pipelines and gasification in Southeastern Europe (SE)" was held in Belgrade in mid September. The summit was attended by representatives of Slovenia, Turkey, Bosnia and Herzegovina, Bulgaria and Austria.

The representatives of World Bank (WB), that attended the summit, said that WB in cooperation with German KfW bank would initiate Study on gasification of SE. The study should refer to nine countries in the region, which should import natural gas from Turkey.

The main purpose of the study is to analyze long-term natural gas consumption, gasification of 20 large cities and usage of liquefied natural gas. The study should be a way of support for countries in the region and it should initiate investments in natural gas sector.

WB was also interested to provide 1 billion dollar loans for future natural gas projects, officials of WB confirmed. . He also announced that WB would soon inform government of Serbia on this subject. In the same time, WB's official could not guarantee that bank would support Nis-Dimitrovgrad project if the project was led by Gazprom, yet he said that WB would closely analyze this possibility.

Promoters of Nis-Dimitrovgrad pipeline, the German consulting company ConsultPartner, believe that future pipeline, which should be built across Serbia, Bosnia and Herzegovina and Italy, with extensions to Croatia, Albania and Kosovo, would be the best solution for the countries in the region. According to them, the proposed route would be the best way for import of gas from Bulgaria and Turkey.

The Serbian representatives concluded that main conditions for start of large-scale gasification projects in Serbia was construction of underground storage facility in Banatski Dvor and construction of natural gas pipeline Nis –Dimitrovgrad. Serbia has some 190,000 customers connected to natural gas networks, mostly in Vojvodina province, in northern part of the country.

Officials of national gas company of Serbia, the Srbijagas, said that pipeline Nis-Dimitrovgrad was vital for Serbia and for future connec-

tion to regional gas networks. The length of the pipeline should be 110 km and the cost of the construction is estimated at 60 million dollars.

Srbijagas called for removing the monopolies in energy sector, establishment of energy market and for new investments. The main problem for the company is the price of the natural gas sold on domestic market, which is lower than the average import price.

According to officials, construction of storage facility in Banatski Dvor, will not be finished at time, i.e. before the winter season, due to lack of funds.

§ § §

Stable power supply during next winter (Albania)

Albanian minister of economy, trade and energy promised once again that Albania would not face power cuts during the incoming winter.

As a reminder, during last winter, Albania has experienced the worst blackouts in the history, due to severe drought that affected almost 100 % hydro dominated power system of the country.

Minister confirmed that all necessary maintenance works in hydro power plant have been finished in time, which would provide regular power supply for all customers.

§ § §

Natural gas supply contract prolonged until November 1st (Bosnia and Herzegovina)

Deputy minister of finance of Russian Federation said that Russia could return the debts to Bosnia and Herzegovina (BiH) by the end of the year.

Overall debt of Russia toward BiH is 170 million dollars. In return, government of BiH demanded from Russia to settle this debt by paying the debts of BiH for delivered natural gas from Russia. BiH owes 104.8 million dollars to Gazprom for delivered natural gas during the war in the country.

Officials of BiH confirmed that delivery of natural gas from Russia would be prolonged until November 1st. This was agreed on meeting between Gazprom, BH Gas and Energoinvest held in Belgrade.

§ § §

Report on electrical energy import and export in 2005th (Bosnia and Herzegovina)

According to the official report presented by ministry of energy, industry and mining of Federation of Bosnia and Herzegovina (BiH), in 2005th, Federation of BiH has exported 1.44 TWh of electrical energy and imported 1.52 TWh.

The experts from power utilities in the country estimated that dependency on electricity import would continue in the next 10 years. In the same time, it is estimated that only 30 % of overall water potential in the country is used for power production.

Ministry of energy believes that electricity balance will be improved after Power utility of BiH returns electricity debts to Power utility of Croatia (HEP) in the next year. The electricity production could be increased in the next five years by construction of new power plants.

On the other hand, potential investors that submit offers during the latest public invitation of government of BiH for construction of new power plants demanded in return electricity from new plants. It means that BiH would not be using electricity from new plant for its purposes, until investments were repaid.

§ § §

Austrian APET selected as strategic partner in electrical energy sector (Bosnia and Herzegovina)

Government of Federation of Bosnia and Herzegovina (F BiH) has decided that Austrian consortium APET will become strategic partner in electrical energy sector.

The APET was selected among 37 different companies and consortia, which sent their bids after government invited potential investor to participate in large-scale projects in electrical energy sector.

Apet, the Austrian Power and Environment Technology, is established by Siemens, Alpina, Va Tech, Altstom, Austrian energy, Poyry, Porr, Atel and Wew. The consortium was established with the support of Austrian government 8 years ago in order to initiate bilateral cooperation in energy and environmental projects.

In the preliminary offer, APET offered 100 % funding of the construction projects and in return requested guaranteed delivery of electrical energy until the investments were repaid. The worth of APET's offers was 2.5 billion euros.

Government concluded that APET offered the best equipment for the hydropower plants (HPPs) Ustikolina, Vranduk, Rmanj Manastir and Vrilo, particularly regarding the environmental standards. Also, Austrians offered strategic partnership in all stages of projects.

Officials from APET, supported by government of Austria, are looking forward to very soon implementation of the projects, which are considered as the highest priority of energy sector of BiH.

As a reminder, Federation of BiH plans to build 8 power plants, the hydro power plants (HPPs) Ustikolina (3 x 22 MW), Vranduk (21 MW), Rmanj (2 x 36 MW), Vrilo (42 MW) and thermal power plants (TPPs) Tuzla (370 MW), Kakanj (250 MW), Bugojno (2x300 MW) and Kongora (2x275) MW.

The construction of facilities in Ustikolina, Vranduk, Rmanj Manastir, Tuzla, Kakanj and Bugojno will be carried out by Power utility of Bosnia and Herzegovina, while facilities in Vrilo and Kongora will be built by Power utility of Bosnia and Herzegovina.

§ § §

New electricity tariffs from October 1st (Bosnia and Herzegovina)

In accordance to decision of Federal Energy Regulatory Commission (FERK) reached on March 24th this year, public company Power utility of Bosnia and Herzegovina (EP BiH) will start to apply new, winter electricity tariffs starting from October 1st.

The price of kWh of electrical energy for households (with two-tariff electricity meters) during the day tariff will be 7 eurocents, and during the night tariff, the price will be 3.76 eurocents.

The price of electricity for households with single-tariff electricity meters will be 5.7 eurocents per kWh during winter season.

§ § §

Delays in projects for 75 new small size HPPs (Bosnia and Herzegovina)

According to latest information, the most of the projects for construction of 75 small size hydropower plants (HPPs) in Republic of Srpska (RS), with power output less than 5 MW, would not start on time. Officials of RS estimated that these projects would result in 75 million euros worth public works.

HPPs should be built through concession contracts, and the investors should have started to build new facilities until end of the year. The concessionaries said that the projects were behind the schedule due to short period for acquiring all necessary permits for start of the construction.

The Association of concessionaires warned on numerous administration problems related the issuing of necessary permits. The majority of investors signed concession contracts with the government of RS in March this year, where investors were obliged to prepare feasibility studies and to acquire necessary licenses in six-month period. The most of investors will ask for prolonging the deadline.

Nevertheless, Norwegian company, Technoenergy managed to acquire all necessary permits, where Norwegians will build three small size HPPs with overall power output of 14.7 MW.

Commission for concession announced that it would show maximum tolerance, so that concession contract will be cancelled only if particular investor did not do anything in past six month. Officials fear that several investors will be forced to abandon the project due to lack of funds.

