

August (1) 2006 issue of Balkan Energy NEWS, with limited data

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Tenders: (Electricity, Nuclear, Oil and gas, Wind)

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Balkan Energy NEWS publication

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1072	Slovenia	2009	12287	1083	991	1054	941
1134		2010	12287	1083	991	1054	941
1077		2011	12590	955	1051	1127	997

Annual electricity consumption in GWh

12	Year	Sum	1	2	3	4
1120	2007	11182	1027	891	953	850
1089	2008	11570	1094	998	1012	911
1054	Bosnia and Herzegovina 2009	10994	1099	932	963	816
1156	2010	11722	1074	979	1016	910
1157	2011	12186	1155	1038	1075	938
3307	Bulgaria 2008	34506	3339	3299	2960	2637
3185	2009	32722	3339	3299	3196	2638
3257	2010	31954	3486	3052	3021	2443
3167	2011	33452	3475	3107	3037	2577
1640	Croatia 2008	17842	1680	1543	1570	1499
1648	2009	17507	1625	1530	1551	1323
1511	2010	16174	1536	1568	1358	1555
1471	2011	15174	1555	1481	1555	1481
4391	Greece 2008	53306	4915	4539	4269	4105
4391	2009	53504	4652	4271	4401	3894
4391	2010	53565	4666	4107	4327	3913
4391	2011	53565	4666	4107	4327	3913
5141	Montenegro 2009	7575	933	795	761	687
5141	2010	7575	933	795	761	687
5141	2011	7575	933	795	761	687
4791	Romania 2009	50636	4736	4268	4473	3803
5141	2010	53365	4874	4472	4727	4111

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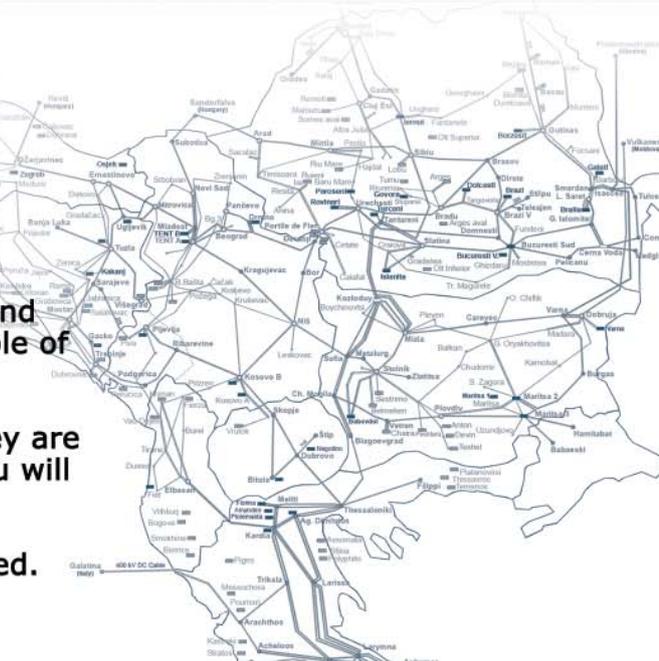
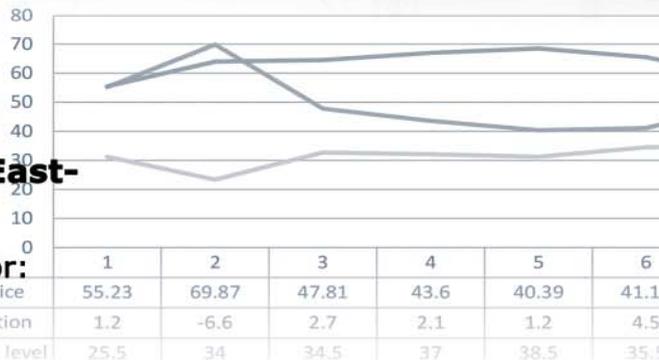
Country reports provide detailed overview of energy sector:

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- Consumption, production and export characteristics
- 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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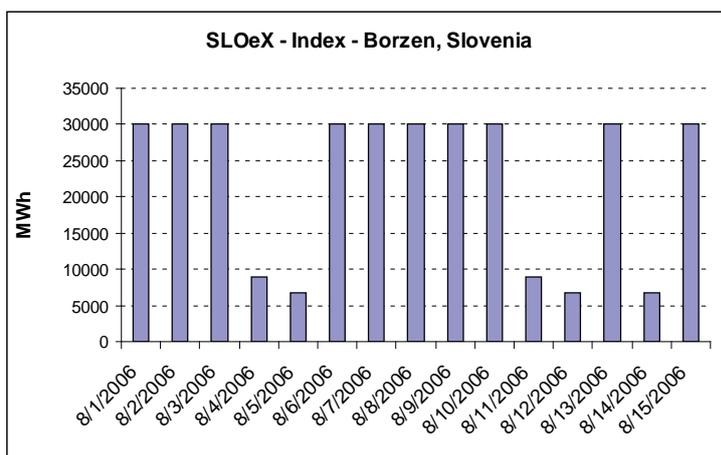
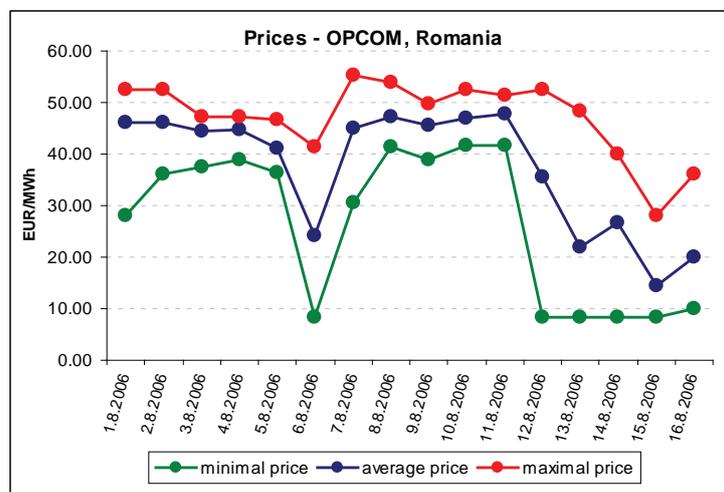
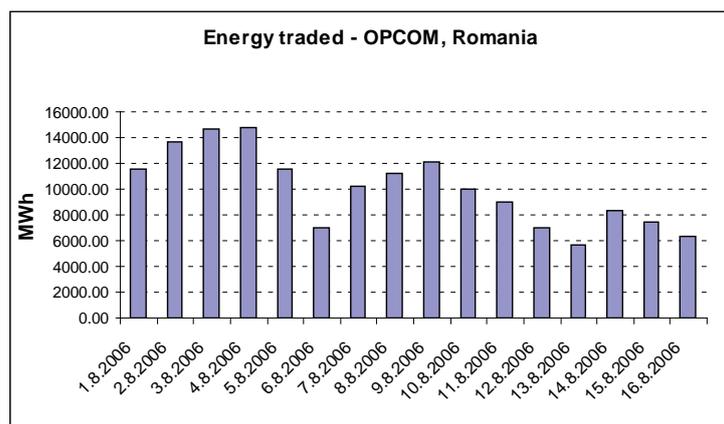
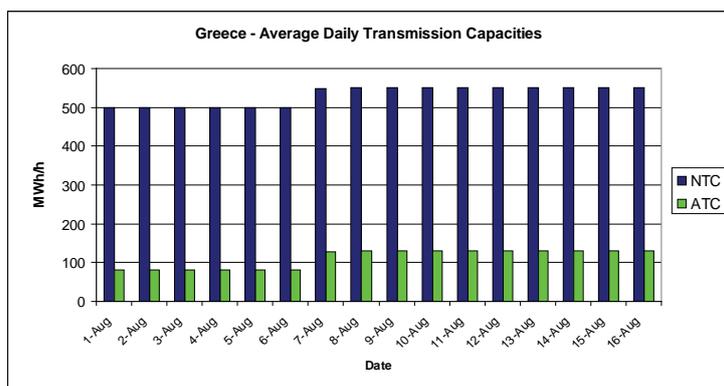
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Power exchanges data:**Analysis:**

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Coal mining sector in Serbia and Montenegro

This is a review of another comprehensive analysis of SEE Energy Assessment (www.seeea.net). The report is divided in three sections:

- 1. Coal mining sector in Serbia
- 2. Coal mining sector in Kosovo
- 3. Coal Mining Sector in Montenegro

Here we will only summaries some parts of the report referring to lignite reserves.

