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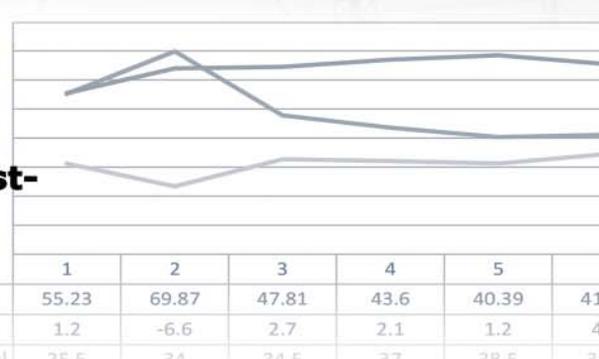
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Country	Year	Sum	1	2	3	4
Slovenia	2008	1116	978	638	714	978
	2010	12287	1083	991	1054	941
	2011	12590	955	1051	1127	897

OPCOM

Country	Year	Sum	1	2	3	4
Bosnia and Herzegovina	2007	11182	1027	891	953	850
	2008	11570	1094	998	1012	911
	2009	10994	1099	932	963	816
Bulgaria	2009	3272	3021	3196	2636	2443
	2010	31954	3486	3052	3021	2443
	2011	33452	3475	3107	3087	2577



Country Reports on Energy Business in South Eastern Europe

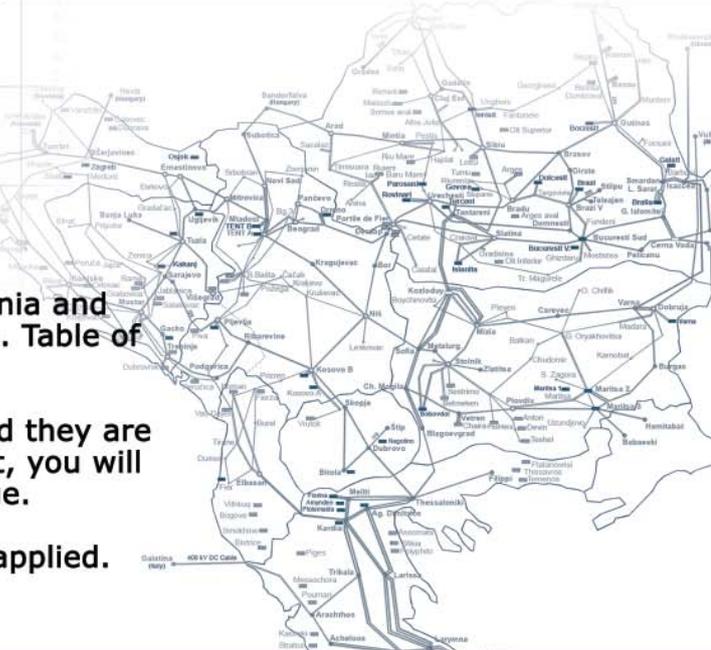
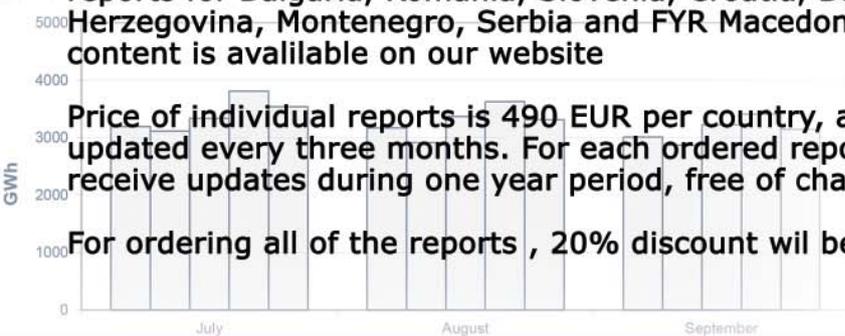
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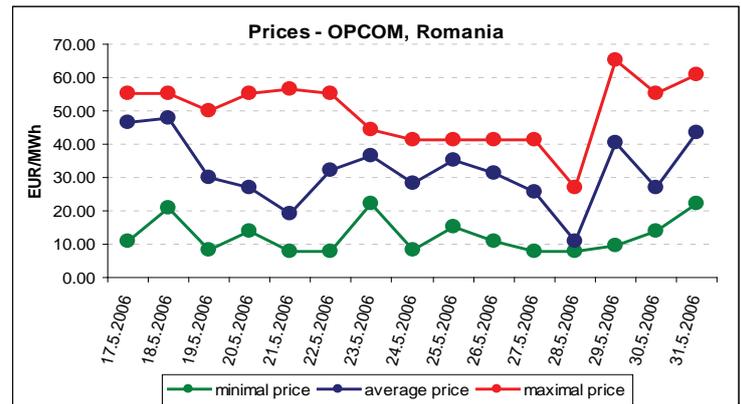
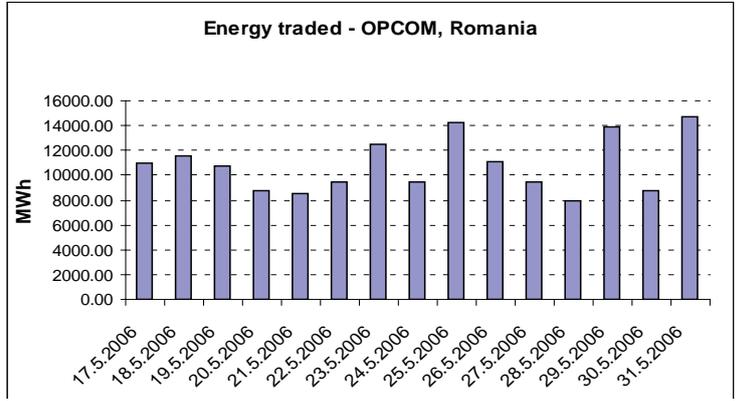
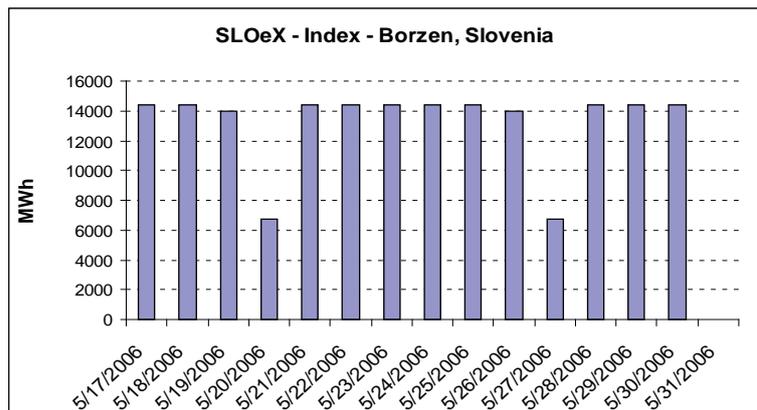
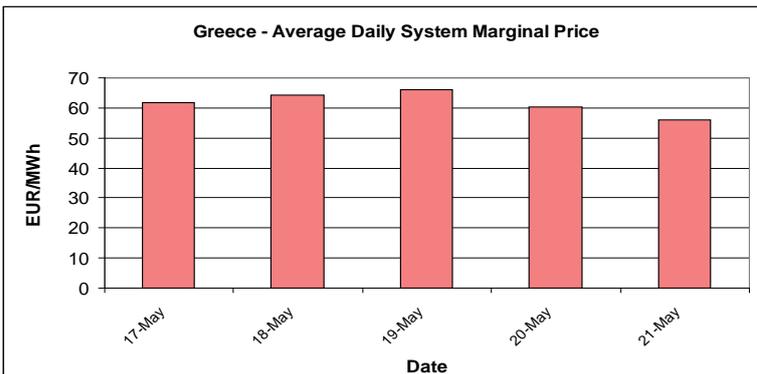
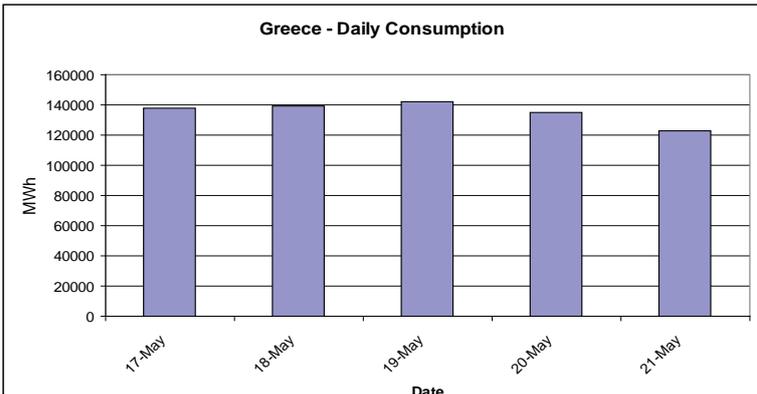
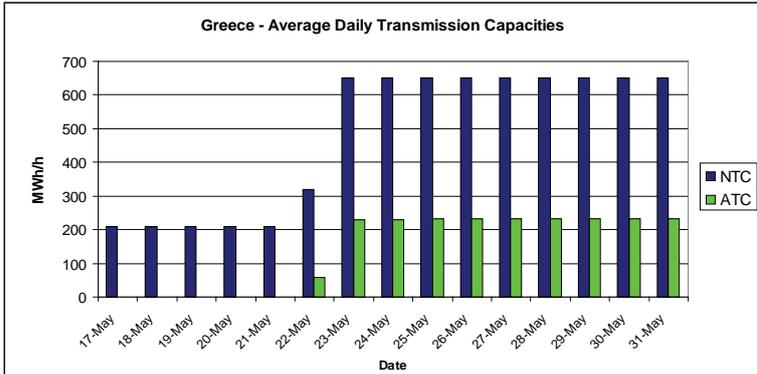
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Analysis:

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Short-term energy expectations for Serbia

The largest spring floods in the last 100 years in Serbia March and April have caused several major problems for Power utility of Serbia (EPS).

At the first, hydro power plants (HPP) were not able to produce maximum power output in order to evacuate the largest part of river inflows and to minimize the environmental impact at the rivers shores. The HPPs in Serbia have produced in certain periods some 600 MW per hour less than normal in this period of year.

In the same time, fast changing weather conditions caused serious fluctuations in daily power consumption from 93 GWh to 116 GWh, which was 6 to 7 % higher than average for that period of year. Thermal power plants (TPPs) were forced to produce higher amount of electricity than it was planed and several TPPs were kept operational in order to provide sufficient operational reserves.

Due to aforementioned reasons, the regular maintenance season in TPPs in EPS had to be delayed, also implying the changes in duration and extent of the maintenance works for particular TPPs, deputy general manager of EPS, in charge for technical issues, said.

The maintenance and investment season started on March 10th, when the annual overhaul of unit 5 (280 MW) in TPP Nikola Tesla A

started. According to the maintenance plans, capital revitalization works, should be carried out in unit 4 in TPP Nikola Tesla A during the 2007th, where preparations should start in this year. This maintenance season does not include any capital revitalization works, and the maintenance works will have reduced scope compared to the last year.

Nevertheless, unexpected malfunction in unit 1 (190 MW) in TPP Nikola Tesla A (2x190 MW, 4x280 MW) have caused change of the plans. It is estimated that unit 1 would be six months out of service and that period could be used for installation of new electro filters, where costs of the project are estimated at 4.5 million euros.

The same equipment was installed last year at the same type unit 2. Unit 1 in TPP Nikola Tesla A is the largest polluter of comparing to other five units in the plant and new equipment should reduce the emission of harmful particles at 50 mg per cubic meter.

In addition, management of the TPP will carry out several projects in unit 1 scheduled for the next year.

The maintenance works of unit 1(580 MW) in TPP Nikola Tesla B (2x580 MW) have started three weeks later than original plans due to aforementioned reasons.

Despite the problems in the coalmine Kolubara, which started with major crash of the large bucket wheel excavator in the end of 2005th, and continued with some smaller malfunctions and serious landfall at the field B, the production results were above the predicted values. The coalmine Kolubara is the largest coalmine in Serbia and main supplier the TPP Nikola Tesla, the largest producer of electrical energy in Serbia.

The TPP Nikola Tesla is consisted of TPP Nikola Tesla A, TPP Nikola Tesla B, TPP Kolubara (245 MW) and TPP Morava (108 MW).

Overall power output of the company of 3,015 MW made 36 % of overall power output in Serbia and provides 47 % of annual power production or average value of 16.5 TWh.

In the last year, company has achieved record ever power production of 17.424 TWh.

In the same time, maintenance works have been delayed in several HPPs to.

In storage HPPs, the Bistrica (100 MW) and HPP Kokin Brod (20 MW), which process water from same storage lake, maintenance works will start in the end of May.

Despite the maximum production, these two nearby HPPs have spilled the water over the dams, which were not reported for a long time.

HPP Bistrica and Kokin Brod, along with storage HPP Uvac (30 MW) and run of the river Potpec (50 MW) are the parts of the hydropower cascade on River Lim. In April this year, HPPs on River Lim have produced 272 GWh, while some 15 million cubic meters of water was spilled over the dams.

The hydro power plants on River Drina, run of the river HPPs, the Bajina Basta (360 MW) and Zvornik (100 MW), and storage-pump HPP Bajina Basta (600 MW) have produced about 1 TWh of electrical energy in April this year. HPPs on Drina and Lim are the part of the same production company in EPS.