§ § §

50 million euros for dismantling of two units in NPP Kozloduy (Bulgaria)

European commission (EC) will grant 50 million euros for dismantling of units 1 and 2 (440 MW each) in nuclear power plant (NPP) Kozloduy. The financial aid will be approved by the draft contract between Bulgaria and EU, under the PHARE program.

Bulgarian energy and economy minister said in June this year, that Bulgaria would certainly dismantle two units in NPP Kozloduy, which would not be restarted again in any case.

Units 3 and 4 (440 MW each) in NPP should be decommissioned by the end of this year, while modern units 5 and 6 (1,000 MW each) will stay in service.

Several experts in Bulgaria demanded postponement of decommissioning of units 3 and 4 due to forecasted problems in power supply in Bulgaria and in the entire region.

The latest attempt to prolong the deadline for decommissioning came from member of the Bulgarian Parliament and Observer in the European Parliament. She said that Bulgaria would certainly obey its

commitments regarding NPP Kozloduy, but she said that this would certainly lead to electricity shortage and environmental problems in the region in the period 2007th until 2012th.

Bulgarian official believes that before NPP Belene was put in operation, EU could impose more flexible approach for units 3 and 4 in NPP Kozloduy, so that they could produce electricity after the January 1st 2007th.

She reminded on Bulgaria's 32 years of safe operation of NPP in Bulgaria, lower electricity prices and reduced environmental pollution in case of prolonged operation of aforementioned units.

§ § §

Cuts in natural gas supply for debtors (Bulgaria)

Bulgarian national gas company Bulgargaz warned indebted district heating companies on possible cuts in natural gas supplies in case if they do not pay debts on time. Bulgargaz said that aforementioned debts in heating companies in Sofia, Plovdiv, Pleven, Varna, Burgas, Shumen and Vratsa reached 67 million euros.

The largest debtor with 50 million euros of debts is the largest heating company in the country, the Sofia heating company (28 % of overall domestic gas consumption). On the other hand, household customers owe some 83 million euros to the company.

The debts came in focus after announcement on possible changes in long-term contract between Bulgargaz and main supplier, Russian Gazprom. Gazprom requested changes in contract, i.e. higher prices for natural gas and paying the transit services in cash.

In the same time, Bulgargaz demanded increase in domestic natural gas prices by 6 % starting from October 1st. On the other hand, several large industrial customers called for postponement of the announced increase. Customers believe that domestic gas prices could rise by 15-25 % until the end of the year, if the Gazprom's proposal was accepted.

Industrial customers have sent the letter to the energy minister asking for non-acceptance of changes of supply contract with Gazprom. According to current mechanism, Bulgargaz imports forecasted annual amount of natural gas for each industrial customers, where entire amount needs to be paid regardless if it was used.

§ § §

Seven companies competing for Ruse heating company (Bulgaria)

Seven companies have submitted bids to the Privatization agency (PA) for privatization of 100 % of shares in Ruse heating company.

The bids were submitted by Parsons E&C Bulgaria, E.ON Energie AG (Germany), HSE (Slovenia), Dalkia International (France), CEZ (Czech Republic), Mechel International Holding AG (Switzerland) Inter RAO EES (Russia).

The shortlist of the companies that will enter second phase of privatization procedure and that will be allowed to buy the tender documents will be published by October 4th. The final bids will be submitted until November 3rd.

The privatization procedure for Ruse heating company was restarted after first ranked bidder, the RAO EES purchased heating company in Varna and power regulator restricted Russians to buy two heating companies at the same time, claiming that this would be establishment of monopoly. The RAO has later abandoned purchase of Varna heating company and once again placed bid for Ruse heating company.

§ § §

Alstom granted 700 million euros contract for construction of TPP Martisa Iztok 1 (Bulgaria)

French power company Alstom was granted contract for construction of 670 MW replacement capacity in lignite fired thermal power plant (TPP) Maritsa Iztok 1. The worth of the contract is 700 million euros and the investor is US company AES.

The Alstom will be responsible for engineering, purchase of equipment, construction and manufacturing of main equipment in TPP.

TPP Martisa Iztok 1 will be the first large power plant built in Bulgaria after 20 years, where TPP should be put in operation in 2009th.

The TPP should have modern design, particularly regarding environmental standards, i.e. the emission of greenhouse gasses, which should be in accordance to EU Large Combustion Plant Directive. According to Alstom, 98 % of sulfur dioxide will be efficiently removed from combustion gases.

§ § §

Atomstroyexport potential winner in tender for NPP Belene (Bulgaria)

According to Russian media, Atomstroyexport, the one of two bidders for construction of second nuclear power plant (NPP) in Bulgaria, the NPP Belene (2x1,000 MW), is the most likely winner in the tender. Russian agencies quoted sources from National transmission operator (NEK) and Bulgarian press.

Atomstroyexport's partner in consortium is the French Areva and German Siemens. The second bidder was the consortium led by Czech Skoda, together with Westinghouse company.

The winner in the tender should be announced by the end of September.

§ § §

Increase in electricity and natural gas prices from October 1st (Bulgaria)

Although it was announced that price increase would be postponed until November 1st, State Energy and Water Regulatory Commission (SEWRC) approved new electricity and natural gas prices starting from October 1st.

The power regulator did not approve the requests for increase in electricity prices demanded by private power distributors.

According to new tariff system, discount daily tariff of 5 eurocents per kWh for first 75 kWh of electrical energy spent, and 8.9 eurocents for the rest electricity spent will be canceled. New tariff system

introduces single day tariff of 7.5 eurocents per kWh. The night tariff of 4.8 eurocents will remain the same.

The data from May 2005 until April 2006th showed that less than 20 % of customer spend above 75 kWh per month. This means that majority of customers would not notice changes in power bills.

In the same time, SEWRC approved 1.86 % increase in natural gas prices up to 159 euros per 1,000 cubic meters (no VAT included).

§ § §

Verbund and HEP jointly to build power plants (Croatia & Bosnia and Herzegovina)

Austrian power company Verbund has expressed interest for construction of 8 different power plants in Bosnia and Herzegovina (BiH) after the government of BiH decided to invite potential investors to invest in power production facilities.

Verbund offered to invest 3.5 billion euros in construction of new plants with overall power output of 2,000 MW. Verbund's spokesman did not rule option to cooperate with Croatian power utility (HEP) in projects for construction of several power plants near Croatian- BiH's border. Verbund should submit official bid after the government of BiH launched official public tender.

BiH recently decided to initiate construction of 4 hydropower plants and 4 thermal power plants. The main Verbund's concern is the fact that government of BiH still did not reveal details or the timetable for particular projects.

§ § §

HEP's officials called for changes in privatization law of HEP (Croatia)

Chairman of the management board of Croatian power utility (HEP) said that Law of privatization of HEP, voted in 2002nd, needed to be improved, although he considered it good.

According to the present law, the state should keep the 51 % stake in HEP, the same amount of 7 % of shares should be sold to employees and war veterans, 15 % will be sold through public offer and 20 % of shares will be offered to institutional investors in capital market.

Head of HEP pointed out that large number of national power companies in the World were still state owned, although there were 100 % private power companies.

HEP's official expect rise in electricity prices and transparent electricity bills in Croatia in the next year.

§ § §

24 potential wind farms in Dalmatia province (Croatia)

Due to large number of potential investors, it is expected that 24 wind farms could be installed in Dalmatia province, officials confirmed.

There was 40 requests submitted by investors, and local authorities, in charge for land planning, approved 24 suitable sites. Wind farms will be restricted to be built in the belt of 1,000 meters close to sea-

shore or to be built on islands. The least distance between the wind farms and outskirts of cities should be 500 meters.