1. Lignite reserves in Serbia

With present estimations, Kostolac and Kolubara mining regions have enough reserves to supply existing TPPs till the end of 21st century. Lignite reserves on the mining pits that are already in operation are around 440 million tons in Kostolac and 579 million tons in Kolubara region. More than additional 700 million tons can be available on surface pits that are presently planned to be opened in Kolubara region, while total estimated remaining reserves in Kolubara region are around 1844 million tons. Estimated remaining reserves in Kostolac region are 575 million tons.

Table: lignite reserves in Kolubara region

Field	Reserves (million tons)	Heat value (kcal/kg)
Kolubara field B/C	29	1708
Kolubara field D	130	1753
Tamnava East	Nearly depleted	1679
Tamnava West	420	1760
Total existing fields	579	
Field E	395	2028
Veliki Crljeni	30	1799
Radljevo	340	1505
Juzno polje	500	1767
Total potential fields	1265	

Field	Overburden to coal ratio (m ³ /t)
Kolubara field B/C	1.8
Kolubara field D	2.6
Tamnava East	1.0
Tamnava West	2.3
Total existing fields	
Field E	4.0
Veliki Crljeni	0.6
Radljevo	
Juzno polje	2.8
Total potential fields	

Table: lignite reserves in Kostolac region

Field	Reserves (million tons)	Heat value (kcal/kg)
Drmno	440	1840
Klenovnik	Nearly depleted	2090
Cirikovac	Nearly depleted	2370
Total existing fields	440	
Total potential fields	135	

Field	Overburden to coal ratio (m ³ /t)
Drmno	3:1
Klenovnik	6:5:1
Cirikovac	5:1

2. Lignite reserves in Kosovo

There are two major lignite basins: Kosova lignite basin and Dukagjini lignite basin. There are also smaller lignite basins like: Drenica, Malishevë, Babush i Muhaxherëve lignite basin and one potential lignite basin in southern part of Kosovo.

The coal layer in the Kosovo Basin is continuous of 45 meters in average thickness and is overlain by clays and sandy gravels with thickness that vary in from 60 to 130 meters. Kosovo has the total estimated resources of approx. 10,000 million tons. With an average stripping ratio of 1.7 m³ of overburden to 1 ton of coal, coal production at Kosovo mines could supply coal to the power plants with very competitive price, compared to international coal and energy prices.

The existing reserves of coal enable great expansion of the generating capacity. Existing plans are to increase electricity generation capacity by up to an additional 2000 MW. This would require investments in opening new coalmines. Lignite is currently mined at two locations in the vicinity of the power plants (Mirash and Bardh mines). These two mines have largely been exploited and new mines will have to be opened to provide adequate coal supply for the existing and possible new power plants. With adequate investments, lignite mining will again become a large and profitable business in Kosovo.

The average values of lignite quality parameters are:

Moisture content: vary between 35% and 50%.

Ash contents: between 12% and 21% within the coal seam. The average values are around 14% to 17%.

Heating values: 7800 kJ/kg on average in the Bardh-Mirash area, while 8100 kJ/kg in the Sibovc area. From total reserves: 29% (> 8,4 MJ/kg); 43% (7,7 – 8,4 MJ/kg); 25% (5.8 – 7.7 MJ/kg).

Sulphur: 1 % in all parts of the mines/deposit including an average content of combustible sulphur of 0,35 %.

Lime: Lime concentration is sufficient to absorb significant amount of SOX during combustion so that desulphurization of flue gases is not required

3. Lignite reserves in Montenegro

The main coal deposit are in Potrljica field with a possible use of 65 million tons and Maoč field with 93 million tons so there is a potential for longer period of time. Around 90% of coal production is used to supply TPP Pljevlja (210 MW).

Table: Lignite reserves in Montenegro

Field	Exploitable reserves (million tons)	Heat value (kJ/kg)
Potrljica	65	10.7
Borovica	6	8.1
Cementara	5	12.0
Maoče	93	12.5
Otilovići	3	10.5
Bakrenjače	1	10.2
Total	173	

Field	Overburden to coal ratio (m ³ /t)
Potrljica	4,15
Borovica	0,50
Cementara	2,00
Maoče	5,50
Otilovići	4,00
Bakrenjače	1,15

Full report has 115 pages with the following content:

1. Coal mining sector in Serbia

- 1.1. Introduction
- 1.2. Lignite reserves
- 1.3. Lignite production
- 1.4. Kolubara region
- 1.5. Kostolac region
- 1.6. Lignite transportation from mines to TPPs
- 1.7. Lignite dumps
- 1.8. Costs
- 1.9. Exploitation development factors
- 1.10. Problem of lignite quality analysis
- 1.11. Underground coal mining in Serbia
- 1.12. Restructuring
- 1.13. Future development

2. Coal mining sector in Kosovo

- 2.1. Introduction
- 2.2. Coal reserves
- 2.3. Mines
- 2.4. Lignite production
- 2.5. Future Development
- 2.6. Costs

- 2.7. Environment
- 2.8. Disputable concessions
- 2.9. Useful contacts

3. Coal mining sector in Montenegro

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- 3.2. Lignite reserves
- 3.3. Lignite production
- 3.4. Field Potrljica
- 3.5. Mechanization on field Potrljica
- 3.6. Field "Borovica"
- 3.7. Mechanization on field Borovica
- 3.8. Costs
- 3.9. Future development
- 3.10. TPP Pljevlja

4. Concluding remarks

Contact for report ordering: info@seeea.net

News:

Promises for regular power supply during winter (Albania)

Albania's economy minister said that Albanian power corporation (KESH) has been importing electrical energy in order to preserve the reserves in the storage lakes of the hydro power plants. The reserves should provide stable power supply during the winter season. In the same time, government has promised that there will be no power cuts during next winter, as it was the case during the last winter season.

In the related news, according to the data of INSTAT, in the first half of the 2006th, losses in the power network of KESH increased by 4.9 % comparing to the last year. The losses amounted at 1.334 TWh. The record losses were mostly the consequence of over aged and deprived power network.

§ § §

Cooperation in energy projects (Albania)

Minister of economy, trade and energy and Greek development minister have discussed on potential bilateral energy projects in Tirana in the beginning of August.

Albanian minister invited Greek investors to participate in the large-scale energy projects in Albania. He also proposed the cooperation between two national power companies in accordance to the Energy treaty.

In related news, Albanian government has been negotiating with Greek company Prometheus regarding the construction of natural gas pipeline, which should transport gas from Russia to Western Europe. The Greek company intends to cooperate with Gazprom in this project, deputy minister of economy confirmed.

§ § §

Privatization contract for sale of Energopetrol signed (Bosnia and Herzegovina)

After 16-months long negotiations, prime minister of Federation of Bosnia and Herzegovina (BiH), director of Sarajevo oil company Energopetrol, the representatives of INA-MOL consortium have signed the privatization contract for recapitalization of Energopetrol. By this contract, INA-MOL consortium became the owner of 67 % of shares in the company, where INA and MOL will control equal stake.

According to the privatization contract, INA-MOL will invest 28.5 million euros for the recapitalization of Energopetrol, where the funds will be used for paying the company's debt. Another 4.85 million euros will be paid to the government of Federation of BiH for the recapitalization rights, where government will invest those funds for the development of new company Terminals of BiH.

INA and MOL should also invest 2.2 million euros for the social program for all 1,059 employees in the company. In the next three years, INA-MOL should invest 70 million euros in Energopetrol and in the same period, the new owner will be obliged to preserve current number of employees.

Government has preserved 22 % stake in Energopetrol and minority shareholders will control the rest of the 11 % of shares.

It is important to notice that some of the ministers in the government did not attend the signing ceremony. One of those ministers was minister of energy and industry who opposed to the sale of Energopetrol to INA-MOL from the very beginning.

The privatization contract should be officially accepted by the Shareholders assembly of Energopetrol, which should also approve the seclusion of oil terminals and hotel Marsal into the new company, Terminals of BiH.

By signing the privatization contract, government has avoided freeze of the Energopetrol's account, announced by the holder of the mortgage over 25 petrol stations of the company, the Austrian bank Creditanstalt.

§ § §

EP BiH and coalmine Breza announced fusion of two companies (Bosnia and Herzegovina)

Coalmine Breza and Public company Power utility of Bosnia and Herzegovina (EP BiH) will become one company after January 1st 2007th, since two companies have announced plans on merger in the beginning of August.

Chairman of Supervising board and chairman of shareholders assembly of EP BiH has said that EP BiH would invest 24 million euros for the modernization of technological process in coalmine.

Minister of energy and industry in government of Federation of BiH consider this plan as a step toward establishment of single power utility in Federation of BiH. This pilot project should enable continuation of restructuring of other companies in EP BiH, minister confirmed.

Coalmine delivers 90 % of produced coal to the EP BiH. Company has 1,200 workers and according to plans, 400 workers are considered as a redundant labor. The negotiations are aimed to preserve current workers in order to maintain current production.

