

August (2) 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

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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Annual electricity consumption in GWh		Year					
	Year	Sum	1	2	3	4	5
Slovenia	2008	10359	1118	1038	978	828	841
	2010	12287	1083	991	1054	941	941
	2011	12590	955	1051	1127	997	997
Bosnia and Herzegovina	2008	1157	1120	1027	891	953	850
	2009	1157	1182	1027	891	953	850
	2010	1157	1182	1027	891	953	850
Bulgaria	2008	3307	34506	3299	2980	2837	2577
	2009	3185	3272	3299	3196	2636	2577
	2010	3257	31954	3486	3052	3021	2443
Croatia	2008	1640	17842	1680	1543	1570	1553
	2009	1648	17507	1625	1530	1551	1323
	2010	1648	17507	1625	1530	1551	1323
Greece	2008	4521	53504	4852	4271	4401	3894
	2009	4521	53504	4852	4271	4401	3894
	2010	4521	53504	4852	4271	4401	3894
Romania	2008	4791	50636	4736	4288	4473	3803
	2009	4791	50636	4736	4288	4473	3803
	2010	4791	50636	4736	4288	4473	3803

Country Reports on Energy Business in South Eastern Europe

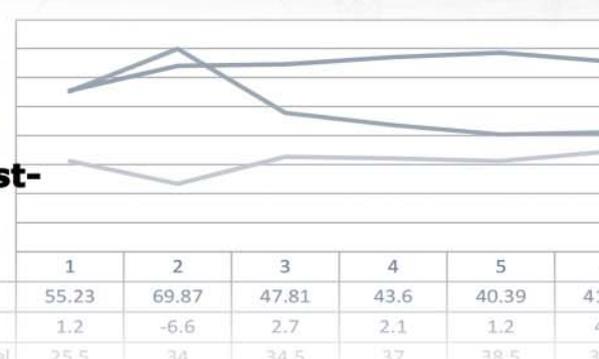
Country reports provide detailed overview of energy sector:

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- Key market players,
- Legislation and electricity market opening
- Electricity prices and tariffs,
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GWh
5000
4000
3000
2000
1000
0

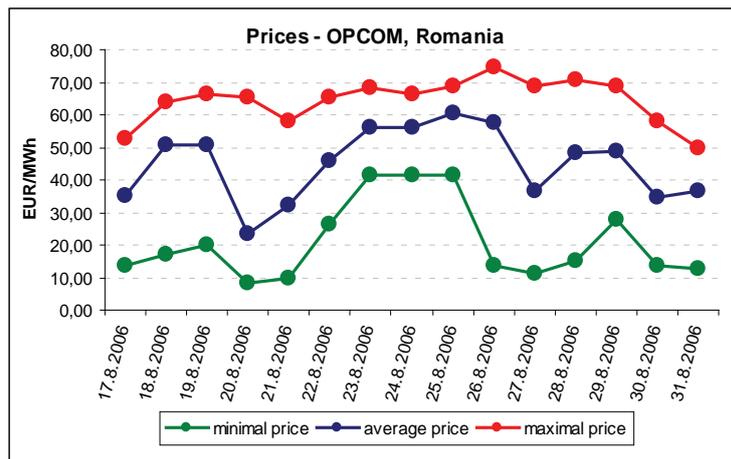
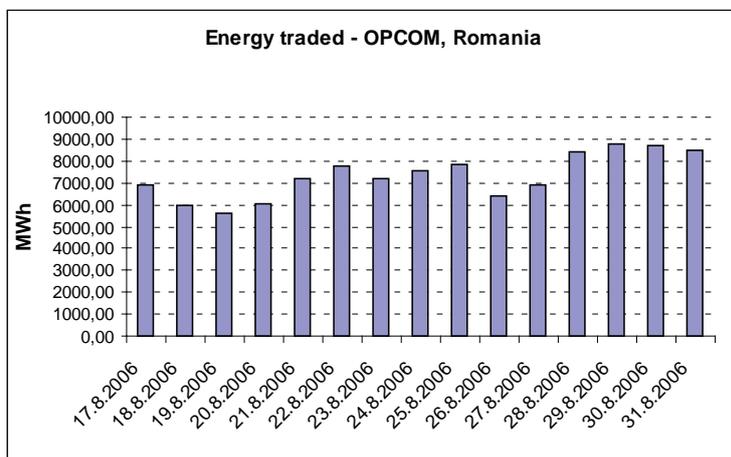
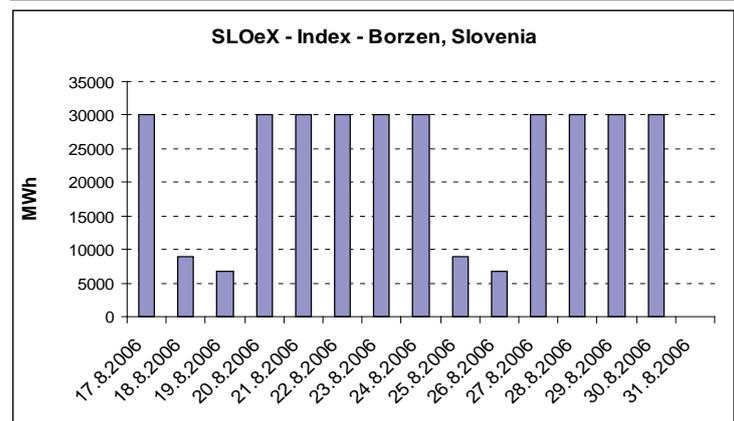
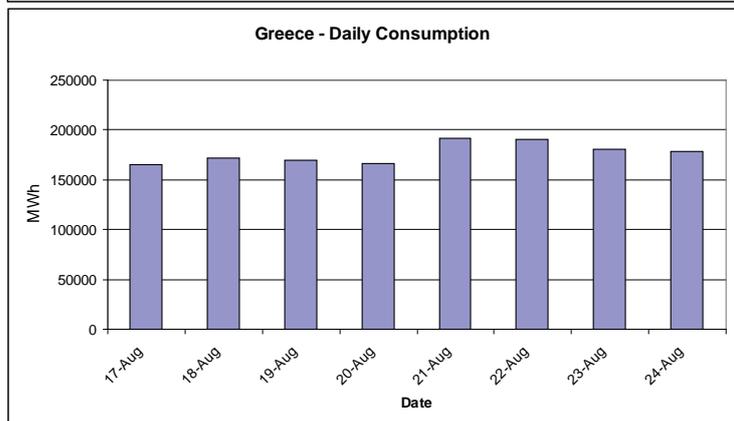
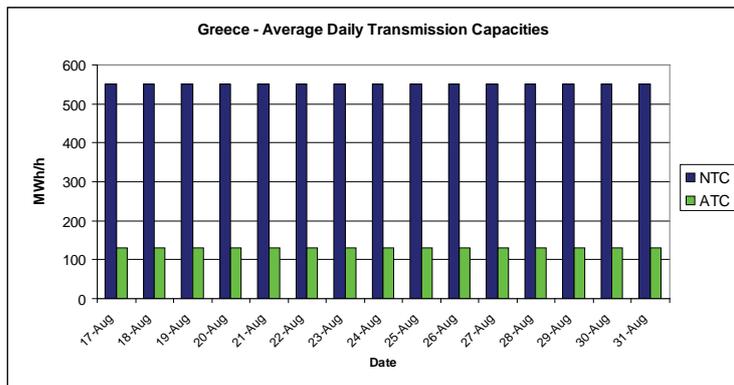
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Power exchanges data:



Analysis:

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This is short presentation of the SEE Energy Assessment analysis:

Analysis of future development of power sector in Bulgaria (possible outcomes of large planned generation investments and decommissioning of existing units, with special attention to closure of units 3 and 4 in NPP Kozloduy)

Bulgaria is deeply in the process of country's Accession to the European Union. Among the others, one of the preconditions to joining the EU is shutting down two more Soviet-era reactors (units no. 3 and 4) in first, and for now, only nuclear power plant in Bulgaria - Kozloduy. The closure of reactors 3 and 4 in 2006 was committed by the Bulgarian Government when Chapter Energy was provisionally closed in November 2002 on the grounds of a Memorandum signed between Bulgaria and the European Commission in 1999. Units 1 and 2 of the nuclear power plant were closed in December 2002 in compliance with these commitments. The country has also pledged to close the second pair of units at the end of 2006 over safety concerns voiced by the EU.