§ § §

5 billion euros to be invested in energy sector (Croatia)

During the international autumn Zagreb fair and 4th international energy fair, Croatian minister of industry, labor and entrepreneurship said that Croatia planed to invest more than 360 million euros in natural gas network, 745 million euros in modernization of two oil refineries of Croatian oil industry (INA) and considerable sum in electrical energy sector and renewable energy sources.

Minister believes that Croatia could be crossroad of future energy routes, where government plans to diversify energy sources and to increase energy efficiency in the next period. In the next five years, Croatia should invest between 4 to 5 billion euros in energy sector, minister said.

§ § §

Janaf builds oil pipeline from island of Krk to mainland (Croatia)

The Adriatic oil pipeline company (JANAF) announced plans for construction of new undersea oil pipeline between island of Krk and mainland. The pipeline should be built until 2010th.

Alternative pipeline will replace current route that goes across Krk Bridge, where new route is aimed to increase the safety of oil transport. The construction of new pipeline has incorporated into the five-year development program of JANAF related to the period 2006-2010.

Commenting the link of the aforementioned project with the Pan European oil pipeline (PEOP), officials from JANAF said that there was no direct link between these projects.

The technical papers for the project should be prepared until the mid 2007th, when the exact route and the cost of the new pipeline will be determined.

§ § §

Higher incomes and lower profit for INA in 2005th (Croatia)

In 2005th, the Croatian oil company (INA) has reported sale incomes of 2.6 billion euros, which was 20.8 % increase comparing to the 2004th. Nevertheless, net profit decreased by 10 %, from 133.5 million euros down to 121 millions.

The net profit in 2004th was adjusted in accordance to new accounting standards, and because of that, the business loss transferred to 2005th reached 16 million euros.

INA justified the reduction in net profit by the increase in crude oil prices, imported natural gas, inadequate increase in domestic retail prices, but also by the reduction in production of oil derivatives.

In 2005th in Croatia, INA has achieved income of 1.85 billion euros (19.5 % increase), while in the markets of former Yugoslavia (without Slovenia), INA reported 10.7 % lower incomes or 0.27 billion euros.

In EU, INA has reported 0.48 billion euros of incomes, which was 50 % higher comparing to the previous year.

The salary's expenses have increased by 18.9 %, up to 0.2 billion euros. Oil exploration and production department has reported net profit of 0.2 billion euros (56.38 million euros increase). The main reason was the 40 % increase in oil prices, which compensated 3 % reduction in oil sales due to natural attrition of domestic oil fields.

Refinement and wholesale department has reported net profit of 30.36 million euros (73.6 million reduction) due to price policy and reduction in sales in domestic market due to reduction of customs for import of oil derivatives from EU.

Retail department of INA has reported 7.31954 million euros of net profit (3.8 million euros reduction).

In 2005th, Entire INA Group has reported consolidated income of 2.86 billion euros, which was 17.1 % higher comparing to 2004th. Net profit of INA Group has been reduced from 153 million to 120 million euros.

§ § §

PPC looking forward to expansion in the region (Greece)

Officials from Public power corporation (PPC) announced that company had plans for investments in electricity markets in South-eastern Europe (SE). The investments will be mostly made in the ex-communist countries, which have plans to revitalize national power systems.

PPC see great opportunities for investments in the future integrated electricity market of EU and SE countries with over 400 million people. CEO of PPC believes that overall investments for modernization and revitalization of power systems in SE countries will reach 20 billion euros.

All SE countries are obliged to apply EU regulations in energy sector by signing Energy treaty in Athens in July.

For the purpose of investments in the region, PPC has recently established joint venture with energy company from USA, the Contour Global.

§ § §

Potential fee for usage of coal in power production for PPC in 2007th (Greece)

The latest law 2960/2001 has introduced fees for general usage of coal in Greece. The amendment that introduced tax for coal usage in period 2007-2009 was voted in August this year.

The law could be applied to Public power corporation (PPC), so that official from PPC called for voting the new amendment, which would clarify that electricity production was excluded from aforementioned coal taxes.

In 2005th, PPC has produced 67.3 million tons for purposes of electricity production, where the coal amount reached two third of overall coal production in Greece. If the coal taxes were introduced to PPC, the company should pay some 80 to 90 million euros per year, estimation showed.

In the same time, chief executive officer (CEO) of PPC announced new company's plans regarding renewable energy sources (RES).

PPC's official confirmed that company is involved in five large hydropower projects, where overall power output of the new plants should reach 635 MW.

The renewable energy projects are handled by PPC's subsidiary PPC Renewable Sources. PPC plans to install 770 MW from RES in the next several years.

§ § §

METKA looking for partners in energy sector (Greece)

According to sources, METKA company has been looking suitable partners willing to cooperate in the international energy projects.

The main aim of METKA is to become capable to participate in the energy production tender in Southeastern Europe. The potential partner could be General Electric, Siemens, Mitsubishi Heavy Industries and Alstom sources said.

In the same time, METKA has been preparing bid in the tender launched by Public power corporation (PPC) for construction of gas fired 400 MW plant in Aliveri. The worth of the project is estimated at 235 million euros.

Also, in the end of September, METKA, will participate in the tender organized by National gas company (DEPA) for the construction of 16 MW cogeneration power plant on Revithousa island. The worth of the project is 12.6 million euros.

§ § §

Reduction in energy import (Greece)

According to Eurostat's data, Greece's energy import dependency was reduced from 74.3 % in 2004th down to 70.8 % in 2005th. In the rest of EU, energy import rose from 54 % up to 56.2 %, data showed.

In Greece, import of oil and oil derivatives reduced from 65.8 % down to 61.7 % in aforementioned period, while import of other energy products reduced by 4.9 %. In the same period, domestic energy production rose by 1.1 %.

§ § §

Hellenic Petroleum to shut down refinery in Thessalonica for maintenance (Greece)

Hellenic Petroleum (HP) has announced shutting down the oil refinery in Thessalonica in November due to maintenance.

The refinery will be out of operation for two to three weeks, which will affect the business results in last quarter of 2006th. The refinery has been processing 67,000 barrels of oil per day.

§ § §

Announcements of bids for lignite mine in Vevi (Greece)

Public power corporation (PPC) will most likely submit bid in the tender 15-years lease of lignite mines in Vevi, with option to extend contract for another 50 years.

PPC should participate in the tender together with its strategic partner, the US company Contour Global (CG). The deadline for submission of bids is September 29th.

PPC and CG will control 45 % stake each in future joint venture, where the rest will be control by Alpha Finance.

According to announcements, PPC and CG will compete with Kope-louzos group, Hellenic Petroleum, Hellenic Technodomiki, Mytilineos group, Terna, Rokkas and J&P Avax.

The tender marks the end of exclusive rights of PPC to operate lignite mines in Greece.

The leasing fee will be equal to 4 to 6 % of selling price of produced coal. The reserves in Vevi coalmines are estimated at 95 million tons, which will be sufficient to supply 300 MW thermal power plant in the period of 35 to 40 years.

In the related news, Mytilineos along with constructor Hellenic Technodomiki have been negotiating with Hellenic Petroleum regarding future cooperation in electricity and natural gas sectors. If the negotiations were successful, three companies could jointly participate in the tender for coalmines and coal fired thermal power plans.

§ § §

Agreement for start of construction of AMBO oil pipeline (Macedonia, Albania & Bulgaria)

The project for construction oil pipeline AMBO (Albanian-Macedonian Bulgarian oil) have received another impulse after experts from Macedonia, Albania and Bulgaria have signed Agreement of development in Tirana in the end of September.

The deputy minister of energy and economy of Albania confirmed that the governments and the parliaments of three countries should very soon approve the agreement.