In the related news, general strike of 13,000 miners in BiH has been postponed indefinitely, Executive board of trade unions decided. Main demand of coalmines was the increase in coal prices delivered to the thermal power plants in EP BiH. Minister of energy and industry said that this could be hardly achieved having in mind that change in coal prices would affect electricity prices, which could not be changed until end of the year.

§ § §

Plans for construction of new HPP (Bosnia and Herzegovina)

Minister of energy and mining in government of Federation of Bosnia and Herzegovina (BiH) confirmed that Power utility of BiH (EP BiH) has been looking for strategic partner in the project for construction of new hydro power plant (HPP) on river Unac. New HPP should have two units and overall power output of 72 MW.

The new HPP is one of six HPPs and four thermal power plants (TPPs), the construction of which has been planned by ministry of energy and mining.

It is estimated that construction of HPP on river Unac will employ some 2,000 workers. Similar project has been planned on river Sana too.

§ § §

Government increased price of coal of power plants (Bosnia and Herzegovina)

The first time since 2001st, the government of Federation of Bosnia and Herzegovina (BiH) has decided to increase the price of coal delivered by coalmines to the thermal power plants (TPPs) in the country.

The government set the new average price of 2.16 euros per Giga joule (GJ) and it started to apply from August 1st. Previous average price was 1.92 euros per GJ.

The largest coalmines in the country are satisfied with the latest decision, although their request was to set the price at 2.4 euros per GJ.

§ § §

Regulatory body rejected CEZ's proposal for restructuring of distribution companies (Bulgaria)

Bulgaria's State Energy and Water Regulatory Commission (SEWRC) has rejected the proposal of CEZ regarding the restructuring of power distribution companies, majority owned by CEZ, into the transmission and sale division. CEZ is owner of power distributors in Western Bulgaria, i.e. in Sofia, Sofia District and Pleven.

CEZ has earlier announced restructuring of its companies into the divisions in charge for transmission, sale and maintenance services, which should have happened until the end of 2007th.

The transmission division should be in charge for the power distribution network and metering of consumption. The sales division should own the license for supply of end customers and the license for power trade in wholesale electricity market. The maintenance division should be in charge for IT services and customers relations.

According to SEWRC, proposal of CEZ implies that some business activities in new divisions would not be supervised by regulator and with possibility to incur some additional costs to end-customers.

German E.ON, the owner of power distributors in Varna and Gorna Oryahovitsa, has submitted similar proposal as CEZ for restructuring of its power companies.

§ § §

Restructuring of NEK (Bulgaria)

In the beginning of August, parliament of Bulgaria has adopted the proposal for restructuring of National transmission system operator (NEK).

The main reason for dispute between ruling coalition and opposition parties was the idea for restructuring of NEK into company that will be allowed to be involved in power distributions business and to compete with state-owned power distribution companies.

According to new proposal, the companies with power distribution networks will be allowed to buy electrical energy directly from NEK, where estimation showed that some 60 % of companies in Bulgaria want to do so.

In the same time, experts estimated that power distribution companies could increase electricity prices by 10 % in order to compensate business losses.

Opposition believes that in this way electrical energy sector could become unstable. In addition, they believe that Bulgaria could make precedent and exception as the state with two state power distributors, which could result in paying of additional fees for end customers (for management and distribution services).

Bulgaria's energy and economy minister was surprised by the disputes having in mind that some opposition parties, which were part of the former government, had actually started the restructuring of NEK.

§ § §

Privatization of heating company in Russe announced (Bulgaria)

Bulgaria's Privatization agency (PA) has announced sale of heating company in Russe, where 100 % of shares in the company will be sold through the tender procedure.

According to the tender criteria, bidders have to be involved in production and/or distribution of heat or electrical energy, with 78 million euros of incomes in the last three years. In the same period, overall volume of distributed electrical energy should reach 950 GWh, or volume of distributed heat energy should reach 700 GWh.

Offshore companies will not be allowed to participate in the tender, while interested bidders will need to pay deposit of 2.5 million euros in order to participate in the tender.

§ § §

NEK unsatisfied with long-term contract for purchase of electricity (Bulgaria)

National transmission system operator (NEK) has expressed dissatisfaction with the announced changes in energy law, which should define NEK's obligation to purchase electrical energy from small-sized hydro power stations and wind and biomass power plants at privileged prices during the fixed period of 12 years. The changes in energy law should be discussed by Bulgaria's parliament.

The MP of parliament who has been lobbying for aforementioned changes believes that loans for potential investors in renewable energy sources needs to be secured with long-term contracts, having in mind the loan terms and conditions.

NEK management believes that another long-term contract, along with the existing 15-year contract with thermal power plants Maritza Iztok 2 and 3 could be too much for the company. In the same time, NEK is willing to sign long-term contracts of up to 10 years.

Since July 1st this year, NEK has raised the price paid to the wind farm producers, which operate at least 2,250 hours annually, from 6.2 eurocents/kWh up to 9 eurocents/kWh. The wind power producers, which operate less than 2,250 hours per year, now get 8 eurocents/kWh.

The share of RES in Bulgaria is still considered as unsatisfactory, where Bulgaria intends to increase that share up to 11 % until 2010th. It is expected that RES output should reach 1,445 MW, with 600 MW in wind farms included.

§ § §

Government granted support for renewal of three HPPs in Dolna Arda (Bulgaria)

Government of Bulgaria has sent letter of support to the project for renewal of three hydro power plants (HPPs) in the hydropower complex in Dolna Arda. Austrian companies VA TECH Hydro and Porr Technobau und Umwelt AG will carry out the renewal.

National transmission system operator (NEK) will invest 64.5 million euros in the project, where funds will be provided through loans and NEK's own funds.

VA TECH Hydro will perform renewal of HPP Kardjali (106 MW), HPP Studen Kladenets (60 MW) and HPP Ivailovgrad (103.5 MW) and it will deliver electric and mechanic equipment for the HPP Studen Kladenets.

Austrian company is already involved in 220 million euro worth project, the Tsankov Kamak hydro complex, under the Bulgarian-Austrian memorandum of understanding and cooperation under Kyoto protocol.

§ § §

Skoda and AtomStroyExport improved bids for NPP Belene (Bulgaria)

Skoda Alliance, the leader of one of the two consortiums that placed bids for construction of nuclear power plant (NPP) Belene (2x1,000 MW), has improved its bid by offering the reduction in timetable for putting both units in NPP in operation and by reducing the construction costs.

According to new terms, Skoda will put the first unit in NPP in operation in six years, and the second one in the period of seven years and a half after signing the contract. In the same time, Skoda emphasized that the proposed deadlines would strongly depend on the government's support.

Aforementioned timetable is related to both options for construction, i.e. in case with usage of the existing equipment on the NPPs site or in case of construction of entirely new plant.

According to Bulgaria's energy and economy minister, Skoda has also presented new, lower price for construction, after government suggested that both initial prices submitted by two bidders had been considered as too high.

Minister was unsatisfied with the fact that price for finishing of already started project is almost equal to the price for building entirely new power plant. Skoda Alliance, the consortium comprised of Skoda Praha, Skoda Nuclear Engineering and the Czech Nuclear Research Institute, claimed that high offered price was related to over aged equipment that should be used in construction.

A week after Skoda has submitted improved bid, Russian AtomStroyExport, a leader of rival consortium, has also submitted improved bid, with improved parameters regarding construction price and hand-over deadline.

AtomStroyExport proposed to put the finish the construction of the first unit in NPP in operation in six years, and to put the second unit in operation in seven years.

If the NPP was built from the beginning, Russian company offered to commission the first unit in seven years.

Russian bid also included some new technical solutions. AtomStroyExport proposed cooperation with leading European companies and expressed readiness to entrust 30 % of the project to Bulgarian companies.

In the same time, Russian ambassador in Bulgaria said that the state of Russian would support AtomStroyExport financially in this project. Head of the company explained that the main shareholder became the Russia's Federal Atomic Energy Agency (RFAEA), after it was replaced Gazprombank in May this year.

§ § §

RWE announced construction of new power plant (Bulgaria)

During the presentation of the business results in the second quarter of 2006th, German power company RWE has announced plans for construction of new lignite-fired thermal power plant (TPP) in Bulgaria. RWE's officials confirmed that they have been negotiating with Bulgaria's government.

RWE is also expressed interest for purchase of existing power plants in Bulgaria.

§ § §

Reduction in power output in Maritsa Iztok due to environmental reasons (Bulgaria)

Bulgaria's minister of environment and minister of energy and economy have signed Memorandum for reduction of power output in

power plants in Maritsa Iztok power complex, which do not have sulfur removal equipment.

The rules will start to apply from September 15th. According to the memorandum, units without necessary equipment must reduce power output by 30 %, by which emission of sulfur should be reduced by 15 %.