Because of shutting down two reactors until the end of this year, Bulgarians may expect an increase in electricity prices. In addition, closure of these units will radically cut the country's export, which will have wider regional impact having in mind that in past years Bulgaria covered up to 60% of electricity deficit in Balkan's region. From the long-range perspective and according to Bulgaria's Energy Strategy, the building of a second NPP in Belene (nearly 70% of the Bulgarians back that project) is mandatory to maintain the country's energy balance and to ensure security of supply in SEE that could be threaten after the closure of Kozloduy's units 3 and 4.

This analysis is through examination of issues that will determine development of Bulgarian power sector till year 2020 and influence of these issues on SEE region. Analysis is focused on closure of 2 units in NPP Kozloduy, construction of NPP Belene, and other planned new generation investments and existing units that are scheduled for decommissioning. Since Bulgaria is dominant electricity exporter in SEE future development of Bulgarian power sector will greatly influence whole region. This analysis is recommended to all whose business is related to energy sector in SEE.

Analysis has 73 pages with the following content:

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Here, results concerning the year 2007 from the chapter 11.3 are presented (11.3. Influence of new generation and generation scheduled to decommissioning on cross border power flows in the future - estimations for years 2007, 2008, 2011, 2013 and 2016)

Power flows on borders relevant to congestion issues in observed part of SEE can be generalized for summer period and winter period. Diagrams 1 and 2 shows typical estimated cross border power flows for summer and winter period under existing typical conditions, i.e. for year 2006.



Diagram 1: Load flows - Summer 2006



Diagram 2: Load flows - Winter 2006

Following tables show cross border power flows under similar conditions, but with correspondently increased electricity consumption, added new generation capacities, and decommissioned old generation capacities. In accordance to table of planned new generation capacities and planned decommissioning of generation capacities in Bulgaria from chapter 6, cross border power flows for years 2006, 2007, 2008, 2011, 2013 and 2016 are shown in following tables. Annual electricity consumption increase is assumed to be 1.5%. Availability of remained two units in NPP Kozloduy and favorable hydrology is assumed in calculations of power flows.

2007:

In 2007, Units 3 and 4 in NPP Kozloduy should be shut down and Unit 2 in NPP Cernavoda in Romania should be put in operation. Since usually during summer overhauls have been in progress in NPP Kozloduy and other thermal power plants, and consumption is lower all over the region except in Greece, significant changes of Bulgarian exports and load flows should not be expected if both remaining units in NPP Kozloduy are in operation. In calculated load flows for summer 2006, one 1000 MW unit in NPP Kozloduy is regularly in overhaul what is normal system operation for summer. Load flows changes are influenced mostly by new unit in NPP Cernavoda in Romania. But if in summer 2007 overhaul on one of remaining two 1000 MW units is being performed significant changes should be expected. If both remaining units are in

operation during summer Bulgaria will maintain exports only a little bit lower than in 2006, but in the period when on one unit overhaul is performed, Bulgaria probably will not be able to realize exports. Even during winter, when consumption is significantly higher, Bulgaria would be able to have smaller exports if hydrology is favorable and both units in NPP Kozloduy available. Following tables show estimated load flows.

For summer 2007, if both remaining units are in operation there should not be significant changes in load flows except on the border with Romania due to activation of new unit in NPP Cernavoda (Romania). This is because usually during summer all units in NPP Kozloduy are not in operation due to overhauls, what was the case in load flows calculations for 2006. But if one of remaining units is out of operation significant changes in load flows are expected on borders with Romania and Serbia.

For winter 2007, significant changes in load flows comparing to winter 2006 are expected since normally during winters all units in NPP Kozloduy were operational and 880 MW in winter 2007 will make significant difference in load flows.

Table: Load flows (MW) - Summer 2007

	A	B
Border	Summer 2006	Summer 2007
Bulgaria → Greece	696	734
Bulgaria → Serbia	331	415
Bulgaria → Romania	-76	-260
Bulgaria → FYROM	0	0
FYROM → Greece	92	71
Serbia → FYROM	352	330

Table: Load flows (MW) - Summer 2007

	C	B-A	C-A
Border	Summer 2007 one unit in NPP Kozloduy out of operation		
Bulgaria → Greece	618	38	-78
Bulgaria → Serbia	100	84	-231
Bulgaria → Romania	-718	-184	-642
Bulgaria → FYROM	0	0	0
FYROM → Greece	138	-21	46
Serbia → FYROM	399	-22	47

Table: Load flows (MW) - Winter 2007

	A	B	B-A
Border	Winter 2006	Winter 2007	
Bulgaria → Greece	558	470	-88
Bulgaria → Serbia	562	321	-241
Bulgaria → Romania	-34	-621	-587
Bulgaria → FYROM	0	0	0
FYROM → Greece	43	93	50
Serbia → FYROM	223	274	51

News:

Slovenian Petrol announced opening of new petrol stations (Region)

Slovenian oil company Petrol plans to open 25 new petrol stations in Serbia until 2010th, chairman of the management board of Petrol confirmed. In this moment, Petrol operates only one petrol station in Serbia.

In the same period, Petrol should increase the number of petrol station in Croatia from 18 to 40 and in Bosnia and Herzegovina from 31 up to 64.

Petrol wants to expand to Southeastern Europe, where one of the steps was the submitting the bid on the tender for lease of 33 petrol stations of Oil industry of Serbia (NIS). Petrol is highly interested for markets in Albania, Kosovo, Macedonia, Hungary, northern Italy and Austria.

§ § §

Romp petrol invest in Porto Romano (Albania)

Romanian oil and gas company, Rompetrol announced 24 million euros investments for the development of petrol stations and storage capacities all around Europe.

In Albania, The company plans to invest 5 million euros in the port terminal in Porto Romano.

In the related news, Albanian state oil and gas company Albpetrol announced takeover of troubled oil research company Servkom. The takeover is aimed to reinforce national oil industry and to attract investments in the oil research in Albania.

§ § §

Signing the privatization protocol for sale of Oil refinery Brod to Russian Zarubezneft (Bosnia and Herzegovina)

Prime minister of Republic of Srpska (RS) has confirmed that government of RS and Russian oil company Zarubezneft have signed protocol for privatization of Oil refinery Brod, Motor oil refinery in Modrica and fuel distributor Petrol from Banja Luka. Overall worth of the privatization protocol is 979 million euros

The main problem for government of RS during the negotiations with Russians in Moscow was the debt of the oil refinery Brod, estimated at 190 million euros. If the debts were resolved, Russian could take over the refineries and Petrol in September, PM said.

According to protocol signed on August 16th, government will sell 80 % of shares in oil refinery for 42 million euros, 76.5 % shares in motor oil refinery for 67 million euros, and 80 % of shares in Petrol for 10 million euros.

Overall worth of state-owned shares in all three companies sold to Russian should reach 122 million euros.

Zarubezneft was obliged to process 4.2 million of oil per year, to produce 130,000 tons of various motor oils and to achieve minimum 2,500 tons of oil sales per year in Petrol.

Russian company will also build new railway that will connect oil refinery in Brod and motor oil refinery in Modrica. The worth of investment is estimated at 59 million euros, where railway will become the property of the government, immediately after it was built.

Prime minister of RS said earlier that government would demand 979 million euros for state capital and for future investments in three companies.

The future owner should complete entire investment cycle until 2010th, where in the first year, 422 million euros should be invested, in the second one 58 million euros, in the third year 107 million euros, and in the fourth year, the investments should reach 270 million euros. In 2010th, when oil refinery in Brod should be renewed, the new owner should invest another 120 million euros.