By the agreement, three countries are obliged to develop and facilitate the project, the MoU of which was signed in the end of 2004th.

AMBO oil pipeline will transport oil from Caspian region to the Bulgarian port Burgas, across Macedonia, to the Albania port Vlora. The pipeline should be 913 km long and the worth of the project is estimated at 1.3 billion dollars.

However, economy advisor of prime minister of Albania said that government of Albania decided that AMBO should terminate at Por-to Romano, instead in Vlora. Albanian news agency reported that Bulgaria and Macedonia agreed on this issue.

§ § §

Announcement of tender for construction of small size HPPs (Macedonia)

Government of Macedonia has instructed ministry of economy to launch the tender for construction of small size hydro power plants (HPPs).

In the same session, government decided to establish special commission that will be in charge for construction of new large HPPs, i.e. HPP Cebren and HPP Galiste.

Government has also discussed tender for sale of thermal power plant (TPP) Negotino (200 MW). The tender was launched and organized by the former government. Ministries in new government argue whether to launch new tender procedure or to go on with the existing tender procedure.

The first ranked bidder in the tender was Austrian EVN, owner of Power utility of Macedonia-Distribution (ESM). Several other bidders, particularly Canadian companies Hatch and Energy Resources, claimed that tender procedure was irregular and in favor of EVN.

§ § §

No increase in heating price in capital Skopje until the end of 2006th (Macedonia)

Regulatory energy commission (REC) proposed that heating prices in the capital Skopje should stay the same until the end of the year. This was said after the largest heating in the country, the Skopje heating company, demanded 100.7 % increase in heating prices.

REC officials also said that heating prices in period 2007-2008th should see minor changes.

In the same time, REC has approved increase in heating prices for Bitola heating company (30 % increase) and for Skopje –North heating company (48 % increase). This was another reason for dissatisfaction of representatives of Skopje by the decision of REC.

The analyses of REC showed that existing price of heat energy provide profitable operation for Skopje heating company, and that company's request for increase in heating prices was unfounded.

§ § §

MEPSO prepares new tender for import of electricity (Macedonia)

Macedonia's transmission system operator (MEPSO) should announce new tender for import of missing electrical energy by the end of September. The tender will be related to the import of electrical energy in the first four months of 2007th.

In tender in May, MEPSO wanted to import 2.7 TWh of electrical energy for the period until the April 2007th. Due to high prices, MEPSO decided to import only 70 % of aforementioned amount, which was sufficient for the period until the end of the year. The rest of missing electricity, MEPSO should import in new tender.

MEPSO should pay 170 million euros, instead of planned 118 million euros, for the electricity that should be imported by the end of the year. Average price of imported electrical energy paid by MEPSO reached 5 eurocents/kWh, 40 % higher comparing to the last year's price of 3.6 eurocents.

The offered prices in the tender prices varied from 40.4 euros per MWh up to 62.5 euros.

MEPSO expects that price of electrical energy in the future tender will be higher than in tender organized in May this year. This will imply new increase in electricity prices for customers in Macedonia. The MEPSO's officials hope that forecasted favorable hydrology in this year would result in reduction of planned import from 0.8 TWh down to 0.27 TWh.

Due to high import prices, MEPSO has demanded increase in wholesale electricity prices by 12.8 %. Since September, Regulatory energy commission approved 10.53 % increase in electricity prices for industrial customers, and 9.14 % increase for households customers.

Industrial customers now pay 3 eurocents per kWh, while households' customers pay 4.9 eurocents.

§ § §

ERS do not want to share water potential of Bileca Lake (Montenegro)

Officials of Power utility of Republic of Srpska (ERS) have sent the answer to Power utility of Montenegro (EPCG) regarding the request for division of water potential of Bileca Lake.

ERS said that according to international law, particularly International water convention, Bileca Lake is the border between two states, where Montenegro had undisputable right to use water from the lake.

ERS is ready to pay necessary fees for water usage, yet it is not ready to share the profit achieved by production of electricity in ERS's downstream hydropower plants.

Montenegro's officials want the dispute to be solved between two power companies. Executive director of EPCG said more than once that EPCG was entitled for part of electrical energy produced in ERS's power plants, having in mind that 25% of the Lake is on territory of Montenegro.

High officials of Montenegro did not exclude an option for political solution of the problem if two companies do not agree on the problem.

§ § §

Problems with coal ash depot in TPP Pljevlja (Montenegro)

High officials in thermal power plant (TPP) Pljevlja warned that coal ash depot in TPP was almost filled after 24 years of constant operation, which endangers safe operation of TPP.

The part of the problem was partially solved by several repairs, but the level of coal ash depot reached altitude one meter below maximum level. It is expected that dam at coal depot will be extended by one meter by the end of the year.

Technical director of TPP said that necessary preparations for closing existing and finding the new coal ash depot have not been initiated yet.

In first eight months of 2006th, TPP has produced 754 GWh of electrical energy, which was slightly below plan, due to lack of coal supplies. In August, TPP produced 121 GWh (8 % above plan). Starting from mid October, two-week regular maintenance works (preparations for the winter season) will start in TPP.

§ § §

Construction of 400 kV power line Podgorica – Elbasan until end of 2007th (Montenegro)

Deputy minister of economy, in charge for energy sector, believes that 400 kV interconnection power line Podgorica (Montenegro) – Elbasan (Albania) should be built until the end of 2007th.

New power line, 185 km long, is expected to strengthen Montenegro's high voltage power grid, which will imply higher fees for transit of electrical energy toward Greece and Italy. Deputy believes that Montenegro will charge 2 to 3 euro per every MWh of electrical energy transited. The transit fees should reach several million euros on annual level.

Albanian power corporation (KESH) has already built its part of the line, from Elbasan to capital Tirana. The construction works in Montenegro have been going in accordance to schedule, deputy minister said.

The overall worth of the project is 54 million euros. German KfW Bank is financing the most of the project, by providing 44 million euros, while Montenegro and Albania should provide funds proportionally to the length of the line in each state. The Montenegro's part of the line is 27 km long, which implies that Montenegro should provide 5 to 7 million euros for the project.

Certain experts believe that new line will increase five times current energy transactions on Montenegro –Albanian border. In the same time, it is expected that new line will reduce high losses in transmission network of Montenegro.

§ § §

Government and EN plus close to final agreement for TPP Pljevlja (Montenegro)

Director of Agency for restructuring and foreign investments of Montenegro confirmed that negotiations with Russian company EN plus regarding the sale of thermal power plant (TPP) and coalmine Pljevlja would be finalized by the mid October.

Director explained that negotiations went without any problems, where government was focused on extension of license for coal exploitation, license for TPP and coalmine operation and license issued by water management authorities.

Government has earlier accepted request of Russians regarding continuation of project for dislocation of river Cehotina and payment of operational expenses of the TPP by the end of this year. Redirection of river Cehotina will enable enlargement of coalmines, by which 55 million tons of coal will be provided. This amount of coal should be sufficient for 25 to 30 year of operation of 200 MW unit in TPP.

As a reminder, EN Plus offered to build new 225 MW unit in TPP in the next five years, where worth of investment is estimated at 170 million euros.

In the next three years, Russians will be obliged to deliver 1 TWh of electrical energy to Power utility of Montenegro (EPCG) at the price related to the price of electricity in Leipzig power exchange.

EN Plus offered 45 million euros for 100 % of shares in TPP and 195.4 million euros of investments and 5 million euros in cash for 31 % of shares in coalmine and 79 million euros of investments.

In the related news, director of Agency also confirmed that due to sale of TPP Pljevlja to EN plus, electricity supply contract between EPCG and Aluminum factory (KAP) in Podgorica, needs to be changed.