The memorandum has also defined measures for normal operation of thermal power plants in the country, which are aimed not to endanger security of power system in whole.

§ § §

CEZ filed 4 million euros lawsuit against the state (Bulgaria)

Czech CEZ, the majority owner of power distribution companies in capital Sofia, the Sofia district and Pleven has filed 4 million euros compensation request from Bulgarian state. The lawsuit was submitted at the Paris International Arbitrage Court.

CEZ, which has paid 281.5 million euros for three power distributors, has accused government for non-fulfillment of obligations defined by the privatization contracts. During the financial and legal audit, CEZ claimed to found several inconsistencies comparing the actual situation in the companies and the data presented during the privatization procedure.

CEZ Bulgaria did not want to comment their actions saying that this issue is the concern of state of Bulgaria and CEZ group.

§ § §

Koncar delivers power transformer to CEZ and E.ON (Croatia)

The Koncar Distribution and special transformers, the subsidiary of Koncar Group, has reported increase in incomes of 53 % in the first six months of 2006th.

Overall incomes reached 26 million euros, while net profit reached 890,000 euros (40 % increase). Investments of the company reached 6.2 million euros in the last two years. The company employs 267 people.

The company exports some 60 to 70 % of its products, mostly in Finland, Sweden, Ghana, Nigeria, Saudi Arabia, UAE, etc.

It is expected that 15 energy transformers would be exported to Czech Republic, to the CEZ and E.ON, and another 1,200 distribution transformers to E.ON's companies in Czech Republic, Slovakia, Hungary and Sweden.

Koncar Group is involved in manufacturing of electrical devices, equipment, plants and services for electrical power generation, transmission, distribution and industry.

§ § §

INA consider transformation of gas department into independent company (Croatia)

Management of Croatian oil industry (INA) has been considering for some time an option to transform entire gas trade department into

independent company, similar as INA's strategic partner MOL has done in Hungary.

In the same time, government is no willing yet to approve such transformation, but it approves to transform underground storage facility for natural gas, the Okoli, into independent state-owned company, sources say. This was confirmed by the deputy minister of industry.

The storage of natural gas has been considered as important, especially during the winter peak consumption. Because of that, government believes that it is important that such company was able to do business in market conditions.

In order to provide funds for investment in new storage facilities, INA demanded new tariffs for natural gas, because expense for storage of natural gas was not recognized in the final price of natural gas.

The construction of additional storage capacity for natural gas in Okoli (500,000 cubic meters), was predicted by the INA's study, and in the future, INA plans to build another storage facility in Benicanci (2 billion cubic meters).

The new storage facility in Okoli would be sufficient to cover peak domestic natural gas consumption during the winter, and facility in Benicanci would provide supplies for entire region, INA's officials said.

§ § §

Signing the memorandum for PEOP in September (Croatia)

Deputy minister of industry of Croatia said in the interview to the Croatian press that signing the memorandum for construction of Pan European oil pipeline (PEOP) should happen during the September.

Deputy minister believe that until that time, Slovenia, as an only country that did not approve the memorandum yet, would give its final consent. The main problem for Slovenia, are the environmental issues related to the 20 km long part of the pipeline that should go across Slovenia.

Croatia sees the PEOP project as the project of much more importance comparing to Adria project, having in mind that PEOP project will solve the main problem of Adria project, the large number of tankers in Adriatic.

Croatian official believes that PEOP, which would be connected to the TAL oil pipeline in Trieste, has a great significance for Italy, Austria, Slovakia and Germany too. In the same time, Croatia expects some 1 billion euros of green field investments and considerable ecological benefits in case if the PEOP project was approved.

Nevertheless, deputy minister believe that Croatia did not need to abandon Adria project, having in mind that 20 more tankers in Adriatic would not make so much difference comparing to 500 tankers that enter Adriatic every day.

§ § §

Record power consumption during summer (Croatia)

The summer heat in July caused many problems for Croatian power utility (HEP). The power consumption was 8.6 % higher comparing

to the last year, and in the same time, low river flows caused reduction in power production, both in hydro and thermal power plants.

The level of increase in July was more than twice higher than average annual increase in power consumption, which stood at 4 %. As a reminder, power consumption in June was 6.7 % higher comparing to the same period last year.

Thermal power plant (TPP) Sisak, with nominal output of 380 MW, was able to reach only 300 MW during July. Similar problem happened in nuclear power plant (NPP) Krsko, where temperature of Sava River, which cools the NPP, should not have been increased more than 3 °C.

On July 27th, HEP has reported new hourly peak in power consumption of 2,553 MW, which was mostly related to the increased usage of air conditioning devices. On the same day, the record daily consumption of 51,386 MWh was reported. The last year's record summer consumption stood at 47,530 MWh.

As a comparison, the record peak consumption during winter was 61,108 MWh, with hourly peak of 3,036 MW, which clearly showed that difference between summer and winter peak has been considerably reduced.

According to official data, after the rapid increase in temperatures at end of June, power production increased by 320 MW due to usage of air conditioners.

§ § §

MOL wants to increase the share in INA (Croatia)

Hungarian oil company MOL, the strategic partner of Croatian oil industry (INA) and the most profitable company in Hungary, has reported 19 % increase in profit in the second quarter of this year. The profit stood at 360 million dollars, which was higher than planned amount of 300 million dollars.

The management of MOL confirmed that the largest Hungarian company is focused on the expansion in the region. Member of the management of INA confirmed that MOL has been interested in increase of its share in INA. In the same time, INA and MOL should sign the contract for purchase of Energopetrol, the largest oil distributor in Bosnia and Herzegovina.

§ § §

PPC could announce construction of new 400 MW power plant (Greece)

According to the well-informed sources, Public power corporation (PPC) could launch, very soon, tender for construction of new 370-400 MW power plant in Aliveri. The final conditions for the tender have been harmonized in the end of May.

The power plant should be operational in 2008th and the worth of the project is estimated at 235 million euros.

The bids should be submitted until October 31st 2006th, where winner in the tender should be decided by the end of the year. According to announcements, General Electric, Ålstrom, Ansaldo, Iberinco, METKA, J&P Avax and TERNA have expressed interest for the construction of the power plant during the consultations.

§ § §

PPC and Contour Global announced investments in Balkans (Greece)

Board of Public power public corporation (PPC) has officially approved the establishment of joint venture with Contour Global (CG) and European Bank for the Reconstruction and Development (EBRD) for the purposes of the investments in the energy sector in Balkans. PPC and Contour Global will hold 45 % of stake each, while EBRD would hold 10 % in the joint venture.

According to Financial times, CG and PPC wants to invest in power production and distribution in the Balkans, which would imply purchase of existing thermal and hydro power plants. The investments should be implemented in the future integrated electricity market comprised of Greece, Albania, Macedonia, Bulgaria, Romania, Montenegro, Serbia, Bosnia and Herzegovina and Croatia, Financial times reports.

§ § §

Hellenic Petroleum interested for biodiesel market (Greece)

Hellenic Petroleum (HP) has announced participation in bio-diesel project with Viohalco, Hellenic Fabrics and Prima Holdings.

HP should hold 25 % stake in the new company, the same as three other shareholders. The project should be related to construction of bio-diesel plant with annual production capacity of 100, 000 tons. The worth of the investment is estimated at 20 million euros.

§ § §

Official approval of new terms in HTSO's tender (Greece)

Development ministry has approved changes in terms of tender for construction of new power plants launched by Hellenic transmission system operator (HTSO).

The changes are related to the minimum guaranteed revenues in the daily electricity market, which has been reduced from 75,000 euros/MW down to 35,000 euros/MW.

Development minister had approved original tender terms in April 2006th, thus the latest changes will result in the extension of deadline for submission of bids.

The interested companies should submit bids in the beginning of 2007th, having in mind that bids are allowed to submit in a six month period after launching the tender.

It is expected that latest reduction in guaranteed incomes could discourage potential investors.

§ § §

Croatian company will build new power line between Macedonia and Greece (Macedonia & Croatia)

Croatian company Dalekovod will build 400 kV interconnection power line between city of Bitola and Greece's border. The Macedo-

nia's transmission system operator (MEPSO) has decided that Dalekovod has submitted the best bid in international tender.

This project is the part of the project of interconnection between Macedonia and Greece and it has been financed by World Bank.

The length of the power line on Macedonian territory will be 17 km and the construction costs should reach 3.5 million euros. Dalekovod should hire local company EMO, which also submitted the bid, to be a subcontractor. EMO will participate in construction of power line towers.

The aforementioned power line and another power lines toward Bulgarian border, construction of which has started, are considered as very important for the region with lack of electrical energy. Those power lines should lead to the increase and stability in power supply in the region.