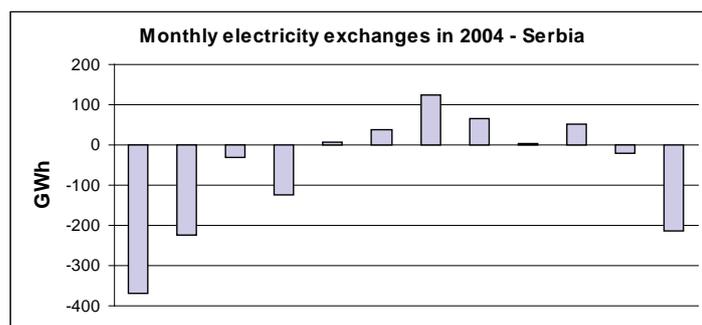
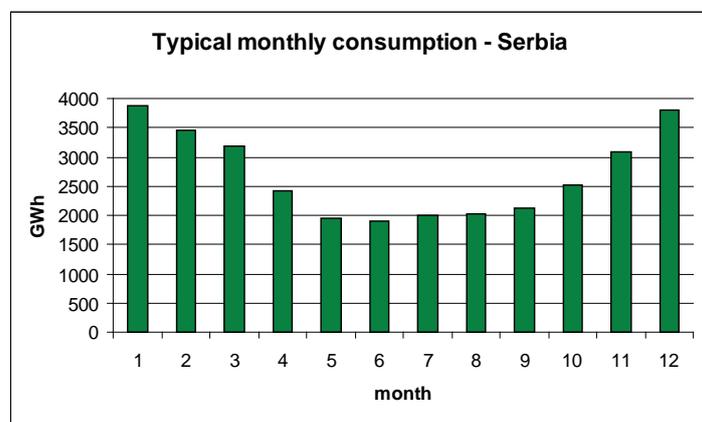
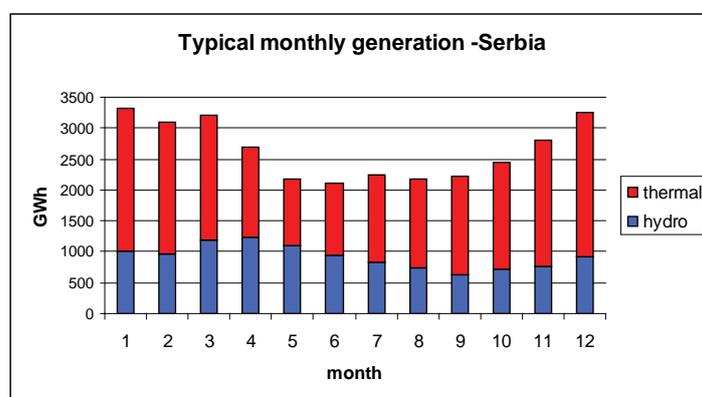
According to the latest report from EPS, overall power consumption in Serbia (without Kosovo and Metohija) in April this year was 2.54

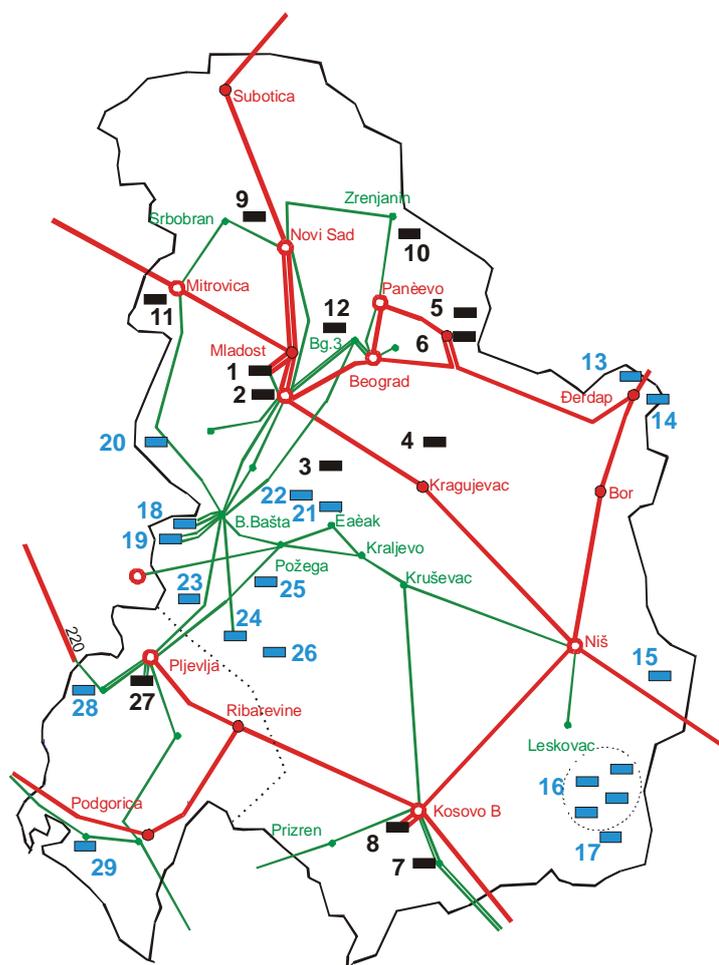
TWh, which was 0.8 % below predictions and 0.9 % higher comparing to the same period last year. Overall power production of EPS (including HPP Piva operated by EPS) reached 3.096 TWh (0.6 % increase). The power production in run of the river HPPs was 0.862 TWh, which was 24.1 % under the plan and 8.2 % lower comparing to the last year.

Storage HPPs produced 0.234 TWh, which was 54 % above the plan and 17.1 % increase comparing to the last year. Coal fired TPPs (without TPPs in Kosovo) produced 2 TWh or 13.6 % above the plan and 6.4 % higher comparing to the last year.

At the end of April, the reserves at the coal depots were 13.6 % above the plan. The accumulated energy in storage lakes was considered as favorable, where stored energy reached 85 % of maximum storage level. In the same period, EPS has imported 121 GWh of electrical energy from other power utilities.

Typical Serbian monthly generation and consumption, monthly export-import balance for 2004, and position of power plants are shown on following pictures.





1	TPP Nikola Tesla B
2	TPP Nikola Tesla A
3	TPP Kolubara A
4	TPP Morava
5	TPP Kostolac A
6	TPP Kostolac B
7	TPP Kosovo A
8	TPP Kosovo B
9	TPP - HP Novi Sad
10	TPP - HP Zrenjanin
11	TPP - HP Sremska Mitrovica
12	TPP - HP Beograd
13	HPP Djerdap I
14	HPP Djerdap II
15	HPP Nis
16	HPP Vrla I, II, III, IV
17	Pump storage Lisina
18	HPP Bajina Basta
19	Reversible pump B. Basta
20	HPP Zvornik
21	HPP Medjuvsrje
22	HPP Ovar Banja
23	HPP Potpec
24	HPP Kokin Brod
25	HPP Uvac

26	HPP Uvac
27	HPP Pljevlja
28	HPP Piva
29	HPP Perucica

News:

22 % decrease in electricity tariffs for business customers (Albania).

From July 1st, price of electrical energy for households' customers in Albania will be increased by 11 %, while the price for business customers will be decreased by 22 %, Energy Regulatory Entity (ERE) decided.

Households' customers will pay 6 eurocents per kWh, while the business customers will pay about 8 eurocents/kWh.

The decision of ERE was different from proposal recently made by prime minister of Albania who had proposed 33 % decrease in electricity tariffs for business customers in order to stimulate economic development in the country. He demanded reduction of electricity price from 10.2 eurocents per kWh to 6.8 eurocents/kWh.

On the other hand, government has recently decided to provide subsidies for power bills for some 270,000 households' customers with average monthly incomes below 130 euros.

In the related news, ombudsman has filed complaint against Italian company Essegei, the holder of concession rights in several hydro power plants with overall power output of 9.2 MW.

After ombudsman carried out the investigation regarding the behavior of the Italian company in the domestic energy market, it has demanded from the government to arbitrate in this issue.

According to ombudsman, Italian company has broken the terms in concession contract.

§ § §

IMF presented medium-term strategy for the country, KESH particularly important (Albania).

In the mid May, International monetary fund (IMF) has presented medium-term strategy for Albania.

In the wider analyses, IMF experts pointed out that quantitative and structural reforms related to the Albania power corporation (KESH) have not been met.

According to IMF, KESH has failed to improve the collection and loss target values set for the first quarter of 2006th. IMF called for increased activities in order to improve the financial performance of the power company.

In the beginning of May, Albanian officials have announced the start of the privatization of KESH, where the distribution division of the company should be privatized first.

The privatization procedure could be initiated in June this year, and privatization of distribution division should be finished in the period of two years at the latest.

According to the plans for 2006th, Albania would need 6.6 TWh of electrical energy, where 4.1 TWh should be produced by KESH.

The main problems for KESH still remains the lack of investments, low collection rate of power bills and lack of generation. 98 % of power output comes from hydro power plants, which has been causing large instabilities in power supply as it was happened during the latest winter season.

According to the long-term plans, Albania needs some 1.2 billion euros of investments in energy sector until 2015th. World Bank and Italian government have recently announced granting the funds for Albanian energy sector, where Italy should grant 51.5 million euros soft loan.

Albania, as one of the signatories of Energy Community Treaty, should liberalize the electricity market for industrial customers by January 1st 2008th.

§ § §

EBRD finances revitalization of power network (Albania)

Albanian power corporation (KESH) would sign the loan contract with European Bank for Reconstruction and Development (EBRD).

The loan would be used for revitalization of six key transmission substations, vital for safe operation of power system and participation in regional electrical energy market.

The aforementioned investments are the part of the infrastructure development in Southeastern Europe in accordance to the recently signed Energy treaty, which should led to the single electricity market in the region.

Overall worth of the projects is estimated at 52 million dollars and KESH intends to purchase following goods and services:

1. Equipment for 220 kV Elbasan 1, Fier, Tirana 1 substations and control, monitoring and protection (CMP) system for Fier substation.
2. Equipment for 220 kV Fierza HPP substation and CMP system for Fierza, Komani and Vau Dejes HPP substations.
3. Equipment and CMP system for 220 kV Burreli substation and 400 kV Elbasan 2 substations.

The revitalization projects should be carried out until 2009th, and tenders for the projects 2 and 3 listed above is expected to take place in the third quarter of 2006th.

§ § §

BA CA prolonged mortgage deadline for Energopetrol (Bosnia and Herzegovina)

Bank Austria Creditanstalt (BACA), the majority owner of the HVB Central Profit Bank, which has took over the mortgage over the 25 petrol stations of Sarajevo oil company Energopetrol in February this year, has decided to prolong the mortgage deadline for another two months.

At their requests, officials from BA CA have had a meeting with the government of Federation of Bosnia and Herzegovina (BiH) regarding the privatization of Energopetrol. After two years of privatization, BA CA insisted on fast solution of the problems that should consider interests of all involved parties.

Prime minister of federation of BiH has informed BA CA officials that problems in privatization of Energopetrol will be solved very soon, and bank has decided to give the last chance to the government.

Well-informed sources believe that BA CA has been insisting on fast negotiation with INA-MOL consortium, the first ranked bidder in privatization tender, hoping that negotiations would be unsuccessful again. In that case, advisor house CAIB, owned by BA CA, has predicted that BA CA could purchase shares in Energopetrol, which later could be resold.

This plan would be certainly supported by the vice prime minister and minister of energy in federal government, because in that case OMV, the second ranked bidder in the tender, could be invited to start negotiations. Vice prime minister and energy minister have several time opposed that INA-MOL became a new owner of Energopetrol.

Analysts also believe that BA CA has been lobbying in behalf of OMV as well as several politicians in Federation of BiH.

According to the news, vice prime minister and energy minister did not attend the latest meeting when government has discussed issues relate to the recapitalization of Energopetrol.

According to some previous unofficial information in April, BA CA has offered a loan for Energopetrol that would be used for paying debts to the bank, and, in return, BA-CA would become one of the owners of the oil company.

§ § §

Energoinvest finishing the 70 million euros worth project in Libya (Bosnia and Herzegovina)

Sarajevo company Energoinvest is close to the finalization of 70 million euros worth project in Libya, while in Algeria company has involved in the construction of power lines and substations with overall worth of the project of 80 million euros.

This was said during the anniversary press conference that celebrated 55 years of the company.

Energoinvest officials have also announced a start of the 7.5 million dollars worth project in northern Iraq.

Energoinvest also should sign contract for construction of power lines and substations in Ethiopia (3.8 million euros) and Nigeria (20 million euros).

Energoinvest is the energy and construction company involved in designing, engineering, manufacturing, consulting, research and development, trading, transfer of technology and expertise.

§ § §

15 million euros of profit in the first quarter of 2006th for EPRS (Bosnia and Herzegovina)

Power utility of Republic of Srpska (EPRS), one of three power utilities in Bosnia and Herzegovina (BiH) and only power utility that

achieved profit in 2005th, continues successful business activities in this year.

According to the company's sources, in the first three months in 2006th, net profit reached about 15 million euros, where achieved power production was 18 % higher from half-year production plans in this year.