KAP, the largest industrial customer in the country with hourly power consumption of 200 MW, is owned by Salomon enterprise, the part of Basic element, same as EN plus.

The sale contract of KAP predicted that EPCG should deliver 1.2 TWh per year in the next three years and 0.9 TWh in 2009th at privileged prices. In the same time, new owner was obliged to import another 0.6 TWh per year. In 2006th, EPCG has been delivering electricity to KAP at 20.44 euros per MWh.

The contract was signed in time when EPCG was owner of TPP Pljevlja.

If government of Montenegro does not succeed to change aforementioned conditions in sale contract of KAP, Montenegro could face serious problems in power supply.

EN plus, the future potential owner of TPP Pljevlja, could produce 1.2 TWh in TPP for KAP and, with guaranteed supply of 1.2 TWh from EPCG, EN plus would have 0.6 TWh in excess, which could be sold in Montenegro or in the region. In that case, Montenegro would be missing half instead of one third of its annual power needs.

§ § §

Several foreign companies interested for construction of new TPP (Montenegro)

Government of Montenegro has been seriously considering an option for construction of new thermal power plant (TPP) that would use coal from Berane coalmine.

According to Montenegro's officials, Public power corporation (PPC) and several other foreign companies have expressed interest for the project. Estimated reserves in coal basin in Berane are 167 million tons of coal.

Until now, coal from Berane coalmine was used for purposes of 14 MW power plant within nearby cellulose factory, and by shutdown of the factory, the coalmine also reduced its production. The power plant produced electricity only for the factory's purposes.

Montenegro tried, unsuccessfully, to privatize coalmine since 2001st. Nevertheless, the first potential investor considered construction of new TPP near coalmine.

Slovakian company, OZ Koveks, has even paid 60,000-euro deposit for coalmine, with idea to purchase power plant in cellulose factory. The Slovaks planned to increase power output of the plant up to 36 MW, so that all excesses in coal production would be used in power plant and electricity could be sold to interested parties.

Montenegro's officials claim that Berane coal basin is one of the richest in Europe, where 30 million tons of coal would be easily to exploit. Experts said that annual coal production in Berane coalmine could be increased up to 400,000 tons, which would be sufficient for much larger TPP than the existing factory's TPP. Coal from Berane coalmine has almost 100 % higher calorific power than coal from Pljevlja coalmine, experts claim.

§ § §

Montenegrobonus and Petrol signed Memorandum of understanding (Montenegro)

Montenegro's state owned oil company, the Montenegrobonus, and Slovenian oil company Petrol have signed the letter of intentions. Two companies expressed interest for bilateral cooperation in oil and gas exploration, construction of oil refinery, construction of liquefied natural gas terminal and network of petrol stations. Petrol also plans to participate in the tender for construction of small size hydropower plants in Montenegro.

Overall worth of the abovementioned projects is estimated at 1.5 billion euros. Officials from two companies confirmed that they would establish joint ventures in areas of oil exploration, production of natural gas and electricity.

The feasibility studies for particular projects should be carried out by the end of the year. Chairman of the management board of Petrol said that the first projects should be started in the beginning of the next year, where the most important project would be oil and gas exploration in Montenegro.

Montenegrobonus and Petrol should place bid in international tender for oil and gas concession in Adriatic. Government should launch new tender after it has canceled previous concession contract with Jugopetrol and Hellenic Petroleum.

In the letter of intention, Petrol has expressed interest for privatization of Montenegrobonus. However, head of Montenegrobonus said that this would not prejudice future privatization process of the state owned company. The Russian Lukoil has already expressed interest for privatization of Montenegrobonus, sources said.

The Montenegrobonus is established three years ago, after sale of oil monopoly Jugopetrol to Hellenic Petroleum. Official explanation of the government for the establishment of new oil company was the need for utilization of old warehouses for fuel, wheat and medicaments, which belonged to former Federal reserves of goods.

The Petrol is the leading fuel retailer in Slovenia, with 331 petrol stations in Slovenia and abroad. In the end of August, Petrol and Russian Lukoil have agreed on establishment of joint venture. New company will be in charge for sale of oil and oil derivatives in Albania, Austria, Bosnia and Herzegovina, Croatia, Macedonia, Greece, Italy, Montenegro, Serbia and Slovenia.

Petrol will hold 51 % in joint venture and head office of the company will be in Slovenia. New company will control the largest network of petrol stations in the region, with 565 stations. Long-term plans predicted that Petrol and Lukoil should own 1,250 petrol stations in the region until 2009th. It is estimated that joint venture should achieve annual sale incomes of 4.5 billion euros and annual net profit of 75 million euros.

§ § §

Future consortium for units 3 and 4 in NPP Cernavoda without majority owner (Romania)

The project company that will be in charge for construction of units 3 and 4 (700 MW each) in nuclear power plant (NPP) Cernavoda will have several shareholders, where there will be no majority shareholder. This was announced by ministry of economy and commerce, after government accepted ministry's proposal.

Ministry of economy and commerce will be obliged to carry out negotiations with interested investor for establishment of the project company.

Two new units should produce 10.5 TWh of electrical energy per year, where estimated wholesale price of electrical energy from those units should be between 28.2 euros to 32.5 euros per MWh. The deadline for construction of single unit will be 64 months. The worth of investment is estimated at 2.2 billion euros, with rate of return of 9 to 11 %.

Nuclearelectrica, state-owned company and operator of NPP Cernavoda, in the name of the state of Romania, will invest in the project existing assets in NPP and it will provide production and maintenance services.

Officials from Nuclearelectrica have recently requested that future consortium for construction and operation of new units should have 4 to 5 companies. Each company will need to contribute 50 million euros to the nominal capital of the project company, while the rest of the funds should be acquired through the loans.

§ § §

115 % increase in profit for Nuclearelectrica (Romania)

Nuclearelectrica, the operator of nuclear power plant (NPP) Cernavoda, has reported the profit of 14.5 million euros in the first half of 2006th, which was 115 % increase comparing the last year. Overall income in the same period reached 103.3 million euros (26.6 % increase). Nuclearelectrica has delivered 2.734 TWh of electrical energy (2.695 TWh last year).

The general manager of the company explained good business results with the increase in power production, with only one unplanned interruption in the first half of this year (2 times in the same period last year).

§ § §

1.2 billion euros of debts of Termoelectrica to be resolved by national authorities, postponement of lien (Romania)

European commission (EC) confirmed that it would not get involved in erasure of debts of power producer Termoelectrica. The 1.2 million euro debt was the result of the social protection scheme over the past period. The erasure of debts was seen as one of key conditions for start of restructuring of power production companies in Romania.

Minister of economy and commerce confirmed that Competition council (CC) should reach final decision on write-off of debts. He said that only debts incurred until 2004th could be subject of erasure, where the exact amount still needs to be determined. Minister believes that company will bankrupt unless the debts were write-off.

Termoelectrica was the largest power producer in the country, which was later transformed into financially independent companies, the Electrocentrale Bucuresti, Electrocentrale Deva, Rovinari and Turceni. Termoelectrica has also five dependent legal entities. the Borzesti, Braila, Doicești, Paroseni and the services and sale subsidiary.

After aforementioned statement of EC, government of Romania decided to postpone for six months the lien and execution sale in

order to collect debts owed by Termoelectrica to the to the National Tax Agency (ANAF). The decision should be approved by CC.

Authorities concluded that lien could affect safe operation of national power system. Out of 1.2 billion euros of debts, 1 billions euros is debt toward state. The ministry of economy, which is single shareholder in Termoelectrica, believes that lien would led to the blocking company's accounts and inability to pay obligations to suppliers, which would certainly affect stable electricity and heat production.