PM confirmed that selection of Russian company was not coincidence, having in mind that Zarubezneft is the state owned company, with its own large oil sources and oil refineries. Government did not want to have trading company as strategic partner, in order to initiate production process as soon as possible. The negotiations have been carried out with several companies, but the Russian offer was the most serious, PM confirmed.

In March this year, government has rejected offer of Israeli company Alon for purchase of oil refinery in Brod. Oil refinery in Brod, located near river Sava in the northern Bosnia on the border with Croatia, has processing capacity of 120,000 tons of crude oil per month, which could cover 80 % of oil needs in Bosnia and Herzegovina.

§ § §

World Bank asked for closure of unprofitable coalmines (Bosnia and Herzegovina)

The representatives of World Bank (WB) stood against the plan of government of Federation of Bosnia and Herzegovina (BiH) regarding the fusion of Power utility of BiH (EP BiH) and coalmines. In fact, WB proposed shutdown of coalmines.

According to proposal of government, restructuring of electrical energy sector by merger of coalmines and EP BiH would lead to the reduction of price of electricity produced in thermal power plants (TPP). It is estimated that coal expenses make 70 % of overall expenses in TPPs. The pilot project with coalmine Breza should start in 2007th.

WB has announced that funds will be granted only for reconstruction of TPPs, hydro power plants (HPPs) and transmission system, but not for revival of coal production. WB believes that better option for BiH is to buy cheaper coal on international market.

§ § §

2 million euros profit for ERS (Bosnia and Herzegovina)

Power utility of Republic of Srpska (ERS) has reported net profit of 2 million euros in the first half of 2006th. In the same period last year, ERS has reported net loss of 10.2 million euros.

The ERS is the holding company comprised of five companies. The thermal power plant (TPP) and coalmine Ugljevik has reported loss

of 1.6 million euros (10.35 million euros in the same period last year).

Another loss making company in the last year, TPP Gacko managed to reduce net loss of 5 million euros in the first six months last year to net loss of 670,000 euros this year.

The highest gross profit of 3.9 million euros was reported by Drina hydro power plants (HPPs) (2.05 million euros in the last year), while net profit reached 2.76 million euros (2.46 million euros in the last year). HPPs on Vrbas River reported profit of 1.2 million euros (870,000 euros in the last year).

Power distribution company Elektrodoj reported profit of 330,000 euros, comparing to net loss of 360,000 euros in the last year. Power distribution company Pale reported profit of 185,000 euros (13,000 euros in the last year), while Elektrohercegovina reported minor profit of 2,000 euros.

Two power distributors, Elektrokrajina and Elektrobijeljina, have reported net loss of 3.2 million euros (180,000 euros of profit in the last year) and net loss of 0.8 million euros (45,000 euros of profit in the last year), respectively.

§ § §

37 offers for construction of large power plants (Bosnia and Herzegovina)

Government of Federation of Bosnia and Herzegovina (BiH) has confirmed that 37 offers from 18 countries for construction of large power plants have been submitted.

The offers came after government's announcement of large-scale construction projects and public invitation and direct contacts with potential investors. 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.

Government has established special commission for selection of strategic partners, where minister of energy and industry and chairmen of Power utility of BiH and Power utility of Herzeg Bosnia will be the members of the commission.

One of the bids came from Vienna based consortium Apet (Austrian Power and Environment Technology) established by Siemens, Alpina, Va Tech, Altstom, Austrian energy, Poyry, Porr, Atel i Wew which offered 2.5 billion euros for the projects. The bid of Apet was supported by the letter of Austrian vice chancellor and minister of transport, where letter was addressed to government of BiH.

Apet offered 100 % funding of the construction project and in return requested, not ownership share in new plants, but guaranteed delivery of electrical energy until the investment was repaid.

Investment fund Vitina offered 2.152 billion euros for construction of TPPs in Tuzla, Kakanj, Bugojno and Kongora. Minister of energy confirmed that Turkish Aksa company offered 1 billion euros, while Greece's PPC and Contour Terna and Penta from Czech Republic have also submitted the offers.

Two consortiums from Croatia and Croatian power utility (HEP) have also placed offers. One consortium was established Ingra, Koncar, Dalekovod, Construction institute, Konstruktor and Polish Rafak,

while other one was established by Construction institute, Konstruktor, Dalekovod and Zagreb Bank.

HEP has applied for construction of TPPs Kongora, Bugojno and Tuzla and HPP Vrilo. Official from HEP said that company could provide necessary funds through loans and strategic partnerships with other power utilities, while construction could be entrusted to HEP's traditional partners, the Koncar and Ingra.

The bids were also submitted by EFT, Va Tech, BMG (Switzerland/Kazakhstan), EGL, Atel, IEG, HSE (Slovenia), AES, Statkraft, EVN, Starbag, Petrol, CEZ, ENBW, Transelectro, Kelag and Leman Brothers.

§ § §

Gazprom proposed scheme for paying debts (Bosnia and Herzegovina)

Russian gas company Gazprom has presented proposal for paying debts of state of BiH during the meeting with the representatives of national gas company BH Gas and Energoinvest in Moscow.

The debts for delivered natural gas by Russian supplier reached 104.8 million dollars, and Gazprom threatened to cut all natural gas supplies starting from October 1st. According to BiH's officials, Gazprom did not want to discuss an extension of supply contract until entire debts were paid.

According to the first proposal, the BiH should pay additional 15 dollars per 1,000 cubic meters until debts have been paid. In this way, the overall debts could be returned in period of 17 years. In the same time, the price of natural gas in BiH would be increased by 7 %. BiH's companies considered such solution as unfavorable having in mind high natural gas prices.

The second proposal of BiH Gazprom, could be settlement of natural gas debts and some 130 million clearing dollars of debts of Russia toward companies in BiH. Until this proposal, Russians did not show intention to settle clearing debts with BiH. However, Russian company believes that this could be only agreed by two states, and not by the companies.

The natural gas consumption in BiH reached 400 million cubic meters per year, which is equal to 70 % of natural gas consumption before the war. The largest customers in the country are city of Sarajevo and company Birac.

§ § §

RWE wants to invest 800 million euros in new unit in Maritsa Iztok power complex (Bulgaria)

German power company RWE announced readiness to invest up to 800 million euros for the construction of new, 600 MW unit in the Maritsa Iztok power complex. This was confirmed by the member of the RWE's board. The power plants in Maritsa Iztok region produce some 30 % of overall electricity in Bulgaria.

RWE said it was already notified government of Bulgaria regarding this issue, where RWE is also ready to invest in coalmines in Maritsa Iztok region.

According to RWE's proposal, the best option would be construction of new unit in thermal power plant (TPP) Maritsa Iztok 2 (1,460 MW, 8 units). Germans want to sell electricity from new power plant in the local market.

As a reminder, Italian Enel has recently proposed to Bulgarian government to build new 600-700 MW units in TPP Maritsa Iztok 3. Enel plans to invest some 800-900 million euros for construction instead of average costs of 1 billion euro, by using existing infrastructure.

Bulgaria will need new production capacities, especially after decommissioning of units 3 and 4 in nuclear power plant Kozloduy. The new projects are 670 MW replacement capacity currently built by US company AES, upgrade of TPP Maritsa Iztok 2 and 3, and the construction of Tsankov Kamak hydro power complex..

Minister of energy said that projects proposed in Maritsa Iztok power complex should be planned in accordance to the production output of the coalmines in the region. Minister believes that two such large projects could be too much for region.

§ § §

Increase in power consumption during heat wave (Bulgaria)

The power consumption in Bulgaria reached record level in August due to summer heat.

It is estimated that 200,000 of air conditioners in the country has spent 200-250 MW per hour during heat wave.

Increased use of air conditioners and refrigerators led to the 7.6 % increase in power consumption in first 20 days in August comparing to the last year, National transmission system operator (NEK) confirmed. The increase in power consumption in 2006th so far has reached 4.4 % comparing to the last year.