The power production has been increased by 30 % in the last three years, and production price decreased from 3.77 eurocents/kWh down to 2.53 eurocents, head of EPRS said at the press conference.

In 2005th, company has exported some 50 million euros worth electrical energy, mostly in Croatia and Germany and it achieved net profit of 300,000 euros according to official sources.

§ § §

HPP Mostarsko blato should be built in the next three years (Bosnia and Herzegovina)

General manager of Power utility of Herzeg Bosnia (EP HZHB) said that new hydro power plant (HPP) Mostarsko blato should be built in the next three years. He said this after government of Federation of Bosnia and Herzegovina (BiH) approved the project in the beginning of May.

New HPP will have 60 MW power output, with annual production of some 170 GWh of electrical energy, which should be 10 % of annual production of EP HZHB. The HPP will be built near Mostar and it will use water potential of rivers Listica and Ugrovaca.

Overall worth of the project is estimated at 50 million euros, where EP HZHB should provide half of the funds, while the rest would be provided through the loans.

Strategic partners in the project, Croatian companies Koncar and Energocontrol should deliver the 30 million euros worth equipment for the plant.

§ § §

New owner of oil refinery in Brod to be selected in June (Bosnia and Herzegovina)

Minister of energy, industry and development in Republic of Srpska (RS) said that the name of the new owner of oil refinery in city of Brod should be revealed by June 6th.

According to minister, three large world oil companies were in the final selection round, but minister did not want to reveal any of the names.

The government of RS has prepared certain privatization contracts that would define the low limit of required investments and the obligations of new owner toward the employees. The new owner should pay overall debts of the refinery, minister confirmed. He believes that the refinery could increase the processing capacity at 5 million tons of oil per year in the nearest future.

Sources from trade unions in refineries confirmed that representatives of Russian oil companies the Lukoil and Rosneft have recently visited refinery.

Future owner of the refinery most likely would become an owner of the chain of petrol stations of company Petrol. Debts of the oil dis-

tributor Petrol toward refinery in Brod were higher than the capital value of Petrol, minister said.

§ § §

CEZ increased sales in the first quarter of 2006th (Bulgaria)

According to the reports, Bulgarian power distribution companies in capital Sofia, Sofia district and city of Pleven, owned 67 % by Czech CEZ Group since 2004th, have achieved 4.8 % or 113 GWh higher sales in the first quarter this year comparing to the same period last year.

In the same time, overall power generation of the CEZ Group increased by 4 % in the first quarter of 2006th, where power plants produced 16.763 TWh of electrical energy.

Overall electricity sales of the Group in the same period increased by 13.3 % up to 22.2 TWh due to increased demand in domestic market and the acquisition of power distribution company Electrica Oltenia in Romania.

Chief executive of CEZ confirmed that the latest acquisitions in Bulgaria and Romania have significantly improved business results of the group.

New acquisitions of power production capacities in Bulgaria, the thermal power plant Varna, and in Poland, the thermal power plants Elcho and Skawina, increased the installed power output of CEZ Group by 17 %.

§ § §

Negotiations on price preferences in natural gas supply contract with Russia (Bulgaria)

According to the member of management board of Gazprom, Bulgaria and Russia have been negotiating on the price preferences in the natural gas supply contract.

Gazprom's official said that negotiations have been progressing very slowly and that two parties had opposite views during the talks.

Gazprom has suggested gradual price increase for Bulgaria and to pay transit services in cash, while in the same time, due to increased gas transit across Bulgaria toward Serbia and Macedonia in the nearest future, Bulgarian economy could benefit some 2 billion dollars, Gazprom's officials believe. Gazprom is also willing to consider several investment projects in Bulgaria.

In February this year, Gazprom offered similar proposal for increase of the volume of transited natural gas, the construction of the natural gas pipeline to Serbia and the increase of the capacity of the natural gas pipeline toward Greece to Bulgaria.

In April year, it seemed that Gazprom and Bulgaria would agree on the increase in natural gas prices after talks between head of Gazproma and Bulgaria's economy and energy minister.

Current barter type agreement between Bulgaria and Gazprom was signed in 1998th and expires in 2010th. The agreement provides natural gas for Bulgaria at fixed price, which is currently amongst the lowest in Europe.

§ § §

NEK could supply the mid-voltage industrial customers (Bulgaria).

Seven power distribution companies in Bulgaria have been considering an increase in electricity prices if the National transmission system operator (NEK) acquires the license for supplying the largest industrial customers in the country.

NEK could be granted the license under the amendments in Energy law that should be soon discussed in the parliament. Power distributors believe that announced changes would additionally diminish quasi-competition in energy trade sector.

New amendments were endorsed by the economy and energy ministry and it would allow to NEK to sell the electricity directly to large customers connected to mid-voltage grid, which are now purchasing the electricity from power distribution companies. It is estimated that mid-voltage customers made 18 to 20 % of overall incomes for power companies.

In 2005th, where several major power distribution companies were privatized, new owners were granted guaranteed rate of return of 16 % during the first three years of operation. Private owners fear if NEK decided to supply large customer, they would be forced to increase tariffs for other customers in order to maintain the projected rate of return.

Recently, E.ON officials in Bulgaria have made a complaint that NEK had offered power supply to some of the E.ON clients, thus breaking the fair competition rules. E.ON is an owner of the power distribution companies in Varna and Gorna Oryahovitsa.

EVN officials believe that new amendments will be the step back in energy market in Bulgaria. EVN is an owner of power distribution companies in Plovdiv and Stara Zagora.

CEZ officials have proposed that Bulgaria's anti-trust body should consider the proposed amendments. CEZ owns power distribution companies in capital Sofia, the Sofia region and Pleven.

Executive director of NEK said that new amendments would reduce disputes between industrial customers, power distributors and NEK.

It is expected that industrial customer would be willing to become the NEK's clients due to lower tariffs, as it was done by ceramics maker Has Asparuh recently.

§ § §

Increase in heating prices in July and in electricity prices in October (Bulgaria)

Chairman of the State Energy and Water Regulatory Commission (SEWRC) has announced slight increase in electricity prices in October this year instead in July as it was previously announced.

On the other hand, he announced increase in heating prices in July due to rise in natural gas price in the beginning of this year. Local heating companies have already submitted requests for increase in heating tariffs. In 2006th, natural prices rose by 10 % in Bulgaria, where 70 % of heating companies use natural gas as engine fuel.

It is expected that price of heating energy might increase by 7 to 7.5 %, while the largest heating company, the Sofia district heating company, requested for 10 % increase.

SEWRC would consider canceling the power taxes for the customers that do not have access to central heating system and hot water, while the customers with access to hot water from the central system would pay 50 % of the tax at most. Those proposals should be discussed with Bulgaria's energy and economy minister.

§ § §

CEZ to invest 200 million euros in TPP Varna (Bulgaria)

Czech power company CEZ would invest 200 million euros in its new acquisition, the thermal power plant (TPP) Varna (6x210 MW), the head of TPP said. As a reminder, CEZ has bought 100 % of shares in TPP for 206 million euros (359.63 euro per share) in the beginning of May, by which production capacity of the CEZ group was increased by 10 %.

On May 20th, president of Czech Republic has visited TPP together with the CEZ's officials and they talked on improving the environmental standards in TPP in accordance to EU regulations.

Czech president has paid the visit to the TPP while he was attending the 13th Presidential Meeting of CEE held in the Riviera Resort, near Varna.

According to the head of the TPP, TPP Varna has been producing the cheapest electrical energy compared to other TPPs in the country at 24.9 euros/ MWh.

The announced investments would be mostly related to the improvement of environmental standards and increase of the TPPs efficiency, where 3 million euros should be invested until end of this year, head of TPP said.

Another 515,000 euros should be invested for the revitalization of unit 5 in TPP.

Until end of the June, new docking facility, capable for 55,000 tons ships, should be open at the Varna port for the purpose of coal import from Vietnam and South America. This will be done in order to reduce dependence from Russian and Ukrainian coal, at which the TPP mostly runs, and to reduce the operational costs in whole.

In the related news, head of TPP Varna said to the local radio that electricity prices in Bulgaria would be certainly increased in 2007th, after decommissioning of units 3 and 4 in nuclear power plant (NPP) Kozloduy.

He confirmed that TPP Varna should increase annual production in 2007th up to 3.5 - 4 TWh, which would amount to 15 % of overall annual power production in the country after the decommissioning in NPP Kozloduy.

§ § §

Enel interested for NPP Belene project (Bulgaria)

Italian gas and water utility Enel has confirmed once again its intention to become the strategic partner in construction of nuclear power plant (NPP) Belene (2x1000 MW) at Danube River.

Chief executive Official (CEO) of Enel expects that Bulgaria will provide more details on the project very soon.

Two bidders for the construction of the NPP are the consortium led by Russian AtomstroyExport and consortium led by Czech Skoda.

Tender commission should select the constructor by the end of June according to the original plans.

§ § §

5.5 million euros for upgrade of Sandanska Bistritsa hydro power cascade (Bulgaria)

On May 19th, the reconstruction of Sandanska Bistritsa hydro power cascade, carried out by the Czech company Energo-Pro, was officially finished.

The official ceremony was attended by executive director of Energo-Pro Bulgaria, member of Energo-Pro Group Board of Directors, Deputy Head of the Czech Export Bank and Bulgarian state officials.

The project has lasted for four years, where Energo-Pro invested 5.5 million euros in the largest hydropower cascade owned by Czech company in Bulgaria.

The company owns eight power plants in three cascades, where Sandanska Bistritsa cascade has 56 MW power output, the Koprinka cascade has 29 MW and Petrohan cascade has 17 MW power output.

Czech company has paid 25.75 million euros for Sandanska Bistritsa in 2002nd, 17.31 million euros for Petrohan cascade in November 2005th and another 8.29 million euros for Koprinka hydro cascade.

Sandanska Bistritsa cascade is comprised of three hydro power plants (HPPs) Popina Luka, Lilianovo and Sandanski. The reconstruction project was launched in 2002nd, immediately after Energo-Pro became the new owner.

The reconstruction was financed by Energo-Pro's own funds and by the loans from Czech Export Bank, and it was carried out by the leading Czech and Bulgarian companies.

HPPs now have new hydro automatic systems of the turbines and the mechanic equipment, as well as new management and control systems. The reconstruction was aimed to provide efficient use of water resources and complete automation of the technical control.

Czech company plans to modernize the rest of the HPPs in all three cascades. 2.6 million euros has been already allocated for the reconstruction project in Petrohan cascade, while the reconstruction of Koprinka cascade should take place in the next two or three years.

Energo-Pro Bulgaria is the member of Energo-Pro group specialized in power production from renewable energy sources (RES). Group has offices in Bulgaria, Turkey and the Czech Republic and it has announced further investment in Southeastern Europe.

§ § §

Increase in electricity export by 11.7 % in period January-May for NEK (Bulgaria)

Bulgaria's National transmission system operator (NEK) has reported 3.578 TWh of electricity export in period January-May this year, which was 11.7 % increase compared to the last year. The data was presented by the head of Central Dispatching Department of NEK.

According to NEK's official, record and unprecedented export was the result of the increased demand from the region, despite the favorable hydrology in almost all countries in the region.

The 50 % of the amount was exported to Greece, 35 % to Serbia, 10 % to Romania and 5 % of the amount was exported to Macedonia. Aforementioned exports include exports toward Italy, Hungary and Croatia,, with which Bulgaria does not have borders.

In 2006th, NEK plans to export 7 TWh of electrical energy, and half of the amount would be brokered by 12 traders the NEK has business relation with.

Despite the excellent export results, NEK has been expecting some 30 million of business losses at the end of 2006th.

According to estimations from NEK, region of Southeastern Europe could face a lack of 12 TWh of electrical energy after decommissioning units 3 and 4 in Bulgarian nuclear power plant Kozloduy

According to data from NEK, since the beginning of year, power production in HPPs reached 2.443 TWh (increased by 8.4 %), production in thermal power plants reached 8.413 TWh (increased by 7.1 %), production NPP Kozloduy reached 9.1 TWh (increased by 2.7 %), while domestic power consumption stood at 16.288 TWh, which was 3.9 % higher comparing to the last year.

§ § §

HEP delivered 1.4 TWh of heat energy (Croatia)

Subsidiary of Power utility of Croatia (HEP) in charge for production of heat energy, the HEP Toplinarstvo, has produced and delivered 1.4 TWh of heat energy during the past winter season in the period from September 15th 2005th until May 15th 2006th.

The aforementioned production was 2 % higher comparing to the previous winter season.

HEP Toplinarstvo is the largest producer and distributor of heat energy for the household and industrial customers in cities of Zagreb, Zapresic, Samobor, Velika Gorica and Osijek, with overall number of 108,338 households and 5,537 industrial customers.

After the end of heating season, heating company has started regular maintenance works, where some 20 % of capacities used for production of hot water will remain in service.

§ § §

60 million euros for renewable energy sources until 2008th (Croatia)

Croatian Bank for reconstruction and development (HBOR) has recently signed contract regarding the renewable energy sources (RES) projects with the Ministry of economy, labor and entrepreneurship and with Fund for environmental protection and energy efficiency.

The worth of the loan contract is 5.5 million euros and it represents an extension of previous donation contract aimed to support establishment and development of commercial and ecological market for RES in Croatia.