§ § §

No increase in heating prices in Bucharest this winter (Romania)

Bucharest heating company (RADET) announced that price of heat energy this winter would be similar to that last winter, with possible deviation of 3 %. The heating prices should be between 30.58 and 32.4 euros per gigacalorie.

In the beginning of August, National Energy Regulatory Authority (ANRE) decided, in cooperation with local authorities, to impose local heating prices, instead of national one. In that time, referent heating price was 30.58 euros.

The new rules allowed local authorities to set real prices in accordance to actual costs. The prices were allowed to be 7 % higher than referent price.

§ § §

Four bids for TPP Braila (Romania)

Enel (Italy), Global International 2000 (Romania), E.ON (Germany) and Electrabel Germany have submitted bids for investment in thermal power plant (TPP) Braila (650 MW), the branch of Termoelectrica.

The ministry of economy and commerce should announce the results of the tender by October 20th. The winner in the tender will control majority stake in the future joint venture and it will become operator of the plant.

Termoelectrica wants to find investor willing to invest in upgrade of unit 4 in the TPP, which has been out of the service for several years. The project is related to the conversion of TPP into pit-coal gas fuel TPP. The worth of the project is estimated at 200 million dollars. It is expected that entire TPP will be revitalized in same manner.

§ § §

1 billion euros for energy supplies during the winter season (Romania)

Government of Romania has approved 1 billion euros budget for purchase of energy supplies for period October 2006th – March 2007th. The 922 million euros will be provided from own sources, 13.5 million will come from international loans and 227 million euros from external loans with sovereign guarantees.

According to minister of economy and trade, government has taken in account the forecasted increase in electrical energy consumption of 3.5 % and increase in heat consumption of 2 % comparing to the last year.

Government has also imposed several actions in order to provide sufficient energy supplies during the winter season.

It refers to unfreezing the account of heat and electricity producer Termoelectrica (which faced bankruptcy due to over 1 billion euros of debts), putting in operation thermal power plant Paroseni (150 MW) by the end of October, reduction in export of electricity of the cheapest electricity producer in the country, the Hidroelectrica, by 400 GWh.

In the same time, power distributor Electrica SA has contracted import of additional amounts of electrical energy during the winter season.

The aforementioned actions were aimed to reduce potential risks in energy supply, especially like those last year, i.e. reduction in natural gas supply from Russia, minister of economy said.

§ § §

Donation of USA for cities Nis and Kraljevo (Serbia)

Minister of energy and mining of Serbia and deputy of USA ambassador in Serbia have signed two donation contracts. Overall worth of the contract is 686,000 dollars.

According to contracts, USA Trade and development agency (UST-DA) will carry out two feasibility studies. One study should refer to construction of gas fired cogeneration power plant in city of Nis. New power plant, with estimated power output of 100 to 150 MW should produce heat and electrical energy. The second feasibility study concerns the construction 5 MW biomass power plant in city of Kraljevo.

§ § §

Mr. Zoran Manisavljevic, deputy of general manager of EPS, explained his opinion about strategies of EPS (Serbia)

Deputy general manager of power utility of Serbia (EPS) clarified its position regarding privatization strategy of the company in the interview to the company's paper.

He said that he and management of EPS believed that any kind of disintegration of the company and subsequent sale of parts of the company would be harmful for the state. On the other hand, the owner of EPS, i.e. the state of Serbia, could benefit by privatization if it was carried out properly.

Deputy criticized frequent requests, quoted by Serbian press, by numerous so-called experts regarding the sale of power distribution companies and hydro power plants. He said that such privatization scenario would cause incurable damage to the state.

EPS is in favor of opening of electricity market in Serbia, having in mind the current electricity prices on European market, deputy said. In Serbia, no power company could offer lower electricity prices than EPS could do. In the same time, company had submitted the best offers in tenders for delivery of electrical energy in Macedonia and Croatia, he said.

EPS also welcomes increase of number of qualified customers starting from 2008th, which will imply competitive electricity prices for EPS, instead of current depreciated prices, deputy concluded.

Commenting the announcements coming from potential investors regarding the construction of new private power plants in Serbia, deputy said that EPS would not mind. New plants will lead to increase of number of employees and industry development in Serbia. EPS itself want to attract foreign investors willing to finance construction of new power plants, deputy said.

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Planned EPS's investments exceeding 3 billion EUR until year 2010 (Serbia)

Director of investment and strategy department of Power utility of Serbia (EPS) said that one of the main priorities of EPS's development projects in period 2006th – 2010th would be projects in mining sector.

EPS plans to increase production capacity of open pit mine Tamnava West Field up to 12 million tons per year, as well as establishment of fifth BTO system in coalmine Drmno, which would provide production of 9 million of coal per year. The funds will be mostly invested in new dredgers, expropriation of land in village Vreoci, and drying up the coalmines in Kolubara and Kostolac. By this project, EPS expects to increase annual coal production from current 34 million tons up to 37 million tons.

EPS plans to carry out renewal of hydro power plant (HPP) Djerdap 2 (270), HPP Bajina Basta (360 MW) and HPP Zvornik (100 MW), as well as renewal in thermal power plant Kostolac A (200 MW). In period 2007-2009, units 4 and 6 in TPP Nikola Tesla A (300 MW each) will also be revitalized.

Until 2010th, EPS should replace all electro filters in TPPs Nikola Tesla A and B, TPP Kostolac as well to replace system for transport and storage of coal ash in those TPPs.

Regarding new power plants, the main priority of EPS will be construction of TPP Kolubara B (700 MW) and revitalization or construction of heat and thermal power plant Novi Sad. Overall worth of these two projects should be 940 million euros.

EPS has already hired advisor for preparation of the tender for finding the strategic partner for construction of TPP Kolubara B. 16 companies have already expressed interest for participation in this project.

In the period 2006-2010, 465 million euros should be invested in power distribution companies.

Overall worth of EPS's investments in aforementioned period should reach 3.16 billion euros. The funds should be provided from own sources, donations, loans and, for the first time, by the funds invested by future strategic partner.

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Ongoing works on damaged coal excavator (Serbia)

On August 15th, experts of Power utility of Serbia (EPS) and company Kolubara-metal managed to lift up in original position the largest bucket wheel excavator in field D in open pit mine Tamnava West after 19 hours of constant works. The excavator crashed in December last year.

According to the official investigation, the 450 tons excavator was crashed due to low quality of steel that the machinery was made of. The steel was delivered by Steel factory Skopje 20 years ago.

The repair works that have been made are considered as the most comprehensive of a kind in Serbia and maybe in the World. Some 70 experts and 120 and 350 tons cranes were engaged in the project.

Despite the crash of the largest bucket wheel excavator, the production results were not affected. In the first seven months, 15.8 million tons of coal was produced in the Tamnava West (9 % above the plan).

The repair works have been continued, and according to plans, 110 meters long and 46 meters high excavator should be put in operation in the mid 2007th.

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Development of upgrades within EPS's facilities (Serbia)

Officials from Power utility of Serbia (EPS) reported on the dynamic of maintenance works in the company.

The maintenance works in thermal power plant (TPP) Nikola Tesla A (1,500 MW) have been finished, apart from repair works in damaged unit 2, which should be finished until October 17th. The electro filters, in accordance to EU standards, have been installed in units 2, 3 and 5, while the same type of electro filter will be installed in unit 1.

The maintenance works in TPP Nikola Tesla B (1,200 MW) are close to end, as well in storage pump hydro power plant RHE Bajina Basta (600 MW). The electro filters in TPP Nikola Tesla B are in accordance to standards for time being.

EPS has been facing certain problems in both units in TPP Kostolac A (300 MW) due to lost of several rail cars with equipment from Czech Republic. Because of that, capital revitalization of unit 1 (100 MW) is 8 months behind the schedule.