Despite increased consumption and considerable electricity export (NEK has been exporting in that time 1,500 MW per hour to Macedonia, Kosovo and Greece), there were no problems in power supply, NEK confirmed.

§ § §

Bulgargaz continues negotiations with Gazprom (Bulgaria)

The national gas company, Bulgargaz, has restarted negotiations with Russian Gazprom regarding the new agreement for transit of natural gas from Russia via Bulgaria.

According to sources, the Bulgargaz's executive director and sales director have gone to Moscow in order to continue bilateral negotiations. Energy minister did not want to confirm or to comment this information.

Russian side has proposed extension of long-term agreement between Bulgaria and Russia by 20 years. The original agreement should expire in 2010th. The current agreement, the barter type, provides natural gas for Bulgaria at favorable price of 82 dollars per 1,000 cubic meters. Under this agreement, Bulgaria imports some 1.4 billion cubic meters per year.

Russian company now wants to increase the price of natural gas for Bulgaria, but also to increase the transit via Bulgaria.

§ § §

Final decision on constructor of NPP Belene in September (Bulgaria)

National transmission system operator (NEK) announced that constructor for the nuclear power plant (NPP) Belene would be selected in mid September. Two bidders competing for the project are consortium led by Russian Atomstroyexport and consortium led by Czech Skoda.

In July this year, Bulgarian energy minister expressed dissatisfaction with both bids, in terms of construction deadline and final price, and asked from bidders to improve their offers.

According to NEK, both bidders have submitted new, improved, bids, which will be analyzed.

Both bidders proposed construction of two 1,000 MW VVER type reactors. Skoda proposed construction of reactor similar to one in NPP Temelin (reactor upgraded by Westinghouse), while Russians offered to install new improved version of VVER reactor, where Areva and Siemens should be subcontractors.

Atomstroyexport is also ready to use the equipment already delivered to the NPP site in 1990s, after which time original project was abandoned.

The main investor for Atomstroyexport will be Gazprombank, while Skoda will be backed by financial consortium led by Citibank.

New NPP will cost about 2 billion euros, where first unit in NPP should be operational in 2013-2015th.

§ § §

Delays in Tsankov Kamak hydropower project (Bulgaria)

The Tsankov Kamak hydropower project, with estimated worth of 220 million euros, could face delays according to the Bulgarian press.

The project includes construction of 80 MW hydro power plant (HPP). Initial deadline for finishing the project was set in 2008th, while postponement could be some six months.

The main constructor is Austrian consortium Va Tech Hydro, and the project has been carried out under the Austrian –Bulgarian Austrian-Bulgarian memorandum for understanding and co-operation in accordance to Kyoto Protocol.

Announcement of delay in the energy project, very important for Bulgaria, came in the moment when two other large energy projects have already faced delays. A revitalization of thermal power plants (TPPs) Maritsa Iztok 2 and 3 is also behind the schedule, similar as the construction of the replacement capacity on the site of TPP Maritsa Iztok 1, which is 5 years behind the schedule.

§ § §

Large interest for heating companies (Bulgaria)

Russian Gazprom announced plans for purchase of several heating companies in Bulgaria through its local subsidiary Overgas (50 % owned by Gazprom), Russian agencies reported. Overgas has acquired application papers in the tender procedures for privatization

of heating companies in Varna and Plovdiv. Overgas already owns gas distribution licenses in 25 cities and one heating company.

In the same time, E.ON, CEZ, Gaz de France and Dalkia, among other companies, have also applied in the tenders. Dalkia Bulgaria, subsidiary of Dalkia International, has announced interest for Plovdiv heating company and interest for long-term investments in Bulgaria.

The deadline for submitting the bids for Varna heating company is set to October 23rd, and for the Plovdiv heating company to October 9th. Two heating plants use coal as engine fuel, where Gazprom has been considering an option for switching the heating plants to fuel-fired.

Eleven companies have bought tender documentation for Varna heating company. Those companies are E.ON (Bulgaria), E.ON Energie AG(Germany), CEZ (Czech Republic), EVN AG (Austria), Dalkia International (France), Ener-G Plc (Great Britain), Overgas Inc (Russia/Bulgaria), and local companies Brikel, Obединение Toploenergo Bulgaria, Bulgarian Energy Group and Toplofikacia Pravets, Almost the same companies have applied for the privatization of Plovdiv heating company.

The bidders need to have sale volume of at least 150 GWh of electrical energy and 300 GWh of heat energy in the last three fiscal years. The consortium with only one strategic investor will be allowed to participate in the tender, while offshore companies will not be allowed to participate.

§ § §

Koncar and Ingra should jointly build HPP Lesce (Croatia)

The representatives of Koncar and Ingra, two first ranked bidders in the cancelled tender for construction of hydro power plant (HPP) Lesce (2x21 MW), have made a deal on submitting the joint bid for the construction project.

Ingra and partners will be in charge for construction works and for delivery of hydro mechanic equipment, Koncar will deliver generator, Litostroj will deliver turbine and the company Kostruktor will be in charge for construction of dam.

By this agreement, companies have decided to take the chance given by the state of Croatia, which allow to the main investor, the Croatian power utility (HEP), to make direct contract with construction companies in order to avoid further delays in the project.

The companies agreed on the members of consortium, particular responsibilities and the price of the project, which must remain under the best price of 57.7 million euros submitted in the cancelled tender.

As a reminder, State commission for supervision of public procurements, has decided to cancel HEP's tender for construction of HPP Lesce, due to complaints of participants in the tender.

The first HPP in Croatia after 20 years should have been built by consortium Ingra, which was the first ranked bidder with offered price of 57.7 million euros. Ingra outbid the KOHEL consortium led by Koncar, and with Kostruktor and Litostroj, which requested 65 million euros for construction of HPP.

State commission ruled that both bids were unsatisfactory, but the sources said that cancellation was the consequence of the pressure to enable participation in the project for as much as possible domestic companies.

In original Ingra's bid, Austrian company VA Tech should have delivered the 20 million euros worth generator. After the latest agreement, Ingra has cancelled contract with Austrians.

The members of new consortium will have 18 months period to finish the construction works. The construction of HPP Lesce has been first time initiated in 1998th, but the tender launched in the same year, was also cancelled.

§ § §

Slovenia determined to launch arbitrage on NPP Krsko (Croatia - Slovenia)

Slovenian ministry of economy said that he has still been waiting official answer from its Croatian colleagues regarding arbitrage procedure for nuclear power plant (NPP) Krsko.

According to press in Slovenia, government of Slovenia is determined to launch arbitrage procedure against Croatia. Slovenia believes that Croatia did not fulfill article 11 of interstate agreement regarding NPP Krsko. The particular article is related to establishment of Fund for decommissioning of NPP after end of its operational life in 2023rd in order to provide 350 million euros. Slovenia claims that Croatia, as different from Slovenia, still did not collect any funds.

On the other hand, Croatian officials said that arbitrage procedure would be unnecessary having in mind that Croatia has started to transfer necessary funds to special governmental account. Croatian power utility (HEP) should pay 14.5 million euros per year, and residual debts for 2004th and 2005th. After funds have been collected, it would be transferred to the Funds' account as soon as the Croatian Fund for NPP was established.

§ § §

Announced construction of unit 3 in TPP Plomin (Croatia)

According to sources, Croatian power utility (HEP) will demand from parliament of Croatia that future unit 3 in thermal power plant (TPP) Plomin should be coal fired. The request is necessary having in mind the Bylaw on ban of use of coal in new TPPs.

The estimated costs for construction of new unit are 150 million euros per 100 MW of installed power output, which would reach almost 800 million euros in case of power output of 500 MW.

In the same time, local politicians and environmentalists in Istra peninsula demanded that entire TPP Plomin should be altered to gas fired TPP, having in mind that construction of new regional natural gas pipeline in Istra has started.

HEP, on other hand, believes that every power company should have diversified energy sources, where Croatia is the country with lowest coal based power production in the region.