2 million euros should be invested for the preparation works and consultancy services in particular projects, while the rest of 3.5 million euros will be allocated to the RES projects, the wind farms, biomass power production, solar energy and small-sized hydro power plants.

Croatia expects to increase the share of RES in overall energy production from current value of 1 % up to 5 to 6 % (300 MW) until 2010th. (EU has prescribed 12 % of RES share for members). According to announcements, customers in Croatia should start to pay RES fees within the power bills from September this year.

In the same time, Croatian power utility, (HEP) has announced establishment of the branch that would be involved in RES only.

Fund for environmental protection and energy efficiency intends to invest some 60 million euros in the renewable energy sources (RES) and energy efficiency project until 2008th.

Minister of the economy, labor and entrepreneurship hopes that Croatia will fulfill aforementioned ambitious plan, having in mind that less than 1 % (5 MW in wind farm on island of Pag) of overall power production in the country has been produced from RES.

On the other hand, chairman of the Croatian nuclear society said that construction of nuclear power plant in Croatia until 2020th would be only economical and ecological option for power production. According to chairman, RES, i.e. solar energy, wind power and biomass, are unstable and unsustainable sources of energy. In the same time, oil prices are constantly growing and Kyoto protocol demanded the reduction of CO2 emission.

New NPP should be built in Adriatic Sea, Rivers Sava or Danube in order to have optimal conditions for cooling the nuclear reactor, chairman proposed.

According to estimations, Croatia should install some 1,800 to 2,000 MW until 2020th in order to provide sustainable development, where chairman did not demand that entire power output should be provided by NPP.

Croatia would not have to build the NPP on its territory because there was the potential option for construction of joint NPP in Hungary or construction of new units in NPP Krsko in Slovenia (jointly operated by Croatia and Slovenia), chairman said.

§ § §

Start of test production of bio-diesel (Croatia)

The owner of the only biodiesel plant in Croatia announced that test production of biodiesel from the rapeseed have started in mid May. The capacity of the plant is 30,000 tons, and the produced fuel should be exported to Austria and Italy. Some 8 million euros has been invested in new plant.

The news on the start of the production of biofuels in Croatia came during the project for introduction of biofuels in the city transport of Croatian capital Zagreb.

According to the analyses, there are 3 million liters of waste eatable oil in Zagreb per year that could be used for production of fuel sufficient for the annual fuel consumption of 80 busses in city transport. The rest of the missing biofuel should be produced from rapeseed. The study should determine whether local authorities would start the project of introduction of biofuels in city transport.

By the end of 2005th, the share of biofuels in EU should have reached 2 % of overall fuel consumption, while the EU countries and EU candidates such as Croatia should reach level of 5.75 % of biofuel share until end of 2010th and 20 % until the end of 2020th.

§ § §

INA and NIS signed cooperation agreement (Croatia & Serbia)

After the recent ministerial meeting in Belgrade and announcements on future cooperation, Croatian oil industry (INA), i.e. its subsidiary Croscos and Oil industry of Serbia (NIS) have signed cooperation agreement in mid May.

The agreement was signed by the chairman of the management board of Croscos and executive director of NIS. The agreement refers to the putting in operation of oil drilling equipment National 2, owned by NIS, at the INA's oil field in Egypt. The modern facility will be operated by the employees from NIS.

The agreement is expected to initiate similar joint ventures for Croscos and NIS in the foreign markets, where INA should provide expertise and business contacts for NIS in Egypt and other countries in Northern Africa.

The agreement was signed for a period of two years, with options for extension, and the worth of the project is estimated at 14 million dollars.

§ § §

Rokas announced 2.4 billion euros of investments in wind energy projects (Greece)

The largest producer of wind power in Greece, Rokas, has announced 2.4 billion euros of investments in wind energy projects and in power transmission system. This should be one of the largest single investments in wind energy in World, Rokas officials said.

Rokas has been waiting for the approval from the energy regulatory agency for construction of 44 wind farms with overall power output of 1,636 MW. Those wind farms should be built on islands Chios, Lesbos and Lemnos and connected to the power grid on mainland.

The investment costs include the construction of wind farms and the undersea power cables.

According to the announcements, the price of the produced electrical energy should be very close to the price of electricity produced in the wind farms on the Greece's mainland, which is about 7 eurocents/MWh, instead of 11 eurocents/MWh as it is the current price in the islands.

The price would be lower because all wind parks will be connected to the power grid in the mainland.

Rokas is 49.9 % owned by Spanish Iberdrola and it covers about 40 % of wind power production in Greece. There are 475 MW of installed power output in wind farms in Greece, which is insignificant comparing to the country's annual power consumption of some 52 TWh.

The latest announcements of Rokas are in accordance to the Greece's obligation to increase the share of renewable energy sources (RES) in overall power production at 20 % until 2020th from the present share of 10 %. Rokas officials believe that their investment projects should lead to significant energy, environmental, economic, and social benefits to Greece.

§ § §

Russia to extend natural gas supply contract (Greece)

According to the Russian ambassador in Greece, Russia wants to extend the natural gas supply contract for Greece until 2016th.

Greek-Russian trade exchange should be increased comparing to the last year value of 4 billion dollars, ambassador said. He also announced soon start of the construction of Burgas - Alexandroupoulos gas pipeline during the working meeting organized by Greece's Institute for energy issues in Southeastern Europe.

According to Russian ambassador, Greece has been importing 75 % of overall natural gas needs and 35 % of overall oil needs from Russia

§ § §

Tender for private power plants announced (Greece)

Hellenic transmission system operator (HTSO) has officially published tender for construction of private power plants in mid May. The tender for construction of 400 MW plant were previously announced by Ministry of development.

The participation in the tender requires the generation license for combined cycle gas turbine (CCGT) plant of at least 360 MW.

The second tender should be launched in December 2006th, and third one in April 2007th. Overall investments in three tenders should reach 750 million euros, where overall power output in new power plants should reach 900 MW.

New gas-fired power plants will be built in highly populated Southern Greece in order to meet the increase in power demand. The winner in the tender should be the company that has demanded the lowest annual guaranteed revenue in the period of 12 years.

It is expected that price will range between 75,000 and 92,000 euros per MWh per year.

In April this year, the Spanish Iberdrola and Italian Edison have announced participation in the tender.

§ § §

Increase in profit for Hellenic Petroleum (Greece)

Hellenic Petroleum (HP) has reported 32 % increase in profit in the first quarter of this year. The net profit reached 72 million euros (higher than forecasted by Reuters), and the increase was boosted by higher oil prices and favorable exchange rates, where only loss-making part of HP was new power plant in Thessalonica.

The refining branch of HP has achieved 92 million euros of profit (4 % increase),

Overall incomes of HP reached 2.058 billion euros (41 % increase), while earnings before interest, tax, depreciation and amortization (EBITDA) increased by 4 % up to 134 million euros.

New HP's gas-fired power plant in Northern Greece has achieved 25 million euros of sale incomes and the 1 million euros of EBITDA in the first quarter. Despite the positive results from cross-border trade, power generation branch of HP has achieved business loss in whole, HP's officials have confirmed. According to the plans, new power plant should achieve 35 to 50 million euros of EBITDA after 2006th.

The costs reduction program of HP predicts 0 % increase in operating costs, while the new savings program should result in 10 to 15 % savings in the period of the next three years.

§ § §

PPC reported decrease in profit (Greece)

Public Power Corporation (PPC) has reported 89.5 million euros of net incomes in the first quarter of this, which was 22.5% decrease comparing to the same period in the last year.

Earnings before interest, tax, depreciation and amortization (EBITDA) have decreased by 12 % (from 336.9 million euros in the last year to 295.8 million euros in this year), while total incomes reached 1.2 billion euros comparing to the 1.08 billion euros in the last year.

Revenues from electrical energy sales increased by 10.7 %, from 1.005 billion euros up to 1.112 billion euros, where volume of sales increased by 5%.

Overall operation costs of PPC reached 904 million euros, which is 7.8 higher comparing to the last year.

The rise in prices of liquid fuels and natural gas led to the 73.6 million euros increase in expenditures up to 254.8 million euros, despite the reduction in fuel and gas consumption due to higher production in hydro power plants. Expenditures related to the purchase of electrical energy increased from 44.5 million euros up to 90.4 million euros (100.3 % increase). In the same time, payroll expenses increased from 298.2 million euros up to 321.5 million euros (7.8 % increase).

Aforementioned increases in expenditures were the main reason for the reduction of the company's EBITDA.

PPC predicts that there were be no deficit in CO2 emission rights having in mind actual emission in the first quarter of 2006th and the forecasted power generation in period April –December 2006th. The CO2 expenditures in the first quarter of 2005th were 19.5 million euros, while the business results in this year were not reduced by the CO2 expenditures.

The PPC, 51 % owned by the state, has one of the amongst the lowest electricity tariffs in the EU. The state has granted 3.2 % increase in electricity price in September 2005th, which was not enough to cover fuel and energy expenses.

In the beginning of May, the company has presented ambitious 2006-2010 business plan, which forecasted reduction of costs and improving the efficiency of the company.

Several analysts believe that main problem for the PPC in the future would be high fuel prices, payroll costs and expenditures related to the purchases of electricity.

In order to become competitive to the large power companies in the Europe in the new environment of future single electricity market, PPC's management has decided to set up the holding company with the energy investment company Contour Global (CG).

CG is the private energy company with head office in New York, and with offices in Houston, Paris and Kiev. The company has been active in 25 countries in America, Europe and Africa, where it is involved in 55 energy projects. The head of the company is the former vice chairman and chief operating officer of AES Corporation and the main shareholder of CG is the Capital Group, the private investment company with portfolio of 3 billion dollars.

PPC wants to focus on the investment opportunities in the South-eastern Europe, while company rejected strategic partnership with Germany's E.ON, France's EdF and Italy's Enel in this stage.

PPC management board has approved joint venture of PPC and CG with 45 % of share each, while the European Investment Bank should own the rest of 10 % of shares. The share capital of joint venture should be 600 million euros and the company would direct its attention to Southeastern Europe.

Although the PPC and CG have been announced participation in the tender for privatization of thermal power plant Pljevlja (210 MW) and 31% shares in the coalmine Pljevlja in Montenegro, the latest information say that they will not submit bid. This was bit of surprise, because management board was expected to reach decision on participation in the tender, which should take place in the beginning of June.

In that time, PPC officials believed that partnership with CG was supposed to minimize the risks of the investment related to political instability and the lack of a regulatory framework in the market.

According to the official explanation of PPC's board, the investment in Montenegro was related with several risks, particularly related with regulatory framework and the status of the coalmine. This announcement came after Montenegro voted its independence from Serbia, but no one has linked this fact with the PPC's change of plans.

§ § §

World Bank recommends not speeding up tenders for small-sized hydro power plants (Macedonia)

Officials from the World Bank have warned government of Macedonia not to speed up the tenders for granting the concessions for construction and operation of small-sized hydro power plants (HPPs).

WB believes that necessary preparations have not been done properly. In fact, WB was surprised that officials from Macedonia's ministry of agriculture and economy could not give the exact locations for the construction of HPPs determined during previous tender procedure.

The representatives from WB's office in Skopje said that the WB and Macedonia have been preparing tender documents jointly for a long time and that tenders should not be published before all necessary conditions were fulfilled.

Also, experts from consultants company British Nuri and Austrian KVI have found several inconsistencies and flaws while analyzing the tender papers prepared by the ministry of economy of Macedonia.

Experts have recommended to the government to prepare the tender documentation thoroughly and to adopt the methodology for calculation of price of electricity produced in renewable energy sources.

Despite the latest recommendations and warnings, officials from ministry of economy do not want to cancel preliminary plans regarding the tenders for small-sized HPPs.

According to them, tender documents should be prepared and tenders for the first 20 locations should be published until June 1st.

Nobody from the government wanted to comment the latest recommendations made by WB and experts.

While WB and government of Macedonia have been harmonizing their standpoints on the tenders, Slovenian company Turboinstitut plans to cancel the cooperation with the government.

As a reminder, Turboinstitut and government of Macedonia have signed the cooperation protocol in the last year. In that time, Turboinstitut has announced the potential investment of 120 million euros for the construction of 34 small-sized HPPs. Earlier this year, Slovenian company has given the deadline until end of this year to the government to decide whether it would accept their business offer.

According to the business offer, Turboinstitut should build all HPPs in period from the end of 2006th until the end of 2008th. Installed power output of the small HPPs should be 90 MW, with estimated annual production of 914 GWh of electrical energy. The price of the produced energy should be 6.5 eurocents per kWh, during the 30-year concession. Turboinstitut should give 10 % of the profit to the local community, according to the preliminary agreement.

Commenting the latest announcements on the concession tenders, director of Turboinstitut said if the tender were published, Slovenian company would cancel the cooperation protocol, saying that there were too many unserious actions and false promises made by the government of Macedonia.

§ § §

EBRD intends to keep the stake in ESM (Macedonia)

European Bank for the Reconstruction and Development (EBRD) would most probably keep its 19.9 % stake in Power utility of Macedonia (ESM) – Distribution, Macedonian papers say.

Final decision should be reached after the negotiations with new owner of ESM, the Austrian EVN. Sources from EBRD confirmed that two negotiation teams would meet to discuss this issue, while EBRD should reach the final decision regarding its stake in ESM by the mid July.