In this moment, almost all Balkans' countries are dependent on the import of electrical energy, where calculation showed that average annual increase in power consumption in the region is 4 %.

In the related news, Dalekovod has reported net profit of 5.6 million euros in the first six months of this year. Overall incomes of the company reached 89.8 million euros (1.6 % increase), where incomes in domestic market reached 76.8 million euros and 11.1 million euros in foreign markets.

§ § §

ELEM warns on potential interruption in power production, ESM start to disconnect debtors (Macedonia)

Macedonian power plants (ELEM), the national power producer, has seriously warned officials and public that production of electrical energy could be endangered due to 40 million euros debt. The debt should have been paid by Macedonia's transmission system operator (MEPSO) for delivered electrical energy.

After restructuring of former Power utility of Macedonia (ESM), it was decided that incomes from sale of electrical energy should be distributed among three companies emerged from ESM, the ELEM, MEPSO and ESM –Distribution. According to ELEM, the agreement, which prescribed distribution of 48 % of overall incomes to ELEM, 31 % to ESM and 19 % to MEPSO, has not been functioning yet.

Officials from Power utility of Macedonia-Distribution (ESM) have confirmed that company owes more than 30 million euros for the electrical energy delivered by Macedonia's transmission system operator (MEPSO).

Because of that, new owner of ESM- Distribution,, the Austrian EVN, has started to disconnect customers from power grid due unpaid power bills, where state institutions alone owe some 11 million dollars,

ESM has disconnected from power grid the Ministry of defense, headquarter of Macedonian army, and some army barracks. In a day period, debt was paid and those customers were connected to power grid again.

The electrical energy was cut to several faculties, more than 30 schools and other state buildings all over the country.

§ § §

Theft of electricity reaches 40% of annual electricity import (Macedonia)

According to latest estimations, theft of electrical energy in Macedonia reached 0.9 TWh annually, which is almost equal to 40% of Macedonia's annual electricity import. In the last several years, Macedonia has been importing 2.3 TWh of electrical energy, for which some 100 million dollars has been paid per year.

The highest level of theft has been noticed in the largest cities, such as capital Skopje, Kumanovo, Gostivar, Prilep and Tetovo, where losses reached 25 % of overall consumption.

Official data showed that losses in power network in Macedonia reached 20 % of overall power consumption. The data have been published just before the start of privatization procedure of Power utility of Macedonia –Distribution (ESM), i.e. at the end of the 2005th.

Having in mind that average annual consumption in Macedonia is some 9 TWh, the losses in power network stood at 1.8 TWh. According to the experts in Macedonia, 10 % out of overall losses are related to technical losses, while the largest part of the remaining losses are related to aforementioned theft of electricity.

New owner of ESM, the Austrian EVN, still want to find appropriate plan for reduction of illegal power consumption. The first move was done in June, when ESM sealed electricity meters in a manner that minimize potential abuse.

§ § §

EPCG and EPRS to decide on division of water potential of Bileca Lake (Montenegro)

Third meeting between governments of Montenegro and Republic of Srpska (RS), Power utility of Montenegro (EPCG) and Power utility of RS (EPRS) should be held at the end of August. At the meeting, final decision on division of water potential of Bileca Lake should be reached.

One of the proposals of the government of Montenegro, if the negotiations have not been finished successfully, is to build new hydro power plant near Risan, or to use the water from the lake as a drinking water.

Head of the negotiation team of Montenegro, the executive director of EPCG, believes that Montenegro has undisputed right to use water potential of the lake, having in mind that 20-25 % of the lake is located on the territory of Montenegro, while 42 % of the water in the lake comes from Montenegro's rivers.

It is expected that Montenegro will also participate in the negotiations, between RS and Croatia regarding the division of water potential of future hydro power plant Dubrovnik 2.

According to the projects developed in former Yugoslavia, seven hydro power plants and five storage lakes should have been built in the region of Bileca Lake, which belongs to the confluence of Trebinjska River.

In this moment, there are four power plants in the area that use water from the lake, the HPP Trebinje I and HPP Trebinje II, which belong to RS, HPP Capljina (Federation of Bosnia and Herzegovina) and HPP Dubrovnik 1 (Croatia).

Overall power output of those plants is 818 MW and average annual power production reaches 2.7 TWh, which is equal to 90 % of annual power production in Montenegro. According to the studies from late 1960s, Montenegro was entitled to use 29 % of the water from Bileca Lake.

§ § §

Hellenic Petroleum prepares answer regarding the cancellation of the concession contract (Montenegro)

On August 8th, Jugopetrol and its majority owner, the Greek Hellenic Petroleum (HP) received official notice from government of Montenegro regarding cancellation of concession contract for oil and gas exploration in so-called block 3 Adriatic, near city of Ulcinj, official press release of the company said.

In the last several months, HP and the government were involved in long-lasting negotiations regarding concession contract. The main remarks of HP were related to the legislation in Montenegro that regulates oil and gas production and exploration. HP reminded that they several times requested from the government to adopt new Law on oil and gas, which should be in accordance to international standards.

As a reminder, government has proposed to the ministry of economy to cancel the concession contract with HP, because Greek company did not start test drillings in block 3 until the April 30th, as it was agreed. Government has extended exploration deadline for three times, but it has rejected HP's third request for a deadline extension. The HP's request was even supported by the Greece's diplomacy, but without results.

HP and Jugopetrol will hold, for some time, the concession rights in blocks 1 and 2 in northern part of Adriatic.

According to the latest information, HP said that it still has been holding concession rights in block 3 near Ulcinj. HP has been analyzing the latest development after unilateral cancellation of the contract. The privatization contract of Jugopetrol prescribed that all legal disputes between HP and government should be solved by the International trade court in London.

§ § §

Lukoil interested for Bar port and Montenegrobonus (Montenegro)

During the visit to Montenegro, Russian minister for emergencies, the head of the committee for cooperation with Montenegro and Serbia, said that Lukoil is highly interested for construction of oil terminal in port of Bar and for development of energy sector. Representatives of Russian government, businessman and bankers accompanied the minister.

Lukoil, which was the main competitor to Hellenic Petroleum during the privatization of Jugopetrol, has also expressed interest for privatization of state oil company Montenegrobonus. Minister confirmed that representatives of Lukoil, which did not accompanied minister, should visit Montenegro in September. He did not rule out the option for Lukoil to buy out the Jugopetrol from Hellenic Petroleum.

In the same time, Russian gas monopoly Gazprom has also interested for investments in Montenegro. Russian minister pointed out that 12 Russian companies have been doing business in Montene-

gro, where several others have plans for investments and cooperation.

§ § §

8.8 % increase in power production in the first half of 2006th (Montenegro)

According to the official report, in the first six months of 2006th, Montenegro has produced 1.7 TWh of electrical energy, which was 8.8 % increase comparing to the last year.

In the same period, power consumption of Aluminum factory in Podgorica (KAP), the largest industrial customer in the country, increased by 1.1 %, while power consumption of households' customers increased by 2.9 %. On the other hand, Steel factory achieved 5.1 % decrease in power consumption, same as Montenegro railways.

Overall power consumption in Montenegro in the first half of 2006th reached 2.3 TWh, which was 1.8 % increase.

Coal production in Montenegro reached 626,000 tons, which was 26 % increase. The coalmine tailing removal was not in accordance to plans, which should have negative impact to the future coal production, report said. Montenegro expects that privatization of thermal power plant (TPP) and coalmine Pljevlja should solve the problems related to the investment programs in those companies.

The report pointed out that Montenegro has been in the process of restructuring of energy sector, the policy of which is aimed to preserve natural environment by usage of renewable energy sources and increase of energy efficiency.

§ § §

Tender for small HPPs in September (Montenegro)

Ministry of economy will launch the tender for granting the concession contracts for construction of 15 small hydro power plants (HPPs) in September this year. The construction of those HPPs should start by the end of the year.

Depending on the construction site, the estimated price of electricity produced in HPPs should range between 6 and 9 eurocents per kWh.

Ministry has already granted two concessions, for HPPs in Berane and Andrijevica.

According to the deputy ministry, legislation concerning the construction of small HPPs has been finally adopted as well as the methodology for calculation of price of electricity produced in small HPPs. The government should reach Regulation on concessions at the next session, which should mark the start of the construction of HPPs.

So far, ministry has received seven requests from potential investors, both domestic and foreign, for construction projects. The most interesting sites are located near Bijelo Polje, Pljevlja and Niksic.

Montenegro has recently adopted Strategy for development of small hydro power plants, which defined 70 suitable sites for construction and overall estimated power output of 230 MW.

§ § §

Increase in price of imported natural gas (Romania)

According to minister of economy and trade, Romania would pay more than 300 dollars per 1,000 cubic meters of natural gas delivered by Russian Gazprom. Romania is paying price 285 dollars to Gazprom in this moment.