TPP Plomin is the only coal-fired plant in the country, which provides 7 % of power production in Croatia. TPP now uses imported coal, after old coalmines have been shut down due to high level of sulfur dioxide and radioactive elements.

The shut down of the coalmines implied the shut down of the plant, which HEP strongly rejected having in mind significance and location of the TPP.

The announced construction of coal-fired unit could lead to the serious protests by citizens and local politicians in Istra, one of the most important tourist resorts in Croatia, newspapers in Croatia say.

TPP Plomin has two units, where unit 1 has power output of 100 MW and it is owned by HEP, while unit 2 (210 MW) is jointly owned by HEP and German RWE.

RWE has invested funds for finishing the construction of unit 2 and HEP and RWE should operate the unit on equal basis in the period of 15 years, starting from 1996th. After that period, HEP should become the sole owner of unit 2.

It is expected that RWE could be one of the largest investor in new unit in TPP.

§ § §

Second phase of privatization of INA in autumn (Croatia)

Croatian daily newspaper announced that long time expected sale of 15 % of shares in Croatian oil industry (INA) could start in October. The second phase of privatization of INA was originally planned to happen in September this year.

The issue needed to be resolved is the amount of the shares that should be sold to citizens and the amount that should be sold to foreign investors. According to latest announcements, citizens would be offered 7 % of shares in INA.

§ § §

No increase in heating prices (Croatia)

Minister of economy, labor and entrepreneurship strongly denied announcements on increase in heating prices by 30 % during the incoming winter season.

The announcement was made by officials from Zagreb heating company, the subsidiary of Croatian power utility (HEP) –Heating. HEP-Heating has justified its plans by introduction of integrated tariff system and by increased oil and petrol prices.

The situation should be clear until the September 15th, the official start of the new heating season.

§ § §

HEP announced return of investments made in former Yugoslavia (Croatia)

During the meeting of CIGRE in Paris, the member of management board of Croatian power utility (HEP) announced signing the letter of intention between Croatia and Hungary regarding the construction of 400 kV power line Ernestinovo (Croatia) – Pecs (Hungary).

In the same time, HEP plans to start construction of 400 kV undersea power cable from substation Konjsko toward Italy. This would be the first direct link between two power systems, where HEP expects considerable profit from electricity transit to Italy.

HEP's official also said that Croatian power company would try to retrieve its pre-war investments in the former joint state of Yugoslavia in power plants in Serbia and Bosnia and Herzegovina (BiH). HEP

and BiH have already reached agreement for return of investments in thermal power plants Kakanj and Tuzla.

HEP wants to sign similar contract with Power utility of Serbia (EPS), which owes 21 TWh of electrical energy to HEP, according to Croatian side. The representatives of energy ministries of two countries have already discussed this issue, while HEP expects to meet EPS' officials very soon.

HEP and Power utility of Republic of Srpska (RS) also need to find solution for HEP's investments made in former Yugoslavia in TPP Gacko and to reach agreement on division of electricity produced in confluence of Trebisnjica River.

One of the main concerns of HEP during this winter will be increase in power consumption. Peak hourly consumption is expected to reach 3,200 MW and tripping of any major power plant could lead to serious problems in power system of Croatia.

Long-term plans of HEP predicted construction of 3 new gas-fired TPPs in Zagreb, Osijek and Sisak, one coal-fired TPP in Plomin and hydro power plant Lesce, where overall power output would reach 1,150 MW.

The construction of TPP Sisak and Osijek could face problems since Russian supplier of natural gas confirmed that additional supplies for Croatia could not be delivered until 2012th.

§ § §

Russian president arrives in September to discuss energy issues (Greece)

Russian president will visit Athens on September 4th. He will meet prime minister of Greece, and PM of Bulgaria in order to discuss energy issues, especially the project for construction of oil pipeline Burgas-Alexandroupoulos. The meeting was arranged at Russian president's request.

Greek experts believe that incoming meeting is the strong sign of Russian interest for construction of oil pipeline by three countries. Russia, Bulgaria and Greece have signed Memorandum of understanding for construction of pipeline in April 2005th, and countries' representatives have held several meetings on this issue in this year.

Sources said that Russia has prepared draft interstate agreement to the Bulgaria and Greece, where, for the first time, Russians have offered state guarantees for oil supplies that are considered as the vital for continuation of the project.

Russian officials, accompanied by representatives of TKN BP, Rosneft and Gazprom, have earlier visited Greece (in March and July) in order to speed up the whole process. In the beginning of August, Greece and TKN BP, the leader of the interested companies for the project, have signed important cooperation contract.

It is believed that one of the key moments for Burgas- Alexandroupoulos oil pipeline was the visit of Russian companies to Turkey in June, when they definitely abandoned construction of oil pipeline Samsun –Ceyhan due to high construction price.

According to Greek press, Americans have also expressed interest for new pipeline, especially US company Chevron.

According to latest announcements, the agreement for construction of oil pipeline could be signed by the end of the year, officials from Russian government said.

§ § §

Record power consumption (Greece)

Summer heat in August has once again put the national power grid in Greece to the capacity test and underlined main problems. Temperatures reached 45 °C in the end of August, which led to the increased use of air conditioners and record power consumption.

Development minister confirmed that record power consumption reached 9,961 MW per hour, comparing to the previous record of 9,665 MW per hour achieved in August last year. Nevertheless, minister confirmed that Public power corporation (PPC) and the Regulatory Authority for Energy (REA) have prepared power system to withstand aforementioned weather conditions. There were no bigger problems in power grid during the peak consumption, where Greek press reported on smaller disturbances in southeastern suburbs of Athens.

According to the plans, which were aimed to reduce problems in power grid, Transmission system operator (HTSO), Public power corporation (PPC) Regulatory Authority for Energy (RAE), were given task to prepare the plan for improving the security of power system until 2004th. The task commission concluded that Greece has to build new 600 MW power plant, preferably in southern part of Greece and close to the Athens.

Power consumption in Greece has a growth rate of 4.5 % per year. Nevertheless, officials from HTSO, PPC and development ministry said that the best economic solution for covering peak demand, which reaches above 9,000 MW, was not the construction of new units, but improved demand management. This conclusion was based on a fact that peak demand over 9,000 MW lasts only 50 hours per year.

Due to fact that most of the power plants in Greece are located in the North, while most of the consumption is in the South of the country, Greece's power systems was more than once in the risk of blackout, as it was happened on July 12th 2004th.

Experts estimate that without long-term plans, with uncertain electrical energy import and current number of interconnection lines, summer season will always be great risk for power supply in Greece.

§ § §

Increase in profit for Hellenic Petroleum (Greece)

Hellenic Petroleum (HP) has reported 24 % increase in profit in first half of 2006th, where profit reached 175 million euros.

EBITDA (earnings before interest, taxes, depreciation and amortization) increased by 6 % up to 330 million euros, where EBIT (earnings before interest and tax) increased by 39 % up 175 million euros.

Overall sales of HP in the same period reached volume of 4.104 billion euros, which was 43 % increase.

§ § §

Decrease in profit for PPC (Greece)

Public power corporation (PPC) has reported 2.33 billion of incomes in the first half of 2006th, which was 10 % increase comparing to the last year's value of 2.12 billion euros.

In the aforementioned period, net income reached 96.2 million euros, which was 34.7 % lower comparing to the last year. PPC also invested 326 million euros, comparing to the 363 million euros in the same period last year.

The main reason for net income reduction, despite increase in electricity tariffs, was increase in fuel costs. Experts estimated that net income reduction would continue in this year. 25 to 30 % of PPC power production was based on oil and natural gas.

The 3.2 % increase in electricity tariffs in September 2005th and recent increase in tariffs of 4.8 % in the beginning of August are considered hardly to compensate increase in fuel prices. It is believed that PPC would not manage to reduce oil dependence in the nearest future, and that business result would remain influenced by oil prices.

Fuel costs in first half of 2006th rose by 132 million euros comparing to first half of 2005th, while electricity imports rose by 131.3 % up to 193.1 million euros.