In 2004th, EBRD has granted 45 million euros loan to ESM in order to facilitate the privatization of the national power company. After restructuring of former ESM prior the privatization, EBRD's share in ESM was evaluated at 19.9 %. EBRD also owns the share capital in Macedonian power plants, another company founded after the restructuring of former ESM.

As a reminder, on March 24th, EVN has paid overall amount of 225 million euros for ESM, where 175 million euros was paid for 70.1 % of the shares and the rest of the 50 million euros was paid to the Macedonia's Central Bank. Those funds are equivalent to 19.9 % of share capital of ESM, owned by EBRD.

§ § §

Subsidized electricity prices for Silmak and Feni, government defends its decision (Macedonia)

After Macedonian government reached decision on favorable prices of electrical energy for large industrial customers, the companies Sil-

mak and Feni, Anticorruption commission demanded from the government to reveal all relevant data and to explain why only those two companies have been granted subsidized price of electricity.

The Silmak with estimated 728 GWh and Feni industry with 704 GWh of import of electricity in 2006th, are the two largest industrial customers in the country. According to the decision of government, Silmak should pay 2.2 eurocents and Feni should pay 3.1 eurocents per kWh in 2006th.

Until now, average price of electricity for industrial customers, .i.e. the customers with annual consumption above 20 GWh in Macedonia was 2.7 eurocents per kWh, which is the lowest price in the region.

Anticorruption commission wants to determine the reasons for aforementioned decision of government because Silmak and Feni would be entitled for about 50 % lower price of electricity comparing the one paid by Macedonia's transmission system operator (MEPSO) (about 5 eurocents) on the tender for import of electricity. In the same, Silmak owes some 9 million euros for delivered electrical energy.

According to preliminary calculations, state and MEPSO would lose 30 million euros per year due to such decision, even if new energy law prescribed that subsidized prices of electricity should be cancelled for all large industrial customers in this year.

Government justified its decision with the investments made by Silmak in energy sector in the country and the number of employees of the company. Practically, government has just extended the previous contract for delivery of electricity to Silmak.

Although the head of MEPSO has recently said that price of electricity for industrial customers needed to be increased, he did not want to object the latest decision of the government. He believes that the price for two companies is too low, but MEPSO would be able to handle that price for certain period of time. According to him, the average price of electricity produced in Macedonia is 2.2 eurocents.

The formula for industrial customers prescribes that domestic price should be made 70 % and imported price of electricity made 30 % of final price for the industrial customers.

Experts from MEPSO clarified that large industrial customers have significant impact on stability of national power system, and, like in many countries in the world, they could be entitled for lower prices of electricity. In the same time, MEPSO has announced increase in electricity price by 13 % due to high import prices in the latest tender. Macedonia is missing about 30 % of electrical energy.

MEPSO has announced that other industrial customers in the country should sign supply contract by the end of June. It is expected that until that time, Regulatory energy agency (REA) should determine new electricity tariffs for companies in production, transmission and distribution sector. It is expected that all companies would be entitled for 15 % increase due to high import prices.

As a reminder, MEPSO managed to sign import contracts only until the end of this year, and it plans to import additional amount of electricity for period January-April 2007th.

MEPSO still waits final decision on decommissioning of units in Bulgarian nuclear power plant Kozloduy. Import from Bulgaria has comprised 26.1 % of overall power consumption in Macedonia in 2005th, while the price of electricity from Bulgaria was the lowest paid by MEPSO in 2005th.

Experts in Macedonia have been highly unsatisfied with the fact that foreign companies were granted price for electricity considerably lower than in country of origin and lower than average price of produced electricity in Macedonia.

Macedonian newspapers believe that government's decision was motivated by incoming parliamentary elections.

§ § §

Government and Makpetrol without compromise (Macedonia)

Although it was announced, government of Macedonia and private company Makpetrol have not reached compromise solution regarding the management of gas network during the court procedure that should determine the ownership in the gas network in the country.

Appellate court has confirmed the original decision of the first-degree court, by which Gama owns 55 % of the gas network, after which Makpetrol has filed the complaint to the Supreme Court.

In the meantime, the gas network should have been jointly operated by the government and Makpetrol. Two parties should have signed the cooperation protocol on the establishment of the joint company that would operate gas network until the reaching the final court decision regarding the ownership rights.

Officials from Makpetrol believe that agreement was the best way for overcoming the problems, while Gama, the public company in charge for the operation of gas network in Macedonia according to the law, did not want to comment the latest agreement.

Government's officials have confirmed that negotiations have been continued and that agreement would be reached in favor of both sides.

Nevertheless, according to the unofficial sources, cooperation protocol is against the new Energy law, which prescribed that transport of natural gas in the country could be managed only by the public company.

That is the reason why the Regulatory energy agency has granted license for transport of natural gas to the Gama, while Makpetrol was granted license for trade and distribution.

If the Supreme Court confirmed the previous verdicts, Gama would takeover the management over gas network and Makpetrol would remain in charge for the natural gas distribution.

According to the latest development, Makpetrol could receive, at most, compensation from the government for its investments during the past period when it managed gas network.

In the same time, Gama has been going through the financial crisis. The company's account was blocked for more than three years, while Gama did not have enough funds to pay the rent for the office space. Two months ago, the government has assigned 1 million euros to the Gama, where finance ministry still needs to finalize the transaction. Because of that, sources say that government of Macedonia is not prepared to takeover the management of the gas network.

While the government was faced with the financial problems, Makpetrol still manages gas network refusing to takeover the management of the gas network to the Gama employees.

The Macedonian citizens and businessmen await for the solution of the ownership dispute that should enable intensified usage of natural gas, while only four large industrial customers have been using natural gas as engine fuel.

In the same time, World Bank has recommended to the government to start development of natural gas network in the country.

In the related news, shareholders' assembly of joint stock company Makpetrol has decided to approve the purchase of its own shares. Company should allocated maximum amount of 6.5 million euros for purchase of 11,236 shares. The purchase of shares should be done in period of the next 12 months.

§ § §

EVN interested for hydro power plants (Macedonia)

Austrian EVN, owner of Power of utility of Macedonia (ESM) –Distribution division, has expressed interest for investments in existing hydro power plants (HPPs) in Macedonia. This was announced during the latest board meeting of EVN in Vienna.

EVN's officials did not say whether the company would start investments with small or large HPPs in Macedonia.

EVN has reported 37.6 % increase in incomes in the last year, where overall incomes reached 1.179 billion euros. The latest takeover of ESM was seen as one the outstanding accomplishment for the company.

As a reminder, EVN has recently expressed interest for investment in natural gas sector in Macedonia.

§ § §

EPCG expects large investment in renewable energy sources, Norwegian Statkraft should build large hydro power plant (Montenegro)

Executive director of Power utility of Montenegro (EPCG) expects start of the construction of new power plants in the country in the second half of 2006th, immediately after adopting the law of concession rights.

Director said that Norwegian power company Statkraft has expressed interest for the construction of large hydro power plant (HPP) in Montenegro, where the exact location yet needs to be determined.

On March 24th, EPCG and Statkraft have signed Memorandum of understanding and established joint experts' team that should analyze the potential projects.

Norwegian company Statkraft is the second biggest producer of electrical energy from renewable energy sources in Europe, with annual incomes of 1.6 billion euros and 2,000 employees. Statkraft has been active in Germany and Netherlands too. In 2005th, company has started construction of wind farm in Norway and new biomass fired power plant with power output of 800 MW.

EPCG's director has pointed out that cooperation with Statkraft did not imply that EPCG would cancel further cooperation with another Norwegian company, the NTE, which was present in Montenegro in the past five years.

According to the letter of intention sent last year, NTE officials have expressed interest for construction of several small-sized HPPs and purchase or lease of existing power plants in Montenegro. EPCG official believe that NTE could also be interested for construction of large power plants.

New concession law should enable and speed up the procedure for construction of new power plants, where law equally treats domestic and foreign investors. EPCG official believe that the best way for the realization of large projects is the establishment of joint venture between EPCG and particular investors.

According to the previous plans, Council of experts of EPCG has confirmed two options regarding the construction of new power plants.

The first option predicts the construction of HPP Kostanica, HPP Moraca and HPP Buk Bijela. The second option predicts the construction of second unit in thermal power plant (TPP) Pljevlja, and construction of aforementioned HPPs.

In the meantime, government has abandoned project for construction of HPP Buk Bijela (due to environmental reasons), and experts believe that the best option for Montenegro should be construction of HPP Kostanica and HPP Moraca.

According to the results of the studies, future HPP Kostanica should have power output of 522 MW, with annual production of 1,254 GWh. The worth of the project is estimated at 330 million dollars and construction period should be 5 to 6 years.

HPP Moraca should be cascade of four power plants with overall power output between 237 MW to 355 MW, with annual production between 694 GWh to 1055 GWh. The worth of the project is estimated at 454 million dollars, with construction period of 5 to 6 years.

§ § §

Regulatory agency prepares new electricity tariffs (Montenegro)

Officials from the Regulatory energy agency (REA) have confirmed that electricity tariffs for the households should be increased most likely in June. The average price should be increased from 4.2 eurocents/kWh (5.5 eurocent with all costs included) up to 7.3 eurocents/kWh.

REA and Power utility of Montenegro (EPCG) have been in constant talks regarding the clarification of particular costs and worth of the EPCG's assets.

Management of EPCG has been preparing their request for the price increase since the beginning of the year. Executive director of EPCG hopes that actual costs of the company would be validated through new tariffs system.

He once again emphasized that EPCG had enormous losses due to theft of electricity in distribution networks. Earlier analyses showed that losses amounted to 8 million euros per year, but EPCG official fear that losses could be even 16 million euros per year. EPCG plans to increase production by 400 to 500 GWh in 2006th comparing to previous year, director of EPCG said.

§ § §

The bids for privatization of TPP and coalmine expected (Montenegro)

Director of Agency for restructuring of economy and foreign investments of Montenegro expects that six bids will be submitted in the tender for privatization of thermal power plant (TPP) Pljevlja and 31 % of state-owned shares in coalmine Pljevlja.

Until end of May, none of the interested companies submitted the bids, and it is expected that they would do so on June 1st, the last day for the submission of bids.

According to expectations, the companies that have qualified in the final stage of the tender, Russian Belon Group and En Plus, Czech CEZ, Slovenian HSE and Austrian Verbund should submit the bids.

Although officials from Montenegro expects that Greece's PPC and US investment fund Contour Global, which have also qualified for the final stage of the tender, would submit the joint bid, according to the latest information PPC has decided not to participate in the tender.

Officials from government of Montenegro expect that at least four bids would be submitted in the tender.

The latest announcement of consortium of Italian company Team network and Austrian Ivikom Consulting to finance the construction of cement factory with 200 million euros could be great incentive for future strategic partners. Construction of cement factory according to tender rules would bring 25 tender points out of 100 maximum points reserved for the best business offer.

Future owner of TPP and coalmine is expected to solve all environmental problems in accordance to EU standards until 2012th and to build new generation unit (200 MW) close to the existing unit.

According to the tender rules, future owner should have at least three-year experience in the thermal power plant management, achieved power production of 2 TWh and overall incomes of 100 million euros in 2004th.

As a second option, future owner should have three-year experience in coalmine management, achieved coal production of 3 million tons and overall incomes of 70 million euros in this line of business in 2004th. At last, according to the third option, future owner should have overall incomes of 400 million euros in 2004th.

Several companies have demanded third extension of the tender deadline, but this would not happen according to director of Agency.

The first tender for privatization of TPP and coalmine was canceled in October last year due to formal reasons related to the incomplete tender documentation of several bidders.

In the first tender, EN Plus (the majority owner of Russian Rusal) has offered 50 million euros and 20.5 million euros of investments, CEZ has offered 18 million euros in cash and 43.8 million euros of investments, while Belon Group has offered 8 million euros in cash and 87.8 million euros worth investment program.

The long-term investments programs (for period of 10 to 45 years) ranged from 100 million to 800 million euros. The repeated tender was prolonged until April 27th, while the latest extension of the tender was related to the referendum for the independence of Montenegro, which took place on May 22nd.

In the related news, management of TPP Pljevlja has announced that regular maintenance works have been finished and that TPP was put in operation on May 28th.

In period of 45 days in accordance to plans, TPP has carried out so-called medium overhaul, which did not include the capital overhaul of the turbine. Main works have been carried in the coal transport system, systems for preparation of coal ash and transport of coal ash, boilers and electro filters.

It is expected that TPP Pljevlja would produce 4 GWh of electricity per day in the next period. Some 60,000 tons of coal was stored at the plant's depots in the end of May.

According to the annual production plans for 2006th, TPP Pljevlja should produce about 1 TWh of electrical energy for which 1.35 million tons of coal will be spent.

§ § §

Meeting between EPCG and EPRS (Montenegro & Bosnia and Herzegovina)

During the second work meeting in Trebinje in the end of May, representatives of Power utility of Montenegro (EPCG) and Power utility of Republic of Srpska (EPRS) did not reach agreement on distribution of water potential of Bileca Lake.

Executive director of EPCG explained that EPCG had requested from EPRS delivery of certain amount of electrical energy due to large water potential in Bileca Lake, which is located partly on territory of Montenegro.

EPCG should demand 22 to 29 % of hydropower potential from Bileca Lake, the study conducted by the Belgrade company Energo-projekt showed.