The increase in the price is related to the increase in oil prices in World markets. The minister confirmed that Romania plans to expand storage facilities for natural gas in order to make advantages of lower gas prices during summer season and to import additional quantities.

Romania imports about 40 % of its gas needs from Russia, where Romania spends some 18 billion cubic of gas per year.

§ § §

Petrom, Electrica and Distrigaz will sell shares to its employees (Romania)

After government of Romania has reached emergency decree, oil company Petrom will sell 8 % of shares and Electrica and Distrigaz will sell 10 % of shares directly to employees, where employees' associations would not be allowed to buy shares.

According to privatization contract between Petrom and OMV, employees are entitled to buy 8 % of shares of the company at the same price paid by OMV, i.e. at 6.1 eurocents per share. The employees should decide within 90 days whether would they buy the shares, ministry of economy and commerce confirmed. After that, the rest of unsold shares will become property of state of Romania.

The shares in Petrom could be bought by all persons employed in period of 1977th, the date of establishment of Petrom, until December 14th 2004th, the date of transfer of ownership rights to OMV. This right could not be transmitted through legal heritage or testament.

Similar procedure will apply in Distrigaz Sud, Distrigaz Nord, Electrica Dobrogea, Electrica Banat, Electrica Oltenia, Electrica Moldova, Electrica Muntenia Sud, Electrica Muntenia Nord, Electrica Transilvania Sud and Electrica Transilvania Nord,, where 10 % of shares will be transferred to employees.

Distrigaz Sud, Distrigaz Nord, Electrica Dobrogea, Electrica Banat, Electrica Oltenia, Electrica Moldova and Electrica Muntenia Sud, have already been privatized, while other companies are also in process of privatization.

Ministry of economy and trade will select privatization agent that will organize the sale of shares to employees and perform the validity of applicants. Agent should also decide on the method of payment and transfer of ownership rights.

§ § §

Petrom shuts down unprofitable petrol stations (Romania)

Since 2005th, Petrom has shut down 50 unprofitable petrol stations and 10 mobile ones, mostly due to non-fulfillment of environmental standards, but also due to low sales and other conditions.

Particular petrol stations will be dismantled and the land should be sold through public auction procedure.

§ § §

Privatization of three distribution companies in 2007th (Romania)

Muntenia Nord, Transilvania Nord and Transilvania Sud, the 3 subsidiaries of power distribution company Electrica that are still state-owned, should be privatized during 2007th, minister of economy and commerce confirmed.

Government has been still waiting for the report of the advisor, the Rothschild, in order to make the further steps. The report should be presented in September, after which government has to approve privatization procedure of the companies that supply some 33 % of domestic market.

In this moment, ENEL (Electrica Banat, Electrica Dobrogea and Electrica Muntenia Sud), E.ON(Electrica Moldova and CEZ (Electrica Oltenia) operate in power distribution market in Romania as majority owners in the privatized branches of Electrica.

The privatization advisor has been considering several privatization models, including direct sale of the shares followed by capital stake increase. In the same time, head of Electrical did not rule out the option for sale of three companies in one package.

§ § §

Enel interested for units 3 and 4 in NPP Cernavoda (Romania)

Head of Italian Enel said during the meeting with Romania's minister of economy and commerce that Enel has been interested for project of construction of units 3 and 4 (700 MW each) in nuclear power plant (NPP) Cernavoda.

Enel is also interest for privatization of coal fired thermal power plants (TPPs) and brown field projects initiated by Termoelectrica, such as altering of power plant Braila into coal fired TPP.

Minister confirmed that sale of Electrica Muntenia Sud to Enel should be officially approved by the government very soon.

§ § §

Ministry of economy requested reduction in Hidroelectrica's export (Romania)

Minister of economy and commerce requested once again the hydropower producer Hidroelectrica to reduce electricity export by 1 TWh and to increase the exporting prices in the same time. The reduction is related to the contracts Hidroelectrica signed with electricity traders ATEL, EFT and EGL.

Minister said that the Hidroelectrica's export has been reduced from 4 to 3 TWh since the last year, while the latest request would reduce that amount at 2 TWh. By this, the larger amount of Hidroelectrica's production, the cheapest in the country, will be designed for domestic producers.

Hidroelectrica has already sent the notices to the aforementioned traders regarding the reduction in sales.

In 2005th, Hidroelectrica has produced record amount of 20 TWh and supplied 33.7 % of domestic consumption. In the first half of this year, Hidroelectrica has reported turnover of 312 million euros and profit of 50 million euros.

§ § §

Transelectrica to be listed on stock exchange on August 22 (Romania)

The shares of Romania's transmission system operator, the Transelectrica, will be listed on Bucharest stock exchange (BVB) and sold through initial public offering (IPO) on August 22nd, instead of July 24th as it was originally planned..

The delay was the consequence of the fact that Transelectrica's shareholders did not held the assembly on time to issue the approval for capital stake increase. The original deadline for trading of August 7th will be also prolonged.

It was earlier confirmed that initial subscription for purchase of Transelectrica's shares was 854% higher than the offered stake for large investors and 363 % higher than portfolio offered for small investors. Overall funds offered for the stake reached 220 million euros.

Transelectrica will offer 7.33 million shares at nominal price of 4.75 euros, with overall worth of 34.8 million euros. Overall share capital of Transelectrica is 190 million euros and the only shareholder in this moment is the ministry of economy and commerce.

§ § §

Singing the contract for construction of first wind farm (Serbia)

Municipality of Indjija and Austrian-Serbian company Re-Energy have signed contract for construction of the first wind farm in Serbia. General manager of Re-Energy said that the farm would be built near Beska, close to the Belgrade-Novı Sad highway.

The wind generator will have power output of 1 MW, and the worth of the investment is estimated at 1 million euros. Re-Energy plans to build several wind generators in aforementioned site and other suitable sites in municipality in the nearest future, in order to create wind farm with power output of 25 MW.

Re-Energy's official said that that municipality of Indjija maybe did not have the best wind conditions for the construction, but it had the most efficient local government, which provided all necessary permits for the project.

§ § §

Announcements for privatization of EPS (Serbia)

Serbian press has reported on ongoing debate and several different announcements regarding privatization of Power utility of Serbia (EPS).

According to some announcements, privatization of EPS could be initiated in 2007th, when distribution companies and hydro power

plants (HPPs) could be offered for sale. This could be preceded by the changes in Energy law, sources say.

Another privatization model should be carried out at the request of ministry of energy and mining, with the support of European agency for reconstruction (EAR). According to this announcement, distribution companies of EPS would be separated from production companies.

The third unofficial announcement has been referring to the restructuring of EPS, by which EPS would be divided in three companies, the Thermal power plant (TPP) Nikola Tesla along with Kolubara coalmines, TPP Kostolac and Kostolac coalmines, where third company should be comprised of HPPs and distribution companies.

Several experts welcomed the announcement for separation of distribution and production companies in EPS due to potential economical benefits. In the same time, they have challenged the idea for joining the two most profitable, but essentially different units of EPS, the HPPs and distribution companies, into single company.

HPPs should be offered for sale in the future, when electricity market became developed, and they should be sold along with paying the fees for usage of national hydro potentials, experts proposed. In the same time, distribution companies should be entrusted to the local municipalities having in mind that distribution companies could be considered as municipal business activity.

On the other hand, EPS spokesman confirmed that national company has been closely watching critics and recommendation of the experts. EPS management is aware that majority of experts had proposed separation of distribution companies from EPS.

EPS official believes that distribution of electrical energy must not be considered as municipal responsibility. He quoted example of some countries where power distribution companies have been sold, and later, power production companies have bought those companies again.

In the same time, the restructuring model that has being offered to EPS was not accepted by the power utilities in the region, i.e. in Croatia, Slovenia and Czech Republic, where those power utilities are considered as very successful, spokesman pointed out.

The sale of hydro power plants, which have been considered as national wealth in every state, is very disputable having in mind that they produce the cheapest and cleanest electrical energy, EPS's official said.

§ § §

Three Israeli companies interested for NIS (Serbia)

Representatives of Ministry of energy and mining of Serbia have visited Israel in order to inform Israeli businessmen on the restructuring and reforms in energy sector in Serbia. Serbian delegation tried to present new legislation in energy sector, which should make possible investments by private investors.

During the meeting at Israeli energy ministry, Israeli companies, the Israeli Corporation, Merhab Gropup and Delek have particularly expressed interest for announced privatization of Oil industry of Serbia (NIS).

As a reminder, OMV, Hellenic Petroleum, MOL, Lukoil and Polish PKP have also expressed interest for privatization of NIS.