In the same period, the company did not have any of carbon emission costs (45 million euros in first half of 2005th), which should remain the same by the end of the year.

§ § §

Swiss ATEL received power trading license (Macedonia)

In mid August, Regulatory energy commission has granted 10 –year power trading license to the Swiss company ATEL.

By this license, ATEL was allowed to sell electrical energy produced in Macedonia or in other countries to eligible customers in the country, i.e. the customers with annual power consumption of more than 20 GWh.

It implies that companies Silmak, Feni, Makstil, Skopje steel factory, Usje, Bucim etc will be allowed to purchase electricity, apart from MEPSO, from ATEL too. The main condition for this will be paying the old debts to MEPSO by aforementioned companies, while MEPSO will charge the transport of electrical energy.

§ § §

ESM disconnected power to government offices (Macedonia)

Power utility of Macedonia- Distribution (ESM), i.e. the new owner Austrian EVN, has continued its policy of collecting the debts by disconnecting the large debtors.

Due to 11 million euros debts, ESM has disconnected power to large number of government's buildings. ESM said that among 14 ministries, eight of them have not been paying their power bills on time.

The power has been cut off to the courts in Veles, Kumanovo, Gevgelija and Prilep. The security of Supreme Court prevented ESM workers to cut power to the highest legal institution in the country.

ESM said that the municipality of Skopje is one of the larger debtors with 1.6 million euros debt for public lighting. ESM has disconnected power to the largest bread producer in the country in city of Bitola, which owes 163,000 euros for the last 18 months. The same could happen to national television due to unpaid debts, ESM warned.

§ § §

TPP Negotino produced electricity for Greece (Macedonia)

From August 21st, fuel oil fired thermal power plant (TPP) Negotino (200 MW) was again put in operation in order to produce electrical energy that was exported to neighboring Greece. Since July this year, TPP was leased by Greece for five times, director of TPP confirmed.

TPP Negotino has been operated by Macedonia's transmission system operator (MEPSO), where TPP was mostly in operation during workdays, while during weekends was out of service.

§ § §

Regulatory body approved increase in electricity prices (Macedonia)

Regulatory energy commission has approved increase in electricity prices both for households and for industrial customers.

Starting from September this year, households' customers will pay 9.14 % higher price for electricity, or 4.9 eurocents per kWh. In the same time, price of electricity for industrial customers will increase by 10.53 %, i.e. new price will be 3 eurocents per kWh.

The increase in electricity prices came after official requests by Transmission system operator (MEPSO) and Power utility of Macedonia –Distribution (ESM).

MEPSO has requested 12 % increase, due to high price of imported electrical energy, while ESM justified its request for 14.8 % increase by the fact that MEPSO is the sole supplier to ESM.

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 national power producer, the Macedonian power plants (ELEM), did not submit the request for the price increase. ELEM sells electrical energy at 2.1 eurocents/kWh to MEPSO, while MEPSO delivers electrical energy to ESM at the average price of 2.6 eurocents/kWh.

Chairman of REC said that increase in electricity prices was necessary to happen due to unfavorable financial situation in power companies in the country and high price of imported electrical energy.

REC has informed the public that overall losses of MEPSO in period January-August this year stood at 10 million euros, where annual losses would have reached 17 million euros in case if the electricity prices remained unchanged. On the other hand, annual losses of ESM would have reached almost 8 million euros if the price of electricity were not increased, REC confirmed.

MEPSO was satisfied with the latest decision, while Austrians in ESM announced filling an appeal, because of inadequate level of price increase, according to ESM.

ESM's management believes that price of electricity that MEPSO will sell to ESM will be higher than price for industrial customers. ESM has announced to submit new request for increase in electricity prices before the winter season.

It is estimated that ELEM will provide 2.209 TWh out of overall amount of 2.261 TWh, the estimated power consumption until end of the year.

§ § §

Production results of TPP Bitola 10 % higher than planned (Macedonia)

Thermal power plant (TPP) Bitola (3x200 MW), the largest power producer in the country, has produced 2.7 TWh of electrical energy in the first eight months of this year, which was 10 % higher than planned.

For achieving this result, TPP spent 3.86 million tons of coal (4 % higher than planned) delivered by coalmine Suvodol. If such trend continues, coalmine should deliver 5.8 million tons to TPP Bitola until end of the year. In the future, TPP Bitola should use coal from Suvodol and new coalmine Brod-Gneotino.

In the same time, officials from TPP confirmed that company managed considerably to reduce operational costs.

§ § §

Government announced tender for new concession contract for oil and gas exploration (Montenegro)

Officials from government of Montenegro said that claims of Hellenic Petroleum (HP) on inadequate legislation in oil and natural gas sector in Montenegro were not good enough reason for lack of results in oil and gas exploration.

HP believes that legal framework in Montenegro makes whole project unprofitable and unfeasible for HP or for any other foreign company.

Ministry of economy has rejected third request, submitted by HP's subsidiary Jugopetrol, for extension of deadline for start of oil and gas researches in block 3 in Adriatic near city of Ulicinj.

Government has announced possible launching of new tender for concession contract for oil and gas exploration, after systematic analyses.

In the same time, minister of finance of Montenegro said that 5 million euros guarantee was never paid by HP, so that government is not entitled for any kind of compensation from HP. Minister confirmed that HP offered the guarantee if the exploration deadline was extended, but since government never did that, the guarantee was never paid.

§ § §

Cautious privatization of EPCG (Montenegro)

Government of Montenegro should initiate privatization process in some of the branches of Power utility of Montenegro (EPCG) in the next year, which should be done carefully, sources say.

According to the Strategy of privatization of EPCG, only certain parts of the national power company could be privatized or given in concession to leaseholder or strategic investors for limited period.

Government's officials believe that privatization of EPCG must be preceded by the adoption of Energy development strategy, completion of Strategy of privatization of EPCG, with broad public discussion included.

Minister of economy confirmed that Energy strategy until 2025th should be presented to the public in September this year. The highest priority of energy sector will be development of small hydro power plants (HPPs), as well as lease or sale of existing five small HPPs.

In the same time, government will start restructuring and functional separation in EPCG, which would be first step toward privatization of certain parts of national power company, minister said. Functional separation implies separation of bank accounts, separation of operational activities and IT services, of new functional divisions, i.e. functional divisions of Production, Transmission, Distribution and Supply.

According to Montenegro press, privatization strategy predicted several options, and among them, the sale of large power plants, which should be decided by the government. In addition, government will consider option for lease of distribution and transmission network of EPCG for period of 20 to 30 years.

The Strategy for privatization of EPCG should be finished by the end of the year. According to new plans, EPCG should reduce the staff from current number of 3,450 to 3,270 of employees.

§ § §

Statkraft and EPCG continue negotiations (Montenegro)

Norwegian power producer, the Statkraft and Power utility of Montenegro (EPCG) have continued negotiations regarding the construction of new hydro power plants (HPPs) in Montenegro. Two parties still have not reached any decisions regarding particular projects, Montenegro press reported.

Nevertheless, EPCG have been saying in past several months, that Statkraft and EPCG could start construction of four cascade HPPs on Moraca River.

The high official of Statkraft has also confirmed that they have been considering construction of HPPs on Moraca and Komarnica rivers. He said that Memorandum of understanding, recently signed by Norwegians and EPCG, was aimed only to support the study on potential projects for construction of HPPs in Montenegro.

§ § §

EN plus group and government started negotiations for privatization of TPP and coalmine Pljevlja (Montenegro)

The negotiations on sale of thermal power plant (TPP) Pljevlja and 31 % of state owned shares in coalmine Pljevlja between government of Montenegro and Russian EN Plus group, the first ranked bidder in the tender, has started in the end of August.

Representatives of coalmine and Power utility of Montenegro (EPCG) attended the meeting.

As a reminder, EN plus has offered 45 million euros for 100 % of shares in TPP and 5 million euros for shares in coalmine, where Russians plan to invest 195 million euros in the TPP and 78.74 million euros in the coalmine. Russians offered to build new 225 MW unit, which should be put in operation by 2011th, worth of which is estimated at 170 million euros.