The hydro power plant (HPP) Trebinje, HPP Dubrovnik and HPP Capljina, with overall power output of 818 MW, process the water from Bileca Lake and produce annual amount of 2.7 TWh of electrical energy, which is equal to the 90 % of annual consumption in Montenegro.

Montenegro demands 0.7 to 0.8 TWh of electrical energy from the Bileca Lake hydropower system, which is equivalent to 30 million euros per year.

EPRS is not willing to deliver electricity to EPCG, and EPCG would demand arbitrage procedure, director said. He believes that final agreement on sharing of water potential could be reached by the end of June.

Commenting the Montenegro's independence from Serbia voted on referendum on May 22nd, director of EPCG said that independence would not change anything in relationship between EPCG and Power utility of Serbia (EPS), having in mind that two power companies have been independent from each other for a long time.

The only and main relation between two companies is the long-term contract on usage of hydro power plant Piva (300 MW) signed in 1991st for period of 25 years. According to the contract, EPS operates freely HPP Piva and in returns delivers constant electrical energy to EPCG during the whole year.

EPCG and EPS agreed that contract should be revised in order to reflect the changes in the energy sector. Two parties should meet in June this year in order to define the latest changes in the long-term contract, and there is a possibility that contract could be cancelled.

§ § §

Hellenic Petroleum announced canceling the oil explorations, government was not informed (Montenegro & Greece)

According to the news published by Greek media, Hellenic Petroleum (HP) has announced canceling the oil and gas explorations in the Adriatic Sea in Montenegro due to delays in adopting the new legislation on oil drilling and technological upgrades.

HP believes that future researches and development could be hardly achieved with out the new law that should be reached by the Montenegro's government.

HP is the majority owner of the former state-owned company Jugopetrol. HP has paid 90 million euros for Jugopetrol in 2002nd, thus outbidding the second ranked Lukoil who offered 45 million euros. Jugopetrol operates 33 of overall number of 60 petrol stations in the country, and company was loss making in the past several years.

Along with Jugopetrol, HP has acquired the oil warehouses and to right to explore and produce the oil in the Adriatic Sea, for which purpose HP establish the joint venture with British company Ramco. The British company has later bankrupted and HP has acquired full rights over oil explorations in Montenegro in February 2005th.

Problems for HP have started immediately after it has become the majority owner of Jugopetrol. Montenegro's government has informed Greeks that about 30 % of the oil warehouses that supposed to belong to Jugopetrol actually belonged to the Serbia and Montenegro's federal company in charge for federal oil reserves.

Also, soon after, the state of Montenegro has established new oil company, the Montenegro Bonus, which became the direct rival to Jugopetrol. HP considered this as the action without comparison in the international privatization procedures and because of that, Greek company has filed official complaint at the court.

HP and government of Montenegro have been negotiating about certain changes in the law for exploration and production of oil, where HP has offered help to the Montenegro in adjusting the legal framework in accordance to EU laws.

According to HP and sources from Greece, government has announced possible nationalization of oil researches and production. HP expects final answer of Montenegro authorities until end of the May.

Delays in oil drilling came for HP in the moment when company intends to coordinate its oil researches in Mediterranean. i.e in Egypt and Libya.

According to the news in Montenegro's media, the member of the executive board of HP has denied claims published in Greek media regarding canceling investments in Montenegro. He admitted that there had been open issues that need to be resolved soon.

HP has demanded from the government to extend, for the third time, the deadline for the construction of the first oil and gas platform, which was originally set for April 31st.

The previous extensions were explained by the sale of Jugopetrol to HP and bankruptcy of Ramco Energy.

If the deadline were not extended, the government of Montenegro would have the right to publish new tender for concession rights for oil and gas researches and to collect the 5 million euros insurance deposit paid by HP.

The worth of the exploration projects is estimated at several hundred million euros. HP and Jugopetrol still hold the concessions over 4,840 square km at blocks 1 and 2 near Prevlaka and over 3,930 square km at block 3 near Ulcinj.

Ministry of economy denied that HP has officially or informally announced cancellation of oil and gas researched in Montenegro. Minister of economy has called the latest information from Greek media as the sensationalistic and bombastic news for the purposes of the newspapers. He believes that HP has strong interest for the continuation of the concession exploration, especially having in mind that latest analyses showed that there were considerable gas reserves too in the Adriatic in Montenegro.

Montenegro's economy minister said that law firm Hogan & Hartson has been presented draft law on oil and gas. The proposal has been analyzing thoroughly by the work groups in the economy ministry because Montenegro must have quality law on oil and gas, minister confirmed. He said that HP and the government would soon decide on the continuation of cooperation in oil and gas researches.

According to some previous statements by the Montenegro officials, the HP has asked from the government for protection from potential competition.

In April this year, it seemed that HP and the government have found the solution for the problems, when HP and Jugopetrol have presented information on progress in oil and gas exploration and demanded for extension of the deadline for start of oil and gas exploration.

§ § §

Increase in natural gas and electricity prices by 1 to 2 % from July 1st (Romania)

Romania's minister of economy and trade has announced that the price of natural gas and electrical energy for households' customers would not rise more than 1 or 2 % starting from July 1st.

The final decision should be reached by regulatory body that needs to take in consideration price adjustment factors related to the inflation rate in the first half of 2006th, regulated costs and other taxes in accordance to Fiscal Code.

The price of gas from domestic sources would not be increased from July 1st according to minister, yet it would be increased in accordance with the timetable agreed with international institutions.

Current price of domestic gas in Romania increased from 90 dollar per cubic meter in the last year up to 120 dollars. Minister said that the different prices of the natural gas produced from new and old deposit could be eliminated on January 1st 2007th .

The rise of natural gas price could be only influenced by price fluctuations on global market, while the price of electricity would only be affected by the aforementioned price adjustments, minister confirmed.

§ § §

E.ON Gaz Romania reported 34.2 million euros of losses in 2005th (Romania)

Gas distributor E.ON Gaz Romania, the former Distrigaz Sud, has reported 34.2 million euros of losses in 2005th. The 51 % of the company, which has changed the name on April 1st this year, was purchased by German E.ON in June 2005th.

The losses were explained by the low natural gas prices for end customers, which were not risen in accordance to the purchase price of the company. In this year, management will try to compensate acquisition costs and to introduce new structure of the company.

In April this year, E.ON Gaz Romania has announced some 45 million euros of investments for the replacement of 350 km of the natural gas network and upgrade of other equipment and development of new IT systems.

In 2005th, total incomes of the company reached 590 million euros and total sales reached 4 billion cubic meters of natural gas where 60 % of the amount was sold to the industrial customers,

Overall investments of the company stood at 28 million euros, where 50 % of funds were invested in new gas pipelines. E.ON Gaz Romania operated 17,600 km of the gas pipelines and supplied 1.2 million customers in 20 counties at the end of 2005th.

§ § §

Canada wants to participate on construction of units 3 and 4 in NPP Cernavoda (Romania)

Ambassador of Canada in Romania has confirmed the readiness of his country to continue the cooperation with Romania in construction of units 3 and 4 in nuclear power plant (NPP) Cernavoda.

Canadian company AECL has delivered CANDU type, 650 MW, reactor, only one operating in Europe, to the unit 1 in NPP Cernavoda, which became operational in 1996th.

In this moment, AECL is the leader of the project management team for the construction of unit 2 in Cernavoda.

Atomic Energy of Canada Limited is a full service nuclear technology company providing services to nuclear utilities around the world. Established in 1952, AECL is the designer and builder of CANDU technology including the CANDU 6, one of the world's top-performing reactors.

Unit 2 should have been operational in the beginning of March 2007th, but the recently discovered flaws at the previously, (in 1980a and 1990s), stored equipment could postpone the end of the project for a year. When unit 2 became operational, NPP would cover some 20 % of power consumption in Romania.

According to the latest information, Canadian officials and Romanian government have been negotiating the finishing of the construction of NPP Cernavoda, i.e. a construction of units 3 and 4.

The project company that will build units 3 and 4 should provide 660 million euros of capital, estimates show. The funds would be sufficient for 30 % of project's expenses, while the rest of the funds should be provided through the loans.

According to director of Nuclearelectria, the operator of NPP, since the state of Romania would not grant guarantees for loans, the project company would need to provide firm guarantees in a form

of long-term contracts with power customers and power producers.

Recently, Romanian ministry of economy and commerce has proposed to the government to start the simultaneous construction of units 3 and 4, having in mind that feasibility study showed this option to be the most favorable. The worth of the project is estimated at 2.2 billion euros.

§ § §

Ministry of commerce offers the shares in Transelectrica in Bucharest Stock Exchange (Romania)

Romania's ministry of economy and commerce has announced sale of the shares of national transmission system operator Transelectrica on the Bucharest Stock Exchange (BSE) through the initial public offering (IPO).

The total worth of the shares should reach 34.8 million euros and the sale should start on June 9th.

The sale of the shares have been approved during the general shareholders meeting on April 28th, where 7.33 million shares at nominal price of 4.75 euros per shares was decided to sell. Ministry of economy and commerce is the only shareholder in Transelectrica, where overall share capital of the company is 190 million euros.

Prior the sale, ministry of economy will submit the required documentation to the National Securities Commission (CNVM). By the end of June, CNVM should present the results of the subscription and actual listing of shares will begin in July.

Sale plan predicts that 40 % of the shares will be offered to small investors, and the rest of 60 % of shares will be reserved for the large investors. If one package of shares was not entirely sold, the unsold shares could be transferred to another package.

The sale of the shares in Transelectrica was the obligation of the government by the law that has established Proprietatea Fund, (which will take over 15 percent of the companies' shares) and the part of the governmental program for the development of capital market.

§ § §

Confirmation on restructuring of power production companies, six possible scenarios (Romania)

After announcement made by the minister of economy and commerce in the beginning of May regarding the restructuring of power production company into power holdings comprised from thermal, hydro and nuclear power plants, the news have been again confirmed by the Romanian officials.

The restructuring should be carried out until and of the year and there are six possible scenarios regarding the structure of future power production holdings. The main intention of the government is to create power companies able to produce electrical energy at the average price below 42 euros per MWh.

In this moment, the most expensive electrical energy was produced by the thermal power plants (TPPs) in capital Bucharest with 73 euros per MWh, then in Craiova, Turceni and Rovinari power complexes with prices between 45 to 46 euros/MWh and in nuclear power plant (NPP) Cernavoda with 36 euro/MWh while the lowest price of

produced electrical energy is in HPP Portile de Fier with 7 euros/MW.

According to the first scenario proposed by the Institute for Energy Studies and Design (ISPE), the power holdings will be consisted from all power plants in Termoelectrica, (except from power complexes in Turceni, Craiova and Rovinari), Hidroelectrica and Cernavoda.

New power company should produce overall amount of 610 TWh of electrical energy until 2020th at the average price of 41.27 euro/MWh. In the same time, three power complexes should produce overall maximum amount of 120 TWh at average price of 45 euro/MWh.

Second scenario has forecasted establishment of the power company that includes all power plants in Romania except the three power complexes and the thermal power plants in Bucharest. In that case, such power company would produce 560 TWh at average price of 38 euro/MW in aforementioned period.

Third scenario predicts establishment of two power companies. The one power company should be comprised of Nuclearelectrica, power complexes in Craiova and Turceni, TPP Braila and HPPs in Vilcea county, while the another power company would be comprised of Hidroelectrica, power complexes in Rovinari, TPP in Deva and Paroseni, and power plants in Mures and Bucharest county.

Both power companies should produce almost identical amount of 456 TWh at average price of 40.6 euros/MW and 42.7 euros/MWh, respectively.

The fourth scenario is similar to third one, with two power companies (the first one equal as in third scenario), where the second one company would not include TPPs in Bucharest, which would led to the average price of 39.2 euro/MWh. In this case, TPPs in Bucharest would be managed by the local communities.

The last two scenarios predicts establishment of three power companies comprised from TPPs, HPPs and NPP in each case, where TPPs in Bucharest would be included in one of the scenarios.

The first power company would be consisted from Nuclearelectrica, power complex in Turceni, HPP and TPP in Braila, while the second power company would be comprised of power complex in Rovinari, TPPs in Mures county and HPPs in Vilcea county. The first power company would produce 428 TWh at average price of 41.2 euros/MWh and the second one would produce 145 TWh at average price of 42.3 euro/MWh.

Third power company would consisted of HPP Portile de Fier, power complex in Craiova, TPPs in Deva, Paroseni and possible in Bucharest.

In fourth scenario, in case if TPPs in Bucharest were included in the third power company, overall production would reach 342 TWh at average price of 41.7 euro/MWh, and if not, the power company would produce 288 TWh at average price of 36 euro/MWh.

It is estimated that Romania should invest some 7.25 billion euros both for the restructuring and revitalization of power plants in the period until 2010th.

§ § §

Petrom increased profit by three times in first quarter of 2006th (Romania)

Oil company Petrom has announced that overall profit in first quarter of 2006th reached 247 million euros, which was 211 % higher comparing to the same period in 2005th.

The good results were boosted by the favorable prices of crude oil and high sales level, which led to the earnings before interest and tax (EBIT) of 296 million euros. Overall turnover reached 877 million euros, which was 50 % higher comparing to 2005th.