In the same time, Serbian Railway Company has caused another problem for EPS, company's officials said. The problem is related to the unsatisfactory transport of coal for the TPP Morava (100 MW), which is vital for voltage stability in 110 kV network.

The maintenance works in hydro power plants were low intensity type and it were postponed by the recent floods. The maintenance works in the coalmines were in accordance to schedule, EPS's officials said.

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Tender for NIS by mid October (Serbia)

High officials of Oil industry of Serbia (NIS) confirmed at the press conference that tender for privatization of NIS could be launched by mid-October.

The preparations for privatization of national oil company are in final phase, officials confirmed. In the same time, management of NIS has been preparing the social program, which will be harmonized with collective employees' agreement.

Director of corporative communications in NIS praised privatization model presented by privatization advisor, the Merrill Lynch and Raiffeisen Investment. The privatization advisor, selected two months

ago, has presented the model that will preserve vertical integration within the company, director believes. The vertical integration of the company has led to the 70 % of market share in Serbia and annual refinement of 2 million tons of oil, director said.

Head of financial department of NIS pointed out that NIS managed to reduce 94 % indebtedness rate to 18 % in the end of 2005th. Overall worth of capital of NIS in the end of 2005th was 1.2 billion dollars, and overall debts stood at 270 million euros.

Executive director of NIS said that domestic oil production would be 5,000 tons higher comparing to the last year. The planned oil production of NIS should reach 650,000 tons in 2006th, which is equal to 20 % of annual domestic oil needs.

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The 380 million euros for biodiesel plant (Serbia)

Major of city of Zrenjanin (northern Serbia) and head of Hungarian-American consortium Biotex energy have signed a contract for construction of factory for production bio-ethanol from cattle food and fertilizers. The worth of the project is 380 million euros.

It is the largest green field investment in southeastern Europe, signatories pointed out.

In 2009th, the factory should process million tons of wheat and 0.5 million tons of corn, from which 540,000 tons of biodiesel, the environmentally sound fuel, will be produced.

Tenders:

Electricity

Company / organization:	EPS, Serbia
Call for offers for consulting services regarding restructuring of the EPS power utility	
Content:	Study shall contain the analyses, opinion and recommendations regarding: <ul style="list-style-type: none"> - possibilities for decreasing the costs and increasing the profit, - improving the organization and administrative functions and other services, - improving the strategy for investments and management with the investments, - possibilities for entrance of foreign capital. The study shall acquire and grade the influence of the formerly recommended measures for future total costs of EPS and its position at the Southeast Europe Regional Electricity market.
Deadline:	Job completion shall be with the end of 2006.
Contact:	Mr. Aleksandar Jakovljevic, tel: +381 11 3972 994, e-mail: aleksandar.jakovljevic@eps.co.yu JP "Elektroprivreda Srbije", 11000 Beograd, Vojvode Stepe No.412. – Direction for Strategy and Investments

Company / organization:	The Ministry of Energy and Mining – related Kosovo
The development of a new lignite mining facility and associated new electric generating and transmission capacity and the rehabilitation of existing generators	
Content:	In accordance with the PISG's energy policy for Kosovo, MEM, on behalf of the PSC, is soliciting expressions of interest from qualified private investors in an energy development project (the "Project") that encompasses the following components: a) Construction of a new power plant 'Kosovo C' ("PPC") with an estimated installed capacity of up to 2100 MW and associated transmission capacity; b) The development of a new coal mine for existing generation units (Sibovc SW) and development of a new mine (the Sibovc mine) for PPC; and c) Rehabilitation of certain units of the existing power plant 'Kosovo A' ("PPA").
Deadline:	October 31, 2006
Contact:	Lagja Pejton, Tel: +381-38-200-213-34; Fax: +381-38-200-213-02; Email: Ilir.G.Rama@ks-gov.net; www. ks-gov.net/mem

Company / organization:	EBRD, related Romania
Timisoara District Heating - Works and Consultancy	
Content:	CLT Colterm S.A. ("Colterm" or the "Company"), the district heating company owned by the City of Timisoara, has applied for a loan from the European Bank for Reconstruction and Development (the "Bank") for the modernisation of the municipal district heating system. The Company intends using the proceeds of the loan for the installation of new gas turbine units of 20 MW gross electricity production with a 29 MW thermal output and for district heating and corporate management consultants. Colterm will be the implementing agency. The proposed project, which has a total estimated cost of EURO 22.5 million, will require the procurement of works and services for the following components: (a) supply and installation of gas turbine units; (b) procurement and implementation supervision; (c) corporate development programme (donor financed) Contracts to be financed with the proceeds of a loan from the Bank will be subject to the Bank's Procurement Policies and Rules and will be open to firms from any country
Deadline:	21 Aug 2007 at 24:00, Timisoara time
Contact:	Aurel Matei , Deputy General Manager Colterm S.A. Str. Ep. Joseph Lonovici nr. 4 300092, Timisoara Romania Tel: 0040 256 434 614 Fax: 0040 256 434 616 Email: aurel.matei@colterm.ro

Company / organization:	EBRD – European Bank for Reconstruction and Development, related Bosnia And Herzegovina
Power Distribution Reconstruction Project - Goods, works, services, consultancy	
Content:	The proposed project has a total estimated cost of Euro 52 million, proposed to be financed by the EBRD, and will require the procurement of the following goods, works and services for: (a) Goods and related Services for purchasing of metering equipment for residential consumption and Low and Medium Voltage substations, Low and Medium Voltage transformers, cables and auxiliary equipment for Low and Medium Voltage lines, machinery and equipment for the installation of the aforementioned items; (b) Works for the installation of the aforementioned items; (c) Consulting services to support the three Project Implementation Units established by the three power utilities
Deadline:	10 Nov 2006 at 23:00, Zagreb time
Contact:	Mr. Nedeljko Despotovic, PIU Director Tel: +387 33 751 030 , Fax: +387 33 751 033 Mobile: +387 61 227 208 Email: n.despotovic@elektroprivreda.ba

Company / organization:	RAE, related Greece
Evaluation of the Long Term Impact of Regulatory Policies by Developing an Integrated Energy-Economy-Environment Model for Greece	
Content:	THE REGULATORY AUTHORITY FOR ENERGY (RAE) OF THE HELLENIC REPUBLIC launches an international Open Procedure Call for Tenders, for an estimated maximum budget of € 773.500 including all taxes and VAT, if applicable, with sealed Tenders and award criterion the economically advantageous tender, for the selection of a Contractor for the project «Evaluation of the Long Term Impact of Regulatory Policies by Developing an Integrated Energy-Economy-Environment Model for Greece». This project mainly aims to support the development of scenario projections of energy production, imports, conversion, consumption, and prices of energy, subject to a variety of assumptions regarding the input variables. These variables are among others macroeconomic and financial factors, world energy prices, resource availability and costs, environmental constraints, behavioral and technological choice criteria, technology characteristics, and demographics. Particularly, all these will be incorporated into an integrating system in order to produce an equilibrium solution for energy supply and demand in the Greek energy markets on an annual basis for a period of five to ten years.
Deadline:	20 October 2006, at 11:00 hrs, local time
Contact:	Ms Nikoletta Tekirdagli, tel. 210-3727413.

