

**Contact:**

**Balkan Energy News office**  
www.NEWS.BalkanEnergy.com  
news@balkanenergy.com

**Subscriptions & info:**  
news@balkanenergy.com  
www.news.balkanenergy.com/request.php  
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**June (2) 2007 issue of Balkan Energy  
NEWS, with limited data.**

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**In this issue:****Analysis:**

- » Status of the energy sector privatization in Romania

**News headlines****Region**

- » Russia adopted law on Bourgas –Alexandropoulos oil pipeline
- » Gazprom and Eni to build new Black Sea natural gas pipeline
- » Albania and Macedonia interested for Caspian gas

**Albania:**

- » The electricity cooperation agreement signed

**Bosnia and Herzegovina:**

- » 8.247 TWh of electricity produced in 2006th
- » Plans for development of natural gas network
- » Austrian companies to invest in small HPPs
- » Final negotiations with APET, CEZ and Kaztrngas
- » EP BiH demanded 5-10 % increase in electricity prices

**Bulgaria:**

- » Signing the agreement for NPP Belene by the end of the year
- » Government approved construction of new plant in Maritsa Iztok basin
- » No increase in natural gas prices
- » Bulgaria and Russia argue on project company for Bourgas –Alexandropoulos pipeline
- » 7.5 % increase in electricity prices from July 1st

**Croatia:**

- » 0.6 million euros of profit for HEP in the first quarter
- » Introduction of RES fee from July 1st
- » Liberalization of electricity market from July 1st
- » New proposal for Druzba Adria project and LNG terminal
- » Energy summit in Zagreb

**Greece:**

- » Heat causes problems in electricity grid
- » Endesa Hellas announced 2,500 MW in new power plants
- » Natural gas delivery from Turkey delayed to August
- » PPC prepares new business plan

**Macedonia:**

- » 400 KV Bitola - Lerin put in service
- » Continuation of construction of HPP Sveta Petka
- » Slovenian companies the most interested in the tender for small HPPs
- » TPP Negotino to be sold until the end of July

**Montenegro:**

- » Increase in electricity prices from July 1st
- » 24.4 million euros of loss for EPCG in 2006th

- » Announcements and denials of power cuts in July and August
- » Canceling the contract with Global Steel
- » Tender for TPP Pljevlja still not cancelled

### **Romania:**

- » CEZ to invest 65 million euros in 2007th
- » Government approved strategy for construction of units 3 and 4 in NPP Cernavoda
- » Drought caused reduction in electricity production
- » Petrom to invest 500 million euros in power plant
- » Liberalization of electricity and natural gas market from July 1st
- » Petrom's oil reserves 7.1 billion euros worth
- » The new wind farm put in service

### **Serbia:**

- » EMS announced construction of power line Nis-Skopje
- » Presentation of privatization strategy for NIS delayed
- » The first bio diesel factory put in service
- » Electricity report in May
- » New increase in electricity prices in autumn
- » Announcement for construction of HPP Buk Bijela
- » Tender for NIS in autumn, EPS not to be privatized in the next four years

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

## Balkan Energy NEWS publication

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

On our website, you can find FREE SAMPLE issues and easily request FREE TRIAL issue.

The readers who will mostly benefit from the content of Balkan Energy News are: energy trading companies, investors, consulting companies, financial institutions, electricity generation companies, electricity distribution companies, transmission system operators, authorities, etc.

1000	1012	Slovenia	2008	1119	978	838	1119
948	1134		2010	12287	1083	991	1054
881	1077		2011	12590	955	1051	1127

OPCOM

Annual electricity consumption in GWh							
	12		Year	Sum	1	2	3
016	1120		2007	11182	1027	891	953
95	1089		2008	11570	1094	998	1012
61	1054		2009	10994	1099	932	963
000	1156	Bosnia and Herzegovina	2010	11722	1074	979	1016
086	1157		2011	12186	1155	1038	1075
005	3307		2008	34509	3299	2960	2937
987	3185	Bulgaria	2009	32729	3291	3196	2636
770	3257		2010	31954	3486	3052	3021
647	3167		2011	33452	3475	3107	3087
115	1640		2008	17842	1680	1543	1570
571	1648	Croatia	2009	17507	1625	1530	1551
463	1688		2010	17574	1655	1536	1568
177	1681		2011	18174	1655	1581	1553
453	1683		2008	17842	1680	1543	1570
471	1683		2009	17507	1625	1530	1551
339	1683		2010	17574	1655	1536	1568
311	1683		2011	18174	1655	1581	1553
194	4521	Greece	2007	53504	4652	4271	4401
073	4521		2008	53504	4652	4271	4401
352	4521		2009	53504	4652	4271	4401
44	4521		2010	53504	4652	4271	4401
10	4521		2011	53504	4652	4271	4401
94	4521		2007	53504	4652	4271	4401
57	4521		2008	53504	4652	4271	4401
913	4521		2009	53504	4652	4271	4401
625	4521		2010	53504	4652	4271	4401
164	4521		2011	53504	4652	4271	4401
592	4521	Romania	2009	50638	4736	4288	4473
008	4521		2010	53365	4971	4472	4727
00	4521		2011	53365	4971	4472	4727