Petrom officials were satisfied with the business results in the first three months in the moment when company has announced considerable development projects. The current activities of the company have been focused at the increase of the company's efficiency and takeover of all OMV's petrol stations in Romania, Bulgaria and Serbia and Montenegro, as it was decided recently by the majority owner, the Austrian OMV.

Petrom has also announced payment of about 210 million euros of dividends to shareholders on May 25th, except for ministry of economy and commerce and the Proprietatea fund, with whom Petrom has not reached agreement on allocation of dividends.

§ § §

New owner of Electrica Muntenia Sud should be known in the beginning of June (Romania)

According to the news from Romanian press, new owner of 67 % of shares in the most important power distribution company in the country, the Electrica Muntenia Sud, would be announced in the beginning of June.

Estimated price in this privatization is expected to reach 750 million euros. Electrica Muntenia supplies the capital Bucharest and two neighboring counties. Director of Electrica expects that Romania would receive the best offer ever for privatization of power distribution company in the entire Southeastern Europe.

The future owner will be one of the companies that have qualified in the final stage of the tender, the Czech CEZ, Enel from Italy, Gaz de France, Iberdrola from Spain and RWE from Germany.

CEZ already owns 51 % of Electrica Muntenia Sud (purchased for 151 million euros), while Enel is the majority owner of Romania's power distribution companies Electrica Banat and Electrica Dobrogea.

§ § §

Siemens delivers equipment to EMS (Serbia)

Serbia's transmission system operator (EMS) and German Siemens have signed 5.7 million euro contract for delivery of sophisticated microprocessor protection systems.

By installation of Siemens' equipment, EMS intends to increase operation safety in the transmission system, where five large substations in Belgrade, Nis and Novi Sad would be upgraded.

General manager of EMS and director of Siemens office in Serbia signed the contract during the 50th international technical fair in Belgrade, where European investment bank has supported EMS in this project.

§ § §

Regulatory energy agency became member of ERRA (Serbia)

Regulatory energy agency of Serbia (REA) has become full member of Energy Regulators Regional Association (ERRA) in mid May.

The ERRA membership should provide to REA participation in regular meetings and experts' conventions and exchange of experience, expertise and information.

Serbia's REA was established on June 16th 2005th in accordance to the new Energy law. Its main purpose is to improve, guide and direct development of energy market in Serbia as independent regulatory body in non-discriminatory and competitive manner.

§ § §

MOL and Petrol interested for NIS. changes in management of NIS (Serbia)

Management of Oil industry of Serbia (NIS) expect that suitable privatization strategy should provide conditions for modernization of company, expansion to the third markets and intensified exploration and production of oil and from domestic sources, where some 800 million dollars should be invested during the first three years after privatization.

In the same time, several potential strategic partners of NIS have intensified their activities in Serbia as the start of privatization is becoming closer.

Serbian minister of industry and privatization have had talks with the representatives of Hungarian oil company MOL regarding the incoming privatization of Oil industry of Serbia. MOL has once again repeated its interest for the participation in privatization of NIS and it has presented development plans for the oil market in Serbia.

The representative of OMV have announced possible establishment of consortium with MOL and Hellenic Petroleum in order to submit join bid for NIS.

Russian Lukoil has also more than once expressed interest for NIS, and Slovenian oil company Petrol is interested for NIS also.

Two years ago, Petrol has offered 50 million dollars of funds for establishment of joint venture with NIS that should have been active in Slovenia, Bosnia and Herzegovina, Serbia, and Montenegro.

Executive director of Petrol confirmed that they could participate in the privatization tender alone or as a part of consortium with MOL and Lukoil. According to the director of Petrol, Slovenian company has been interested for NIS because it does not have its own oil refineries. Petrol wants to acquire oil refineries capable to produce oil derivatives for domestic needs as well as for export, but Petrol is also interested for purchase of larger number of petrol stations of NIS (overall number is 500).

In the same time, management board of NIS has appointed new general manager of the company.

New general manager would be, now former, director of NIS subsidiary, the NIS TNG (in charge production and distribution of liquefied petroleum gas).

In accordance to the statute of the company, general manager will be the executive director of branch NIS Petrol, the largest branch of NIS that operates two oil refineries, one in city of Novi Sad and second one in city of Pancevo. Former general manager will be the advisor of the new general manager.

According to the official press report, the latest changes in managerial structure of NIS were the part of the process for establishment of new manager team that should lead the company through the privatization process.

According to the unofficial sources, former general manager of NIS was replaced due to different views in the process of privatization from the chairman of the management board of NIS. Nevertheless, until recently, two highest officials of NIS have had identical standpoints regarding the privatization, which implied modernization of the refineries and increasing the capital worth of the NIS prior the privatization.

Government of Serbia still needs to decide whether it will sell majority or minority stake in the NIS, but well-informed sources believe that two NIS's refineries would be certainly sold.

Regarding the government, only Serbian finance ministry had declared him in favor of Croatian model, where government had sold 25 % plus 1 share and management rights to the MOL.

§ § §

Announcement of joint projects in energy sector (Serbia & Romania)

Minister of energy and mining of Serbia and minister of economy and commerce of Romania have reached an agreement regarding the continuation and improvement of cooperation in energy sector.

Two ministers met in Belgrade on May 22nd, and new agreement should lead to concrete projects in the next year. The meeting was attended by the representatives of the largest energy companies from Romania and Serbia.

Romanian minister said that current relationship in the energy sector between two countries should be incorporated in the interstate legal act on the principals of recently signed Energy treaty in South-eastern Europe, which should defined future cooperation of two countries. He believes that stable supply of electrical energy, natural gas and oil products are the foundation of economic stability of every country and that regional cooperation of Romania and Serbia should provide such stability.

Two ministers had discussed on revitalization of Serbian hydro power plant Djerdap 1(1000 MW), the construction of natural gas pipeline Mokrin (Serbia) – Arad (Romania), the construction of Pan European oil pipeline and the construction of new interconnection 400 kV power line Vrsac (Serbia) – Timisoara (Romania).

New power line would additionally connect two power systems and provide conditions for increased electricity cross-border trade, Serbian minister said.

On the other hand, both parties have expressed interest for new gas pipeline, where Romanian company Transgaz and Serbian gas com-

pany Srbijagas were appointed to prepare the project papers within the 30 days, which should present technical and economic possibilities for connecting the two gas networks.

Serbian minister pointed out successful cooperation in power production on Danube power plants during the extremely high water inflows in period from March 28th until May 17th.

Two parties have reached decision to connect two oil pipeline networks and jointly to act in solving the problems that have arisen during the Pan European project.

According to the original plans, the construction works on 1,360 km long Constanta –Trieste pipeline should start in the end of 2006th; it should be finished by the end 2007th, where pipeline is scheduled to be operational in 2009th.

Signing of the memorandum of understanding between involved countries have been postponed while awaiting the approval from Slovenian parliament. During the incoming visit to Brussels, Serbian minister should inform the EU energy commissioner on the status of the project and it would try to initiate meeting between all interested countries.

§ § §

Advisor presented privatization strategy for NIS (Serbia)

According to the Serbian press, in the end of May, privatization advisor for Oil industry of Serbia (NIS), the consortium of Merrill Lynch (ML) and Raiffeisen Investment (RI), has presented privatization strategy for national oil company to the government of Serbia.

The privatization strategy has not been officially presented to the Serbian public.

According to proposal, state of Serbia should sell 33 to 40 % of the shares in the company immediately; the rest of majority stake should be sold to the winner on the first tender until 2010th through the stock exchange, while the rest of the shares should be sold after Serbia becomes EU member.

The minority shareholder would have the majority seats in the management board and important managerial rights, ML and RI proposed.

The proposal of ML and RI is similar to concept supported by management of the NIS.

Privatization advisor believes that best option for NIS is to sell the shares of entire company instead to sell the particular parts of the company. ML and RI recommended obligatory modernization of NIS refineries, while the employees and citizens of Serbia would be entitled for 30 % of shares during the first stage of privatization, which should last for some 15 months.

ML and RI have estimated worth of NIS at 2 billion dollars, while the incomes to the state budget would be related to the required investments in NIS. Estimated budget incomes from NIS's privatization range from 50 to 700 million euros.

Advisor did not recommend signing the loan contract for modernization of oil refineries prior the privatization; they believe that such investment would not increase the market worth of NIS, yet it would reduce the worth due to increased indebtedness rate.

Government of Serbia should consider the proposal during the June and it should reach the final decision on privatization of NIS.

According to the unofficial sources, tender should be published in July this year, but also it could be postponed for couple of months. New owner of the company together with state of Serbia should invest 840 million euros in NIS until 2010th, where the new owner should provide 200 to 400 million euros and the rest of the funds would be provided from the profit.

Some experts believe that 200 million dollars would be sufficient for fast modernization of oil refinery in Novi Sad, which could produce euro diesel 4 in accordance to EU standards by the end of 2006th.

It is expected that management of NIS and government of Serbia would prolong the legal act from 2002nd that forbade import of oil derivatives, except of euro diesel, to anyone except NIS. Full liberalization of oil market in Serbia could be established in four years, officials from NIS confirmed.

It is expected that the main problem for Serbian government would be the level of managerial rights granted to future strategic partner, where privatization advisor did not proposed exact model for reaching the key decisions in future NIS.

While government needs profit achieved by NIS, the potential partners would be hardly interested for investing the funds without possibility to influence the company's policy.

In the same time, privatization advisor has proposed that participation in the tender should not be allowed for joint bids, i.e. only single companies would be entitled to place bids. If the government accepted this proposal, it would exclude the participation in the tender for the most mentioned potential consortiums made by OMV, Hellenic Petroleum and MOL and by Lukoil, MOL and Slovenian Petrol.

Advisors believe that participation of consortiums in the tender would diminish the competition and later slow down the modernization of the company.

This proposal is in favor of larger companies like Lukoil, MOL and OMV, experts believe. On the other hand, Lukoil, which is the owner of another oil company in Serbia, the Beopetrol, has considered an option for establishing the consortium in order to avoid possible charges on potential oil monopoly in Serbia.

§ § §

Construction of natural gas storage facility priority for Srbijagas, (Serbia)

General manager of Serbian public gas company Srbijagas said that priority project for the company in this and in the next year would be end of the construction of underground natural gas storage facility in Banatski Dvor.

The existence of the storage facility was the main condition for linking the Serbia to European gas networks, director said. In the same time, Srbijagas would reduce the costs for the storage of its natural gas in neighboring Hungary due to lower import during the summer season. With its own storage facility, Srbijagas could manage natural gas reserves in the most suitable way.

In June this year, Serbian Regulatory energy agency should present new, higher, natural gas tariffs. Srbijagas is the only importer and distributor of natural gas in the country that provides overall quantities for over 250,000 customers in Serbia.

In the same time, chairman of the management board commented latest announcements for the construction of 900 MW gas-fired heat and power plant in city of Novi Sad by the Swiss company Mentor energy and Russian state owned company Tehnopromexport, the part of Russian ministry of economic development.

He believes that construction of power plant is just political marketing fore local authorities, having in mind that production of electrical energy in such kind of a plant would be certainly unprofitable in Serbia. In addition, it would take two years for getting all necessary licenses for such project.

According to director, combined power plant would spend 2.5 billion cubic meters of natural gas per year, which is the equal to the overall annual consumption in Serbia, implying the problems in transport of gas, where the price of produced electricity would be twice higher than the one produced by Power utility of Serbia (EPS).

§ § §

Tenders:

Electricity

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:

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.

Phase I

1.1 Supervision of quality assurance by Contractor and PIU during implementation of survey work and design estimates.

1.2 Quality and the accepted technical solutions assessment during elaboration of design estimates.

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.

Phase II

2.1 Managerial and monitoring support during contracting.

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.

2.3 Quality assurance surveillance by the Contractor and PIU during implementation of the construction and erection works.