During the electronic communication prior the start of direct negotiations, government has accepted request of Russians regarding the continuation of dislocation of River Cehotina, while EN Plus agreed to apply Collective workers agreement of EPCG for the workers in coalmine, which is more favorable for workers.

The dislocation of Cehotina will provide enlargement of coalmines and provide another 55 million tons of coal sufficient for 25 to 30 years of exploitation. The worth of the project is 22 million euros, and river should be diverted next year.

In the same time, the government agreed to finance regular maintenance of TPP until end of the year. Officials from the coalmine hope that negotiations could successfully finish by the October 1st.

§ § §

Government plans to rent power stations to Hidroelectrica and Nuclearelectrica (Romania)

Ministry of economy and commerce of Romania has announced plans for lease of five power plants of Termoelectrica to power producers, the Hidroelectrica and Nuclearelectrica. The power plants Doicesti, Braila, Deva, Borzesti and Paroseni will be used as capacity reserves.

This was considered as the first step toward transfer of ownership over aforementioned power plants, which could only happen if the Competition council approves the write off of 1.2 billion euros Termoelectrica debts. EU officials have approved write off in order to avoid the bankruptcy in the company, which was caused by the social protection scheme, and not by inadequate management. The final decision will be reached by Competition council.

In the related news, ministry of economy requested from National tax administration (ANAF) to unfreeze the Termoelectrica accounts in order to enable purchase of 20 million euros worth fuel for the next winter season. The second option proposed by minister of economy predicts that the leaseholders of the power plants could purchase fuel.

§ § §

Electrica wants 10 % stake in units 3 and 4 in NPP Cernavoda (Romania)

Power distribution company, the Electrica, wants to invest hundreds million dollars in the project for construction of units 3 and 4 in nu-

clear power plant (NPP) Cernavoda. In return, Electrica will demand at least 10 % stake in the future company and the electrical energy produced in new units.

Officials from Electrica believe that future consortium for construction of units must not have more than five companies. As a reminder, government of Romania has made a list of 13 potential investors in the project.

Future investors should establish joint venture that will be in charge for the construction, development and operation of units 3 and 4 (700 MW each). The minimum cash participation of selected investors will be 50 million euros. Those funds will become social capital of the company, while the rest of necessary funds should be provided through loans.

The government should very soon analyze options for construction of units, where government needs to decide whether it will be the majority owner of units 3 and 4, or it will assign project to private investors. The worth of the project is estimated at 1.4 billion euros, in case if only unit 3 was built, and 2.2 billion euros if both units were simultaneously built. The deadline for construction of each unit should be 64 months after signing the construction contract and after carrying out preparation works.

§ § §

Unit 2 in NPP Cernavoda in operation in September 2007th (Romania)

Minister of economy and commerce confirmed that unit 2 (700 MW) in nuclear power plant, (NPP) Cernavoda should start commercial operation in September 2007th.

In August this year, heavy water loading of moderator system should be carried out and in February next year, the first critical part of the project, the nuclear fission chain reaction, should be initiated.

The discovered flaws on previously stored equipment of the NPP, at the nuclear cooling circuit, have caused delays in the putting the unit in operation.

The construction of unit 2 was set as the highest priority for electrical energy sector of Romania, where government has supported project legally and financially. The worth of the project is estimated at 910 million euros.

In the related news, minister of economy said that unit 1 in NPP would start regular maintenance works on September 9th, which would last for 25 days.

§ § §

Energy Holding changed owners (Romania)

New owner of the power trading company Energy Holding (EH) became the Société Bancaire Privée (SBP). SBP is the Swiss bank with head office in Geneva.

The takeover took place on August 7th, where transaction should be finalized within 30 days from the signing of the contract. SBP will takeover 95 % of the shares in EH, owned by Energy Consult ECSA Switzerland. Both parties agreed that financial details of the contracts should remain confidential.

Management board of EH, one of the most important power traders in the region, will remain unchanged according to announcements.

EH recently entered Bulgarian electricity market, while company also delivers electricity to Macedonia, Serbia, Albania and Montenegro. EH has also submitted requests for acquiring power trading licenses in Serbia and Greece.

§ § §

Potential construction of interconnection gas pipeline (Romania & Bulgaria)

During the visit to Bulgaria, Romania's minister of economy and commerce met his colleague, the Bulgaria's minister of energy and economy. Two ministers discussed potential construction of natural gas pipeline between two countries.

The 13 km long pipeline should be build under the Danube River and it would link city of Russe (Bulgaria) and city of Giurgiu (Romania), where transport capacity of the pipeline would be 1.5 billion cubic meters.

The natural gas will come from Russia to Romania, where additional import of gas will be mostly used to cover increased gas consumption in capital Bucharest during winter season. Also, domestic and industrial customers in southern Romania will be able to use natural gas imported on Bulgarian border.

The initial plans for the pipeline construction have been made two years ago, where project was stalled due to lack of funds.

Both Bulgaria and Romania, import the most of natural gas from Russia. Bulgaria has been paying 82 dollars per 1,000 cubic meters of gas under the old agreement signed in 1998th and valid until 2010th. On the other hand, Russia demanded changes in old contract by demanding new price of 260 dollars.

In the same time, Romanian minister earlier announced that Romania would start to pay about 300 dollars per 1,000 cubic meters of natural gas imported from Russia, starting from this winter. Romania, which natural gas consumption is about 17 billion cubic meters per year (5 million cubic meters imported from Russia), currently pays 285 dollars per 1,000 cubic meters to Russian suppliers.

§ § §

Hidroelectrica delivers additional amount of electricity to Electrica (Romania)

Power producer Hidroelectrica and power distributor Electrica should sign regulated contract for delivery of additional quantities of electrical energy in order to provide safe supply during the winter season.

The announcement of the contract came very soon after minister of economy and trade demanded from Hidroelectrica to reduce electricity export and to offer the cheapest electricity in the country to domestic customers.

According to Romanian press, the Hidroelectrica's share in overall power supplies of Electrica could increase from current level of 17 % up to 20 %.

In the same time, Hidroelectrica will renegotiate the amount of electricity that will be sold on foreign markets in order to achieve profit necessary for financing the upgrade works.

In the related news, in October, Hidroelectrica will offer for sale 20 small hydro power plants (HPPs) on rivers Suceava, Casin, Iod and Iuhod. The overall initial price in the tender demanded by Hidroelectrica is 7.8 million euros (without VAT), where initial price for 10 HPPs on Suceava River will be 5.5 million euros.

The potential bidders need to have three years of experience in energy sector and 5 million euros of annual turnover in 2005th.

§ § §

Listing of Transelectrica shares increased 2.5 times trade volume on stock exchange (Romania)

In the end of August, the listing of shares of Romania's transmission system operator, the Transelectrica, increased trade volume Bucharest Stock Exchange (BVB) 2.5 times, i.e. from 4.8 million euros up to 12.1 million euros.

At the end of first day the Transelectrica shares were listed, the company's share capital reached 474 million euros, which was 2.2 times higher comparing to initial share capital of the company of some 200 million euros. In the same time, nominal worth of Transelectrica's shares reached 6.47 euro per share, which was 35.7 % up comparing to initial price of 4.75 euros per share.

Transelectrica plans to invest funds, acquired through sale of shares, for the construction of interconnection power lines with Serbia and Bulgaria, and undersea power cable toward Turkey.

Romania's minister of economy and commerce said that this new projects would result in lower transport tariffs for Transelectrica, and subsequently lower electricity tariffs for end-customers in Romania. Minister also pointed out that state of Romania would not renounce its ownership share in Transelectrica, having in mind the company's significance.

§ § §

NIS received natural gas trade license (Serbia)

In accordance to new Energy law, Regulatory energy agency (REA) has issued 10-years license for natural gas trade on free market to Oil industry of Serbia (NIS). In July this year, NIS was granted license for production of oil derivatives.