§ § §

1 TWh of stolen electrical energy in 2005th (Serbia)

According to the latest data of Experts team for reduction of non-technical losses in Power utility of Serbia (EPS), overall electrical energy losses in EPS reached 4.2 TWh, which was 14.42 % of overall consumption in the last year.

The losses are the difference between the amount of electricity delivered to distribution companies and the amount of electrical energy that was charged to the customers. The 65% of overall losses (9.5 % of overall consumption) are related to technical losses, while the rest of the 35 % of the losses (1.4 TWh or 5 % of overall consumption) are related as non-technical, i.e. commercial losses.

The part of the commercial losses related to the theft of electricity in Serbia reached 1 TWh in the last year, which resulted in losses of 40 million euros. The rest of 0.4 TWh of commercial losses is related to the malfunctioned electricity meters, head of the Experts' team confirmed.

As a comparison, in 1990th, overall losses in EPS were 9 % of overall consumption, where 83 % (7.5 % of overall consumption) were technical losses and the rest of 17 % of losses (1.5 % of overall consumption) were the commercial losses. In 2001st, losses reached even 16.31 % of overall power consumption, in 2002nd losses reached 14.95 %, in 2003rd losses reached 15.15 % and in 2004th losses reached 15 %.

Having in mind aforementioned data, the losses related to the electricity theft increased three times in the last 15 years, which is far above European average of 5 to 9 % of losses in power grid.

In the last three years, EPS has made 850,000 inspections, where 21,000 customers have been found to be illegally connected to power grid.

§ § §

20.64 TWh of electricity produced in the first half of 2006th (Serbia)

In the first six months of 2006th, Power utility of Serbia (EPS) has achieved the highest power production since 1990th. Overall power production (including HPP Piva) stood at 20.64 TWh, which was 8 % higher than planned and 2.3 % higher comparing to the last year.

5.641 TWh was produced in run of river hydro power plants (HPPs), which was 1 % lower than planned and 2.1 % higher comparing to the last year.

Storage type HPPs produced 1.695 GWh, which was 69 % higher than planned and 4 % higher comparing to the last year.

Coal fired thermal power plants (TPPs) produced 11.308 TWh, which was 6.6 % higher comparing to the last year and 12.2 % higher than planned.

Coal production reached 15.07 million tons, 8 % higher than planned and 5 % higher comparing to the last year. At the end of June, coal reserves at the plants' depots were 36 % higher than planned. Thermal and heat power plants produced 57 GWh.

In the same period, EPS has exported 345 GWh of electrical energy.

In July, power consumption reached 2.5 TWh, which was 4.8 % higher than planned and 4.3 % higher comparing to the last year. The

main reason was the average monthly temperature of 24.5 °C (the highest in the last decade), which was 2.4 °C higher than multiyear average.

Overall power production in July (including HPP Piva) reached 2.945 TWh, which was 16 % higher than planned and 6.4 % higher comparing to the last year.

Run of river HPPs produced 737 GWh, or 1.3 % higher than planned and 8.5 % lower comparing to the last year.

Storage type HPPs produced 213 GWh, which was 293 % higher than planned and 53 % higher comparing to the last year.

In the same month, coal fired TPPs produced 1.633 TWh of electricity, which was 10.6 % higher than planned and 7.3 % higher comparing to the July 2005th.

§ § §

Possible cancellation of long-term agreement for operation of HPP Piva (Serbia & Montenegro)

After officials of the Power utility of Montenegro (EPCG) announced in July that long-term contract for usage of storage type hydro power plant (HPP) Piva (300 MW) could be cancelled, officials from Power utility of Serbia (EPS) confirmed the same.

According to the 25-year agreement, EPS has been operating HPP Piva and in return, it has been delivering electrical energy to EPCG, under strictly defined terms.

EPS delivers over 1 TWh of guaranteed electrical energy annually, with constant power output during the year and with additional amount during regular maintenance works of thermal power plant (TPP) Pljevlja. Electrical energy produced in HPP Piva has been multiplied by ratio of 1,415, i.e. for each kWh produced in HPP Piva, EPS delivers to EPCG 1.415 kWh of electrical energy.

In the same time, agreement provides to EPCG to deposit surpluses from their power system to power system of EPS, under strict defined quotient, and later, EPCG is allowed to use deposited electrical energy at any time.

According to contract, EPCG also have right to import additional 90 GWh per year, which supposed to be return through deposited energy or by paying in cash.

Official from Electricity trade department of EPS pointed out that operating of HPP Piva was just one of the segments of the agreement, which should provide long-term benefit to both utilities. EPS wants to preserve the agreement, which was successfully applied during the time when both utilities were in one state and when they were vertically integrated. EPS officials believe that agreement should be updated in accordance to new environment in electrical energy sector, especially after reconnection of two synchronous zones.

At the latest meeting, work groups of EPCG and EPS managed to harmonize some of the articles in the agreement, such as to preserve old quotient of 1.415.

The main problem remained the amount of annual electrical energy that EPCG was allowed to deposit in EPS and the amount of constant electrical energy delivered by EPS. EPCG wants to increase the level of constant electrical energy delivered by EPS, while EPS wants to preserve old values.

In addition, EPCG wants to deposit surpluses and use deposited electrical energy without any restrictions, as it was defined in old agreement. On the other hand, EPS wants to impose limitations regarding the annual amount of deposited electrical energy, maximum hourly power output and terms of usage of such electrical energy.

Two companies have agreed that contract could be unilaterally cancelled by written notice of either of the parties in the period between September 1st and September 30th. The parties have not agreed on contract-cancellation period, where EPS requested 6 to 12 months period, and EPCG pledged for 12 to 15 months cancellation period.

The negotiations on HPP Piva should be continued in Belgrade on August 24th. This was confirmed by officials from EPCG.

Commenting the latest development, executive director of EPCG said that contract would be most likely cancelled. He once again pointed out that ratio of peak/band electrical energy on Leipzig power exchange reaches 3.5 instead of current ratio of 1.415 defined in long-term agreement.

EPCG has earlier announced that, if the negotiations failed, HPP Piva could be offered for lease to some other interested companies.

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EPS trading sales of EPS's surpluses (Serbia)

After the Power utility of Serbia (EPS) has established Electricity trade department in April this year, EPS has started to achieve the plan on becoming the regional leader in electricity market in South-eastern Europe.

The latest restructuring of the company into production, distribution and electricity trade departments has confirmed such intentions of the company, EPS's official from Electricity trade department said. The new department is comprised of two division, the Energy planning and management division, and Electricity market division.

In the recent period, main intention of EPS's new department was to export daily and weekly electrical energy surpluses in optimal manner, by harmonizing operation of thermal and hydro power plants.

The electricity trade on foreign markets has shown so far that export activities could provide significant funds for EPS, as a contrary to current situation on domestic market, head of Electricity division pointed out. Nevertheless, the main obligation of EPS remains the power supply of tariff customers, he said.

In July, out of 22 working days EPS has sold surpluses at market prices during 17 days.

EPS management believes that the main advantages for electricity trade is the fact that EPS has 8 electrical borders, balanced thermal and hydro power plants as well as 600 MW storage type hydro power plant.

In this moment, EPS has established cooperation with 17 electricity trade companies from Europe, where with 10 of them, EPS has been actively cooperating. In the same time, EPS has good relations with neighboring power utilities.

Head of the Electricity trade department said that the main aim in this year was to develop Energy planning and management division, which would be the foundation for future trade activities. Until end of the year, Energy planning and management division should be

able to calculate hourly price of kWh of electrical energy produced in power system. The main plan in 2007th for EPS is to become accredited on Leipzig power exchange.

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Maintenance works in TPPs in accordance to schedule (Serbia)

Power utility of Serbia (EPS) has successfully finished maintenance works in the largest thermal power plant (TPP) Nikola Tesla B (2x 600 MW) and in TPP Kostolac B (2x300 MW).

Maintenance works in unit 1 in TPP Nikola Tesla B have lasted 2 days less than planned period of 30 days. The schedule for works has been prolonged for a month due to requirements of power system of Serbia and due to length of maintenance works in other TPPs. The overhaul performed at unit 1 was standard type.

The TPP has successfully finished contract with Siemens started last year. The Siemens has delivered 22 pneumatic control circuits for unit 1, which have been installed and tested. In the same time, unit 2, among other things, needed to repair steam pipe system, due to bursting of one steam pipe.

In TPP Kostolac B, unit 2 was synchronized to power network in the end of July after standard maintenance works have been finished in 30 days. The 30-day maintenance of unit 1 should start by the end of August, so that both units will be prepared for autumn and winter season.

In period of August-October, both units will be outfitted with new special equipment that should be delivered by foreign suppliers.

Prior the maintenance works, both units in TPP Kostolac have been operating at full capacity due to requirements of power system, which led to the increase in planned production of 3 % on annual level.