2.4 Environmental measures monitoring during implementation of the construction and erection works.

2.5 Verification of implementation according to the PIP and review of any changes to the PIP.

2.6 Verification of the proper use of available funds.

2.7 Submit periodic activity reports as may be requested from time to time by KEGOC.

Phase III

3.1 Confirmation of the Project Completion in accordance with the PIP and preparation of a Project Completion Report

Company / organization:	EBRD – European Bank for Reconstruction and Development, related Bulgaria
Power Transmission - Goods, works, services	
Content:	Natsionalna Elektricheska 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: A.2.2. Construction of HV line 400 kV Zlatitsa -Plovdiv, and Re-routing of existing 110 kV Lines. 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). 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, or 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.
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:	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 – 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:	EBRD, related Kozloduy Nuclear Power Plant Bulgaria
Content:	This project is to support the policy of Supply Division of KEK (the Kosovo Power Utility) aiming at improving the revenue collection. The scope of the project consists of four Lots and includes the following: supply and installation of hand held units and docking stations as well as the software; supply of IT infrastructure for hand-held units (computers, printers, servers, and plotters); supply and installation of the Geographic Information System platform; supply of vehicles, and training for KEK staff. The equipment and services in this project will be used to plan commercial activities and improve payment control in the Sales Department/Supply Division of KEK.
Deadline:	1 Aug 2006 at 24:00, Kozloduy time
Contact:	Mr. Michel Levy, KPMU Commercial Manager Kozloduy Nuclear Power Plant Kozloduy Bulgaria Fax. + 359 973 74508 e-mail: kpmu@npp.cit.bg With a copy to: Mr. Georgi Kirkov Head of Trade Division Kozloduy Nuclear Power Plant Kozloduy Bulgaria Fax. + 359 973 76008 e-mail: KIRKOV@npp.cit.bg

Company / organization:	EPS, related Serbia
MEDIUM AND LAW VOLTAGE BANKS OF CAPACITORS	
Content:	Public Enterprise "Elektroprivreda Srbije", having its head office at Cacic Milice 2, Belgrade, invites all interested tenderers to take part in the public procurement of "medium and law voltage banks of capacitors with accompanying equipment and devices necessary for installation of the said banks of capacitors in distribution substations" for needs of electricity distribution business companies operating within the system of the Public Enterprise "Elektroprivreda Srbije".
Deadline:	19 June 2006, 11:00 hrs, local time
Contact:	Slobodan Kujovic (E-mail: slobodan.kujovic@eps.co.yu) and Fedora Loncarevic (E-mail: fedora.loncarevic@eps.co.yu) Tel. + 381 11 3971918

Company / organization:	EBRD, related Romania
Romania - CFR Traction Energy Network Management Project	
Content:	CFR SA and its subsidiary CFR Electricitare have applied for 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; Supply and installation of equipment sets consisting of traction substations, switching equipment, railway station distance control equipment, and central dispatching equipment and communication facilities; Supply of catenary maintenance vehicles; and Consultancy services for contract supervision. Tendering for the above contracts is expected to begin in the first quarter of 2006. 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.
Deadline:	22 Jul 2006
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:	EPS, related Serbia
Transmission System Rehabilitation	
Content:	This Invitation for Tenders follows the General Procurement Notice for this project which was published in the Official Journal of the European Communities on 13 August 2003. and the Invitation for Tenders published in the same publication on 22 March 2005. This previous tender has been cancelled. Section 1: Connectors, Fittings, Insulator Strings, Conductors, Earthing System and Steel Profiles Section 2: 220 V d.c. system Section 3: auxiliary transformers, 400/230 V a.c. switchgear, Diesel generator, MV switchgear Section 4: Cables, terminal blocks with accessories for conductors
Deadline:	June 12, 2006 at 12:00, local time
Contact:	Mr Veselin Koprivica Tel: 381-11-32 38 536 Fax: 381-11-32 42 414

Company / organization:	PPC, related Greece
Digital substation control & protection system	
Deadline:	11 July 2006, 9:30 hrs, local time
Contact:	89 Dirrahiou and Kifissou str, room 117

Company / organization:	EBRD, related Bulgaria
Sofia District Heating Rehabilitation - Supply of 2588 District Heating Substations and Associated Services	
Content:	This Invitation for Tenders follows the General Procurement Notice for this project, which was published on the EBRD's Web site on 30 January 2006. Toplofikacia Sofia AD hereinafter referred to as the Purchaser, intends using part of the proceeds of a loan from European Bank for Reconstruction and Development (the Bank) and a grant from Kozloduy International Decommissioning Support Fund (KIDSF) towards the cost of Sofia District Heating Rehabilitation Project. The supply of 2588 district heating substations and associated services is divided into three separate lots as follows: Lot 1 refers to 1213 substations located in DHR (hereinafter District Heating Region) "Sofia East" (south-east part of Sofia city) and DHR "Zemlyane" (south part of Sofia city); Lot 2 refers to 869 substations located in DHR "Sofia" (central and north part of Sofia city) and DHR "Liulin" (north-west part of Sofia city); Lot 3 refers to 506 substations located in DHR "Liulin" and DHR "Sofia". Tenders are invited for one or more lots. Each lot must be priced separately.
Deadline:	June 29, 2006 at 14:00, local time
Contact:	Mrs. Anastasiya Markova Fax + 359 (2) 958 1264 Phone +359 (2) 8593171

Company / organization:	European Investment Bank- EIB, related Bulgaria
Procurement of 220 kV equipment in several lots	
Content:	The Natsionalna Elektricheska Kompania (NEK EAD)(hereinafter referred to as "the Borrower) has received a loan from the European Investment Bank-EIB (hereinafter referred to as "the Bank") toward the cost of Project "Energy 2". This International Invitation for Bids relates to the contract for procurement of 220 kV equipment for rehabilitation of transmission network This contract will include procurement of 220 kV equipment according to IEC standards in lots as follows: - Lot 1 Circuit breakers - Lot 2 Disconnectors - Lot 3 Current transformers - Lot 4 Voltage transformers - Lot 5 Combined transformers - Lot 6 Surge arresters
Deadline:	June 15, 2006 at 12:00, Sofia time
Contact:	Mrs Ludmila Vitanova Tel.+359 2 9263552 Fax: +3592 9861288 Email: lvitanova@nek.bg

Company / organization:	HRVATSKA ELEKTROPRIVREDA D.D., related Croatia
Electricity supply	
Content:	<p>Hrvatska Elektroprivreda d.d. (hereinafter called HEP) herewith invites its trading partners to offer electric energy as specified hereafter:</p> <p>1. DELIVERY PERIOD: From 02/01/2007 until 31/12/2007 All times specifications refer to CET. Delivery starts on 2nd January 2007 at 00:00 hours. CAPACITY: 100 MWh/h base load from 00:00 until 24:00h, Monday – Sunday</p> <p>2. DELIVERY POINT: Croatian border, on the Croatian side with HEP's capacity of the NTC contingent; DAF respective border; Croatian-Hungarian; Croatian-Slovenian; Croatian-Bosnia and Herzegovinian; Croatian-Serbia and Montenegro border The offer must contain specification of delivery point (border) and it isn't possible to change delivery point (border) with HEP's capacity. If it is necessary to change delivery point (border), the Seller must insure own cross-border capacity.</p>
Deadline:	June 9, 2006, at 10:00h, local time.
Contact:	HRVATSKA ELEKTROPRIVREDA D.D. Ulica grada Vukovara 37 10000 ZAGREB REPUBLIKA HRVATSKA

Company / organization:	EAR, related Serbia
Technical Assistance to the Serbian Energy Regulatory Agency Republic of Serbia, State Union Serbia and Montenegro	
Content:	<p>Technical assistance will be provided to the Serbian Energy Regulatory Agency (the independent energy regulator) to further build and develop the capacity of the Agency (building on earlier capacity building TA). This assistance will relate to aspects of the secondary legislation necessary to create an electricity market in Serbia and in the South East Europe region and particularly to:</p> <ul style="list-style-type: none"> - Support for the implementation of tariff methodologies and tariff reviews for regulated businesses (including analysis of justified costs) and the development and implementation of incentive based tariff methodologies; - Review of existing and drafting of new outlines of technical codes; - Developing market monitoring guidelines; · Development of necessary information system / data base; · Training. <p>Maximum budget € 1,500,000</p>
Deadline:	June 20 2006, 16:00 hrs, local time

Contact:	The European Agency for Reconstruction Procurement Unit, 3rd floor Vasina 2-4, 11000 Belgrade Serbia and Montenegro Fax no.: +381 11 3023 466
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Company / organization:	EAR, related Kosovo
Studies to support the development of new generation capacities and related transmission	
Content:	<p>The contract should provide a knowledge base for decision makers in Kosovo and potential bidders for new thermal generation capacity in Kosovo.</p> <p>The activities to be performed through the contract include a power market analysis (based on regional and domestic demand and supply forecasts, and an assessment of potential off-take opportunities for the new power plant); a transmission system impact assessment, including regional transmission system assessment and its development plans up to 2020, and analysis of the impact of the new power plant on the local and regional transmission networks; and new power plant siting (including environmental and social impact), technical analysis (including technology and unit size review), economic and financial analysis, and development of a work plan for new generation capacity.</p>
Deadline:	6 June 2006, 17:00 hrs, CET
Contact:	The European Agency for Reconstruction Procurement Unit Attn: Head of Procurement Unit 1 Kosova street, Pristina, Kosovo – UNMIK Tel: +381 38 51 31 200

Company / organization:	PPC, related Greece
CONSULTATION ON THE DRAFT OPEN CALL FOR TENDER	
Content:	Public Power Corporation S.A. calls for public consultation on the Draft Open Call for Tender – Inquiry No : TMPD – 40602 : « Engineering – Procurement – Installation of GIS Substation 400 kV / 150 kV located at ALIVERI - EUVOIA / GREECE.
Deadline:	13 June 2006
Contact:	PUBLIC POWER CORPORATION S.A. TRANSMISSION MATERIALS AND PURCHASING DEPARTMENT 89 DIRRAHIOU AND KIFISSOU STR., 104-43 ATHENS - GREECE FAX : 2105192326

Company / organization:	EAR, related Bulgaria
Supply of specialised software and hardware	
Content:	<p>Contract title: Creation of operating means for Transmission System Operator in relation to the administration of a competitive electricity market: Supply of specialised software and hardware</p> <p>Delivery, installation, commissioning and testing of a specialized IT system for administration and control of the electricity market by the Bulgarian Transmission System Operator (TSO), including maintenance within the warranty period.</p>
Deadline:	10 July 2006 at 15:00, local time

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 Albania
Albania Power Transmission Substations Rehabilitation Project - Goods, works, services	
Content:	<p>Korporata Elektroenergjetike Shqiptare (KESH) has applied for and intends using the proceeds of a loan from the European Bank for Reconstruction and Development (the Bank) towards the parallel financing of the rehabilitation of six transmission substations crucial to the operation of Albania's transmission system and to its participation in the regional energy market ("the Project"). This infrastructure development is part of an overall series of improvements needed in Albania and elsewhere in South East Europe for respective domestic purposes which will also assist the region to achieve greater integration with the EU as planned under the ECSEE Treaty leading to a single electricity market. The proposed project has a total estimated cost of USD 52 million. The components to be financed are as follows, and will require the procurement of the following goods, works and services:</p> <ol style="list-style-type: none"> 1. Equipment for 220 kV Elbasan 1, Fier, Tirana 1 substations and control, monitoring and protection (CMP) system for Fier substation. 2. Equipment for 220 kV Fierza HPP substation and CMP system for Fierza, Komani and Vau Dejes HPP substations. 3. Equipment and CMP system for 220 kV Burreli substation and 400 kV Elbasan 2 substations. <p>The Proposed Project would be completed between 31 July 2005 and 31 July 2009.</p>
Deadline:	31 May 2007 at 24:00, Tirana time
Contact:	KESH- Korporata Elektroenergjetike Shqiptare Director of PMU Address Blloku "Vasil Shanto" Tirana, Albania Tel: +355 4 262055 Fax: + 355 4 262055 E-mail: hoxhaf@kesh.com.al

Company / organization:	H.T.S.O., related Greece
Supply of specialised software and hardware	
Content:	<p>The Hellenic Transmission System Operator S.A., (H.T.S.O.) is publishing the summary of the Tendering Procedure No 12/2006 for the conclusion of Capacity Availability Contracts for a new Generation Unit. The summary has been sent to the Official Journal of the European Union for publication.</p> <p>The complete text containing the specifications and additional documents of the H.T.S.O. Tendering Procedure No 12/2006 can be obtained during working days from 16/5/2006 up to 10/7/2006 from 10:00 to 13:00.</p> <p>Tendering Procedure Documents cost is 300 € and the potential participants must demonstrate an identification document. They must also notify H.T.S.O. their communication details e.g. address, telephone and FAX number.</p>
Contact:	Potential participants can obtain the complete tender documents from the offices of H.T.S.O. AMFITHEAS AVENUE 11, N. SMYRNI 17122

Company / organization:	EBRD – European Bank for Reconstruction and Development, related Bulgaria
Sofia District Heating Rehabilitation Project - Supply of Frequency Converters and Associated Services for Sofia East Power Plant	
Content:	<p>This Invitation for tenders follows the General Procurement Notice for this project, which was published on EBRD' Web site on 30 January 2006. Topifikacia Sofia AD hereinafter referred to as the Purchaser, intends using part of the proceeds of a grant from the Kozloduy International Decommissioning Support Fund (KIDSF), administered by the European Bank for Reconstruction and Development (the Bank), towards the cost of Sofia District Heating Rehabilitation Project.</p> <p>The Purchaser now invites sealed tenders from suppliers for the following contract to be funded from part of the proceeds of the grant for supply of four VFD (Variable Frequency Drive) systems for the engines of existing network pumps and associated services including related installation works.</p>
Deadline:	1 Jun 2006 at 14:00, Sofia time
Contact:	Mr. Vassil Petrov, Ph.D. Fax + 359 (2) 958 1264 Phone +359 (2) 8598166

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Oil and Gas

Company / organization:	INA, related Croatia
AUTOCLAVE FOR CORROSION TESTING (SN-997/06, INA Specification No. 085/06)	
Deadline:	June 27, 2006 at 14:00 hrs, local time
Contact:	Mrs. Ljubica Šupe, tel: +385-1- 64 51 007, fax +385 (0)1 64 52 048) every working day from 12 to 14 p.m., local time.

Company / organization:	INA, related Croatia
Spare parts for MUR equipment (SN-588/06)	
Deadline:	May 25, 2006 at 11.00 hrs, local time
Contact:	Mrs.S.Milas, tel: +385 1 6451010, fax: +385 1 6452048

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Coal

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

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