Company / organization:	KEK, related Kosovo
Supply of Electrical Energy, for the period 1st January 2007 until 31st March 2008 .	
Content:	The - Kosovo Energy Corporation j.s.c. (KEK) is inviting companies to submit Bids for the supply of Electrical Energy, for the period 1st January 2007 until 31st March 2008
Deadline:	October 16th, 2006 at 14:00 hours, Kosovo time.
Contact:	The tender documents are available on the KEK web-site http://www.kek-energy.com/ or on request electronically from the following email address: sup_procure@kek-energy.com

Company / organization:	EBRD, related Romania
Design, Construction and Commissioning of the 390 Km Agadyr-YuKGRES Section of 500 KV Second Transmission Line of Kazakhstan North-South Transit Consulting Services Loan: Management and Monitoring Of Construction Contract Implementation Progress	
Content:	<p>The Kazakhstan Electricity Grid Operating Company (KEGOC) has received a loan from the European Bank for Reconstruction and Development, and it intends to use part of the proceeds of the loan for payments under the contract for consulting services for Management and Monitoring of Construction Contract implementation process. The assignment is expected to be carried out in three Phases as described below.</p> <p>Phase I</p> <p>1.1 Supervision of quality assurance by Contractor and PIU during implementation of survey work and design estimates.</p> <p>1.2 Quality and the accepted technical solutions assessment during elaboration of design estimates.</p> <p>1.3 Final review and approval of the made up design estimates for the construction of 500 kV OTL 500 kV Agadyr SS– 500 kV YuKGRES SS.</p> <p>Phase II</p> <p>2.1 Managerial and monitoring support during contracting.</p> <p>2.2 Analyses of the results of the tests performance for the quality conformance of the equipment and materials supplied under the project to the quality and technical characteristics operated together with KEGOC JSC specialists. Tests results evaluation.</p> <p>2.3 Quality assurance surveillance by the Contractor and PIU during implementation of the construction and erection works.</p> <p>2.4 Environmental measures monitoring during implementation of the construction and erection works.</p> <p>2.5 Verification of implementation according to the PIP and review of any changes to the PIP.</p> <p>2.6 Verification of the proper use of available funds.</p> <p>2.7 Submit periodic activity reports as may be requested from time to time by KEGOC.</p> <p>Phase III</p> <p>3.1 Confirmation of the Project Completion in accordance with the PIP and preparation of a Project Completion Report</p>

Company / organization:	EAR, related Romania
Construction of the overhead line 400 kV single circuit Arad – Nadab	
Content:	The activity of this project consists in procurement, installation, construction works, testing and putting into operation of the 400 kV single circuit overhead line Arad- Nadab. This project will enable to increase the transit capacity between Romania and Hungary and also to develop the safety of the system in Oradea area
Deadline:	27 October 2006, 10:00 hours, local time
Contact:	Daniela Tala/loan Doniceanu Central Finance and Contracts Unit (CFCU), Ministry of Public Finance 44 Mircea Voda Blvd., Entrance B, Bucharest 3, Romania Phone: +40 21 326 55 55 Fax: +40 21 326 87 30

Company / organization:	EBRD – European Bank for Reconstruction and Development, related Bulgaria
Power Transmission - Goods, works, services	
Content:	<p>Natsionalna Elecktricheska Kompania (NEK) intends using the proceeds of a loan from the European Bank for Reconstruction and Development [the Bank] for a project to rehabilitate its transmission network, including development of their MIS system, construction of a HV line, reconstruction and extension of a 400 kV s/st, modernisation of SCADA/EMS systems and providing of metering, testing and data processing systems. The proposed project, which has a total estimated cost of EUR 20 million equivalent, will require the procurement of the following goods, works and services:</p> <p>A.2.2. Construction of HV line 400 kV Zlatitsa - Plovdiv, and Re-routing of existing 110 kV Lines.</p> <p>Tendering for the above contracts is expected to begin in the fourth quarter 2005. The Bank financed packages will be procured as single-point responsibility supply-and-install contracts with fixed price).</p> <p>Contracts to be financed with the proceeds of a loan from the Bank will be subject to the Bank's Procurement Policies and Rules and will be open to firms from any country. The proceeds of the Bank's loan will not be used for the purpose of any payment to persons or entities, of for any import of goods, if such payment or import is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations or under a law of official regulation of the Purchaser's country.</p>
Deadline:	24 November 2006 at 23:00, Sofia time
Contact:	Lubomir Velkov – Head of Investment division Tel: +359 2 987 9154 Fax: +359 2 986 12 88

Company / organization:	KEK Energy – related Kosovo
Consulting services	
Content:	<p>Kosovo Energy Corporation j. s. c. (KEK) invites all interested companies to submit offers for Consulting Services:</p> <p>Technical assistance on tender documentary preparation, for the second system of wasteland, in the south-west mine in Sibovc.</p> <p>The deadline for submission of offers is: 13 November 2006, 14:00 hours, local time.</p> <p>The site visit to the second system of wasteland in the south-west mine in Sibovc, is desirable, and it is estimated to take place from 11-13 of October 2006, from 11:00 to 13:00 hours, local time.</p> <p>The offers should be sent in sealed envelopes, stating clearly: "Offer for technical assistance on tender documentary preparation for the second system of wasteland in the south-west mine in Sibovc", to the address of the Contracting Authority: "Kosovo Energy Corporation j. s. c. Str. "Nena Tereze", no. 36, 10000, Prishtina, Kosovo.</p> <p>Tender security: 12,000.00 €</p>
Deadline:	13 November 2006, 14:30 hours, local time
Contact:	cpd_procure@kek-energy.com

Company / organization:	EBRD, related Romania
CFR TRACTION ENERGY NETWORK MANAGEMENT PROJECT	
Content:	<p>This notice updates the General Procurement Notice published on Ebrd Website dated 22nd July 2005 under reference 5104-GPN-36043.</p> <p>CFR SA and its subsidiary CFR Electricare have received a loan from the European Bank for Reconstruction and Development and intends to use its proceeds towards the cost of a project to continue modernisation and introduce cost-savings measures in management of its traction energy network. The proposed project, which has a total estimated cost of EUR 27 million equivalent (EUR 22.5 m from the Bank and EUR 4.5m in VAT and other taxes), will require the procurement of the following goods, works and services;</p> <ol style="list-style-type: none"> 1. Supply and installation of equipment sets consisting of traction substations, switching equipment, railway station distance control equipment, and central dispatching equipment and communication facilities; 2. Supply of catenary maintenance vehicles; and 3. Consultancy services for contract supervision. <p>Tendering for the above contracts started in the second half of 2006.</p>
Deadline:	24 Jul 2007 at 24:00, Bucharest time
Contact:	<p>Mr. Tiberiu Angelescu, Director of Foreign Financing Directorate Compania Nationala de Cai Ferate CFR – SA 38, Dinicu Golescu Blvd., 3rd floor, room no. 26 010873 Bucharest 1 Romania Tel.: +40 21 224 84 06 Fax: +40 21 222 14 45</p>

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Oil

Company / organization:	INA, related Croatia
Service of in-line inspection of wall condition with intelligent tools	
Deadline:	October 10, 2006, until 11.00 hrs, local time
Contact:	Telephone No. +385 164 51 050, telefax No. +385 164 52 048, e-mail vlatka.bigac@ina.hr

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Coal

Company / organization:	EPS, related Serbia
Development of study	
Content:	<p>THE PUBLIC INVITATION to tender in the open procedure for the service - development of the Study 'Preliminary Program with the Feasibility Study for the Introduction of the System for Operational Management and Coal Quality Control on Tamnava Open Pit Mines' Procurement subject: Development of the Study 'Preliminary Program with the Feasibility Study for the Introduction of the System for Operational Management and Coal Quality Control on Tamnava Open Pit Mines' – Public procurement 05/06/DSI.</p>
Contact:	Ms. Radmila Zivojinovic, D. Sc., phone number +381 11 3971 960, e-mail: radmilaz@eps.co.yu.

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