In a month period, REA has issued 23 energy licenses to the companies in Serbia involved in production, trade and distribution of electricity, natural gas trade, oil and oil derivatives trade and storage of oil and oil derivatives. The licenses have been mostly granted to Power utility of Serbia (EPS) and NIS, i.e. to their subsidiaries.

§ § §

19.5 million euros incomes from electricity export (Serbia)

Power utility of Serbia (EPS) has reported 19.5 million euros of incomes from the electricity export in this year.

Since the beginning of 2006th, EPS has exported 507 GWh of electrical energy, where electricity export was stopped on August 1st, mostly due to regular maintenance works.

EPS's PR official reminded that company has achieved record power production of 25 TWh since the beginning of the year.

The electrical export was boosted by favorable hydrology, despite the 4 % increase in domestic power consumption. The increase was mostly related to the use of air conditioners and increased consumption of industrial customers, EPS official confirmed.

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EPS and EPCG continue long-term contract for HPP Piva (Serbia & Montenegro)

Power utility of Serbia (EPS) and Power utility of Montenegro (EPCG) will sign the Amended long-term contract for usage of HPP Piva (300 MW, property of EPCG) in mid September, official website of EPS confirmed.

New contract should define all disputable issues negotiated in the past several months by experts' teams of EPS and EPCG. The contract will also define the procedure for canceling the contract, which was not strictly defined in the old contract and which led to different interpretation of the cancellation procedure.

As a reminder, EPS has been operating HPP Piva in free manner, and in return, it has been delivering constant electrical energy to EPCG.

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Cooperation agreement between NIS and Shell to be signed in September (Serbia)

A contract for technical and business cooperation between Shell and Oil industry of Serbia (NIS), announced to be signed in September, energy experts in Serbia consider as some kind of favoring of Shell in the incoming privatization procedure of NIS.

Shell and NIS already have been cooperating within the project for optimization of business activities, developed by experts from Shell Global Solutions.

Deputy energy minister strongly denied that future agreement between NIS and Shell could endanger in any way the fair treatment of future participant in the tender procedure.

According to some experts, after the privatization, NIS could become very important player on oil market of Southeastern Europe, having in mind that Serbian market is one the largest in the region.

Croatian press speculated that MOL, strategic partner of Croatian oil industry (INA) plans to invest 1 billion euros for modernization of oil refineries in Rijeka and Sisak in order to compete with NIS after the privatization. In the same time, MOL has expressed interest for privatization of NIS.

The future strategic partner of NIS will get 37.5 % of shares during the first phase of privatization, where strategic partner will be obliged to invest 250 million dollars in NIS. In the second phase, strategic partner should acquire 49 % shares in the company, and it should invest another 300 million euros.

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EPS buys 130,000 of new electricity meters (Serbia)

Power utility of Serbia (EPS) has announced purchase of more than 130,000 of new electricity meters in September this year. The worth of acquisition is estimated at 5.1 million euros.

After purchase of new equipment, EPS will start to replace 3.3 million of existing electricity meters in the country. The replacement project will last next 10 years, for which some 200 million euros will be spent, EPS estimated.

119,000 of three-phase electricity meters at the price of 38.21 euros and 7,500 single-phase meters at price of 30,26 euros will be purchased from French company Sagem, which submitted the best bid in international tender. Domestic company ENEL will deliver 4,200 multifunctional electric meters.

The purchase of electricity meters will be financed by the loan of European Bank for the reconstruction and development. It is expected that new tender for purchase of metering equipment will be published very soon, for which the rest of the loan of EBRD will be used. The overall worth of the loan is 12 million euros. New meters should enable long distance measuring of power consumption.

In accordance to new Energy law, since mid-July, EPS has started to takeover the electricity meters from the customers. Law prescribed that EPS is obliged to finance the replacement and maintenance of meters, which have now become property of power distribution companies. Old electricity meters are 25 years old in average, and its nominal operational life should have been 10 years.

The customers will not be forced to hand over the old meters, yet EPS will install the new ones. EPS reminds the customers that similar process has been finished in the candidate countries for EU membership. If customers do not sign the agreement, they will be obliged to pay by themselves maintenance and repair costs for metering devices.

Talking on future customers, after October 1st, EPS will start to apply new rules in accordance to the methodologies adopted by Regulatory energy agency. New customers should have to pay, along with other costs, the cost of new electricity meter at the price paid by the EPS itself.

EPS plans to install 300,000 new meters every year. Estimations showed, that apart of theft of electrical energy that reached 1 TWh per year, malfunctioned metering devices are responsible for loss of 0.4 TWh of electrical energy. The worth of such electricity is estimated at 16 million euros.

Several domestic producers of electricity meters accused EPS that offer of French company was not the best having in mind customs expenses and transport costs. In addition, Sagem's devices does not have valid certificate approved by official institute in Serbia, domestic producers say.

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Hellenic Petroleum considering joint bid with OMV for NIS (Serbia)

According to the well-informed sources, Hellenic Petroleum has been considering the option for submitting the joint bid with OMV

in the incoming privatization tender for Oil industry of Serbia (NIS). The privatization tender could be launched in October this year.

Serbian officials have earlier confirmed that Motor Oil, MOL, Lukoil, Petrol, PKN Orleon have also expressed interest for privatization of NIS.

Government of Serbia has recently adopted privatization model for the national oil company.

It is estimated that two oil refineries of NIS could be able to supply entire region after modernization and renewal was carried out. NIS also has a chain of some 500 petrol stations.

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Joint venture for reconstruction of HPP Bajina Basta (Serbia)

The representatives of Austrian company Va Tech hydro have had talks with Serbian company ABS Holding regarding the establishment of consortium that should participate in the incoming tender for reconstruction of hydro power plant (HPP) Bajina Basta (360 MW).

According to officials from ABS Holding, the negotiations with Austrians will be continued in September. Other member of consortium should be Institute Mihajlo Pupin, Gosa, Sever and Minel company (the member of ABS Holding).

Power utility of Serbia (EPS) has earlier announced that tender for reconstruction of HPP Bajina Basta would be launched during 2007th.

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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: <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:	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:	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, related Bulgaria
Energy Efficiency & Renewable Energy Credit Line- Independent Energy Expert	
Content:	The Bulgarian Government and the European Commission signed an agreement in which the Bulgarian Government undertook a firm commitment to close and decommission Units 1 - 4 of the Kozloduy Nuclear Power Plant ("NPP") at the earliest possible date. The Kozloduy International Decommissioning Support Fund ("KIDSF") has been established and administered by the European Bank for Reconstruction and Development (the "EBRD" or the "Bank"). One of the purposes of this Fund is support through grant financing projects, which would assist the necessary restructuring, upgrading and modernisation of the energy sector and to improve energy efficiency. The EBRD has established a credit facility (the Facility?), whereby the EBRD extends loans to private Bulgarian banks (PBs?) for on-lending to the private sector for energy investments that mitigate against the decommissioning of Units 1-4 of the Kozloduy Nuclear Power Plant. PBs provide loans to private sector companies for projects to improve demand side energy efficiency of industrial assets and to develop and implement small renewable energy projects in the energy sector. Further information on the credit line can be found at http://www.beerecl.com
Deadline:	4 September 2006
Contact:	EBRD

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:	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, related Bulgaria
PERNIK DISTRICT HEATING REHABILITATION PROJECT; SUPPLY OF TRANSFORMER	
Content:	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. 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. 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.
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:	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:	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 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
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
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 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:	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:	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

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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

Company / organization:	INA, related Croatia
Spare Speed Reducer LUFKIN with Supervision of Equipment Installation and Start Up according to technical specification no. 297/06-SP	
Deadline:	27 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
Filter elements	
Deadline:	18 September 2006 at 12:00, local time
Contact:	Mrs. Silvana Milas Phone No. +385 1 6451010, fax: +385 1 6452048, e-mail: silvana.milas@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 Zivojinovic, D. Sc., phone number +381 11 3971 960, e-mail: radmilaz@eps.co.yu.

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