§ § §

Regulatory energy agency set new methodologies for tariff customers (Serbia)

The Council of Regulatory energy agency (REA) has published new methodologies for calculation of prices of electricity and natural gas for tariff customers, which will start to apply from January 1st 2007th.

In the same time, REA has set the methodologies for calculation of prices of production, transport and distribution of electrical energy and prices for transport of natural gas, oil and oil derivatives.

New rules determine the maximum allowed incomes for energy companies, which must present their expenses transparent in relation to particular business activities.

REA wanted to established conditions for transparency of price policy and separation of functional activities of all regulated energy companies, so that subsidizing would be avoided.

REA has earlier adopted methodology for determination of expenses for connection to distribution and transmission power network, which will start to apply from October 1st this year.

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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:

- 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: **EBRD, related Bosnia and Herzegovina**

ELECTRICITY DISTRIBUTION GRID REHABILITATION PROJECT

Content: This Invitation for Tenders follows the General Procurement Notice for this project which was published on EBRD website dated 11 November 2005.

J.P. ELEKTROPRIVREDA HRVATSKE ZAJEDNICE HERCEG BOSNA d.d. Mostar hereinafter referred to as the Purchaser, intends using part of the proceeds of a loan from the European Bank for Reconstruction and Development (the Bank) towards the cost of Goods and associated Services for equipment and materials for Distribution lines, Transformers and Substations and Energy Meters.

LOT C1: DISTRIBUTION LINES REHABILITATION AND CONSTRUCTION

LOT C2: TRANSFORMERS AND SUBSTATIONS

LOT C3: ENERGY METERS

Deadline: 26 September 2006, at 13:00hrs, Mostar Time

Contact: Mr. Josip Jerković, PIU Director
Tel. +387 36 323 788; Fax. +387 36 322 831
E-mail: josip.jerkovic@ephzhh.ba

Company / organization: **EAR, related Romania**

Awareness Raising in View of Full Liberalisation of the Electricity Market

Content: The full liberalization of the electricity market in Romania is due in the near term, as well as the finalization of the necessary legal and regulatory framework. These developments will have a major impact on energy market actors, i.e. generators, suppliers, consumers, etc. This is especially important regarding consumers who have to be informed on both the opportunities created and their rights and obligations. The proposed project aims at the development of a communication strategy for the Romanian Energy Regulatory Authority (ANRE), the development of the necessary information material specifically tailored to the different groups of market actors, the organization of information dissemination events in order to inform market participants and the realization of an information campaign, with a special focus on the changing supplier process and protection of vulnerable consumers.
Maximum budget: 400 000 EUR

Deadline: 21 August 2006, 16:00 hrs local time

Contact: Central Finance and Contracts Unit, Ministry of Public Finance
44 Mircea Voda Blvd, Entrance B, Bucharest, Sector 3
Tel: (+4021) 326.55.55
Fax: (+4021) 326.87.30/ (+4021) 326.87.09
Contact person: Daniela Tala, Project Officer

Company / organization: **EAR, related Romania**

Supply for the Romanian Regulatory Emergency Response Centre Afumati, Romania

Content: The contract aims to the supply of the necessary equipment for the Emergency Response Centre belonging to the Romanian Nuclear Regulatory Authority (CNCAN). The required supply of equipment consists of both hardware and software needed for an operational emergency centre and dedicated communication equipment.

LOT 1: Comprising three groups: Power Generator and Electrical Systems; Computer systems, Peripherals and Communications Equipment; Audiovisual Aids and Sundries

LOT 2: Comprising dedicated Radiological Survey Equipment, Systems and Software

LOT 3: Intervention Mobile Laboratory Vehicle

Deadline: 22 August 2006, 11.00 hrs local time

Contact: Adrian Gavrilescu, Project Officer, E-mail: adrian.gavrilescu@cfcu.ro
Tel: 0040 21 326 55 55
Fax: 0040 21 326 87 30, 0040 21 326 87 09

Company / organization:	EAR, related Bosnia and Herzegovina
Capacity Building Assistance to the State Regulatory Commission (SERC) for electricity and gas	
Content:	<p>The overall objective is to assist in the reform of the energy sector in BiH and create a single country wide energy market which is regulated and integrated with the regional markets of South Eastern Europe and the EU, undertaken as part of the Athens process.</p> <p>The creation of a market oriented energy sector which is in line with EU Directives and institutional framework will also contribute to preparing BiH for EU Integration and facilitate BiH's assimilation in the Energy Community of South East Europe (ECSEE).</p> <p>In terms of specific objectives, the project aims primarily to support the operations of Regulation in BiH in line with the respective laws and in a manner that is in line with business practices in the EU electricity and gas sectors, by building capacity at the state level regulator in regulating electricity and gas on a BiH-wide basis</p> <p>Maximum budget: 1 500 00 EUR</p>
Deadline:	August 24th, 2006 at 16:00 hrs local time
Contact:	Delegation of the European Commission to Bosnia and Herzegovina, Attn: Team Leader, Procurement Union Bank Building Dubrovacka 6, 2nd floor 71000 Sarajevo; Bosnia and Herzegovina Tel.: +387-33 254 700

Company / organization:	EBRD – European Bank for Reconstruction and Development, related Bosnia And Herzegovina
Power Distribution Reconstruction Project - Goods, works, services, consultancy	
Content:	<p>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:</p> <p>(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;</p> <p>(b) Works for the installation of the aforementioned items;</p> <p>(c) Consulting services to support the three Project Implementation Units established by the three power utilities</p>
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:	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:	EBRD – European Bank for Reconstruction and Development, related Bulgaria
Power Transmission - Goods, works, services	
Content:	<p>Natsionalna Elektrieska 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:	EBRD, related Bulgaria
PERNIK DISTRICT HEATING REHABILITATION PROJECT; SUPPLY OF TRANSFORMER	
Content:	<p>This Invitation for Tenders follows the General Procurement Notice for this project, which was published, on the web site of the European Bank for Reconstruction and Development (the Bank) on November 09, 2004.</p> <p>Toplofikacia Pernik EAD, hereinafter referred to as "the Purchaser", intends using part of the proceeds of a Grant from the Kozloduy International Decommissioning Support Fund (KIDS) administered by the European Bank for Reconstruction and Development (the Bank) towards the cost of the Project Pernik District Heating Rehabilitation.</p> <p>Toplofikacia Pernik EAD now invites sealed tenders from contractors for the Supply of Transformer 110/10.5kV-(60-68.5)MVA, which shall be financed with part of the Grant proceeds.</p>
Deadline:	September 29, 2006 at 14:00 hours local
Contact:	Gergana Koleva Moshino, CHP Plant Republika 2303 Pernik, Bulgaria Tel./Fax: +359 (076) 670 675

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 Electrificare 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:	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

Company / organization:	EAR, related Bulgaria
Implementation of the EU Directives 2003/54/EC on internal market in electricity and 90/547/EEC on transit of electricity through transmission grids, for the implementation of EU standard ETRF 89 and European Geostationary Navigation Overlay System (EGNOS).	
Content:	<p>The delivery, installation, commissioning, training (for Lots 1 and 3) and maintenance within the warranty period by the Contractor of the equipment for the geographic information system (GIS) of the Bulgarian high voltage transmission networks in three Lots</p> <p>Lot no 1: HARDWARE, OS, DBMS and communication platforms Lot no 2: GPS survey system and navigation gps receivers Lot no 3: Base GIS software platform</p>
Deadline:	15:00 hrs local time on 25 September 2006
Contact:	Central Finance and Contracts Unit (CFCU) Ministry of Finance 102, G. S. Rakovski St., 1040 Sofia fax +359 2 9859 2773 e-mail: cfcu@minfin.bg

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Oil

Company / organization:	INA, related Croatia
Spare Parts for Compressor Valves, Sealing, Plungers, and Plunger Rings according to technical specification no. 289/06 - SP	
Deadline:	12 September 2006 at 11:00, local time
Contact:	Mr. Mario Kuzmanovic(Tel: +385 1 64 51 089; Fax: +385 1 64 52 048, e-mail: mario.kuzmanic@ina.hr; www.ina.hr

Company / organization:	INA, related Croatia
Oil Filter for Motocompressor IR KVR 616 & 410 according to technical specification no. 277/06-SP	
Deadline:	11 September 2006 at 11:00, local time
Contact:	Mr. Mario Kuzmanovic(Tel: +385 1 64 51 089; Fax: +385 1 64 52 048, e-mail: mario.kuzmanic@ina.hr; www.ina.hr

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Coal

Company / organization:	EPS, related Serbia
Development of study	
Content:	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.
Contact:	Ms. Radmila Živojinovic, D. Sc., phone number +381 11 3971 960, e-mail: radmilaz@eps.co.yu.

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