## Country Reports on Energy Business in South Eastern Europe

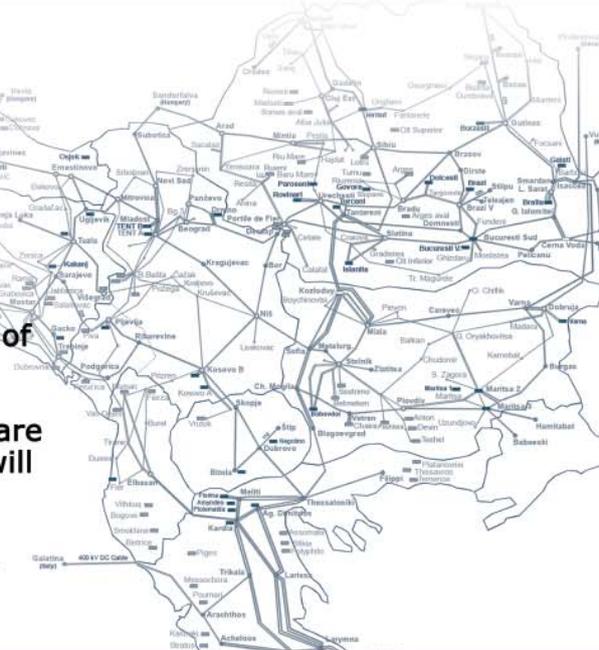
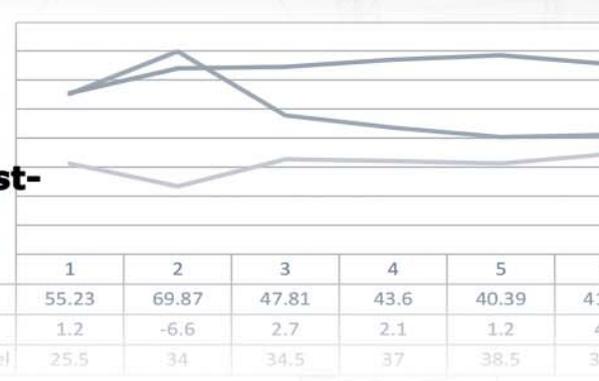
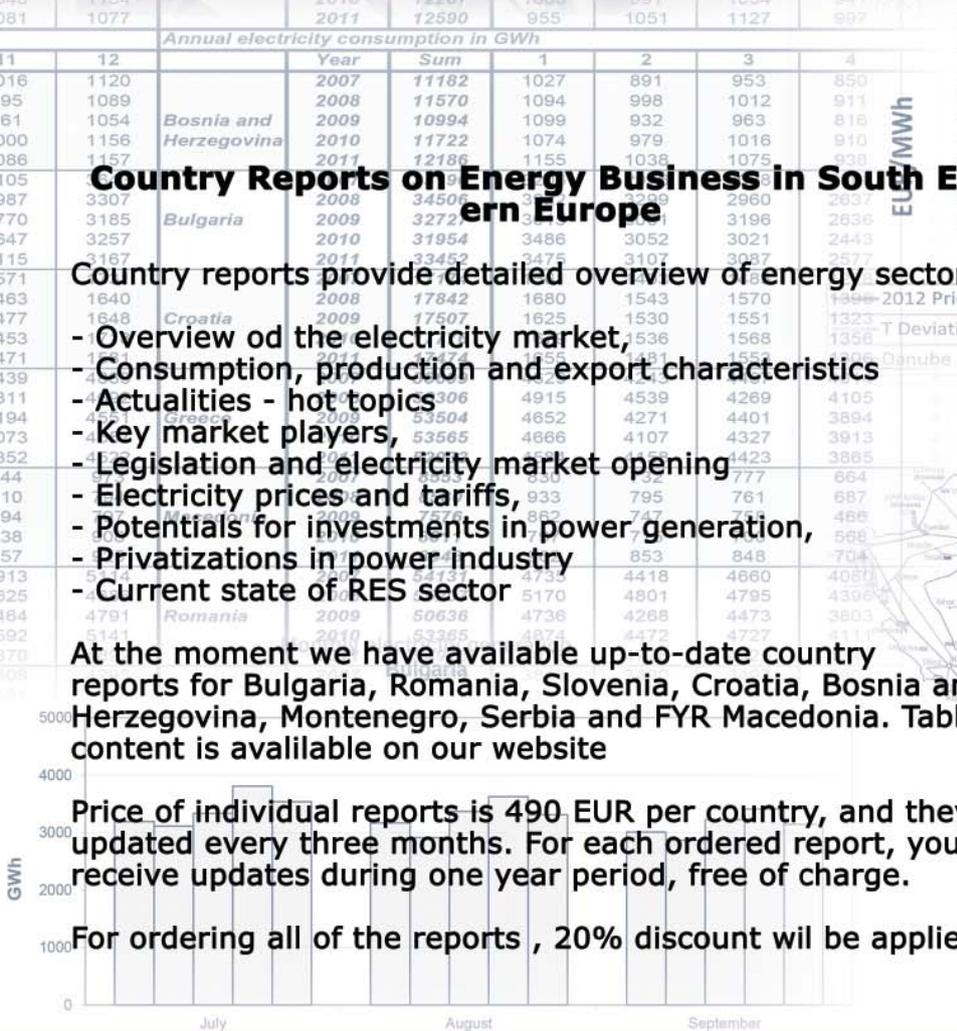
Country reports provide detailed overview of energy sector:

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

At the moment we have available up-to-date country reports for Bulgaria, Romania, Slovenia, Croatia, Bosnia and Herzegovina, Montenegro, Serbia and FYR Macedonia. Table of content is available on our website

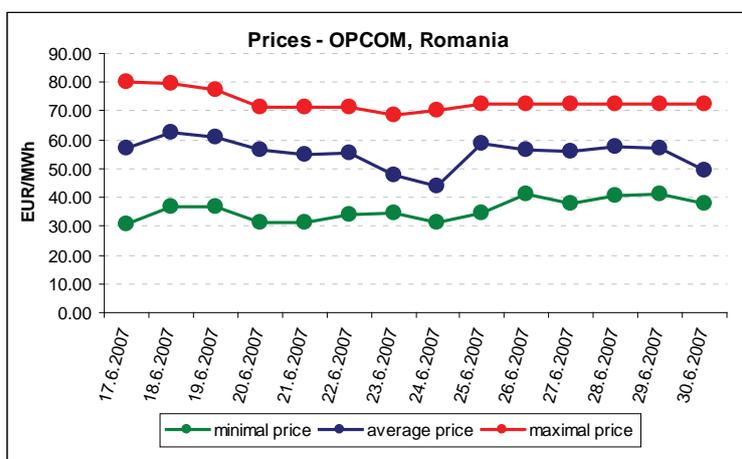
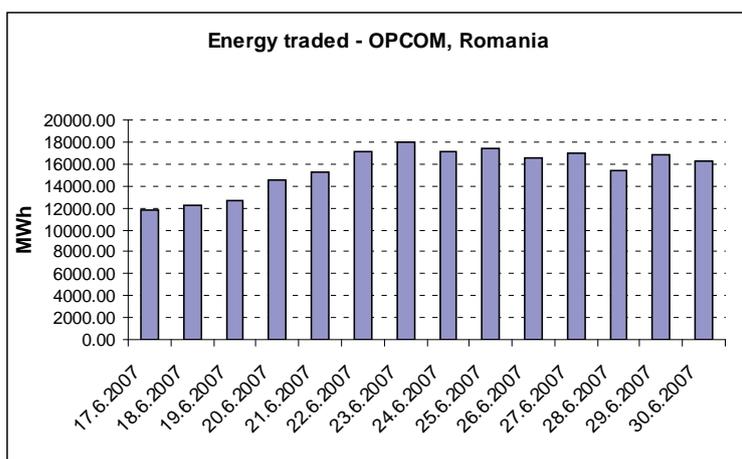
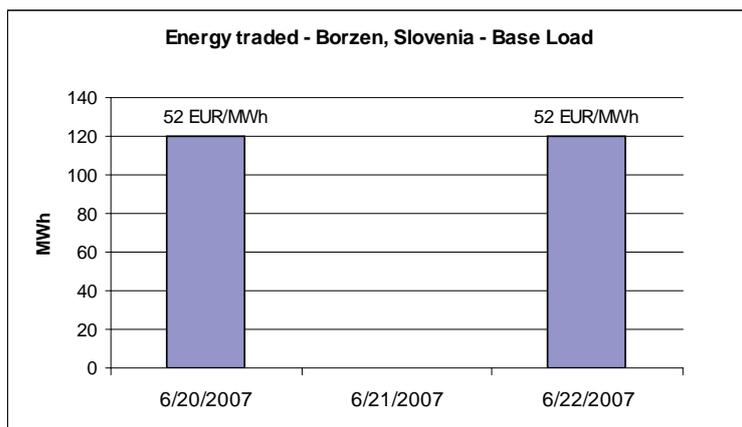
Price of individual reports is 490 EUR per country, and they are updated every three months. For each ordered report, you will receive updates during one year period, free of charge.

For ordering all of the reports, 20% discount will be applied.



**Power exchanges data:**

Trades performed by Borzen in the period from 17.6.2007 till 30.6.2007



Hour	Traded Volume [MWh/h]	MCP [EUR/MWh]
1	741.006	39.34
2	824.430	34.62
3	833.494	34.62
4	876.219	34.62
5	896.723	34.62
6	851.409	31.47
7	936.700	31.47
8	801.981	34.62
9	587.643	39.34
10	617.333	44.06
11	686.764	53.35
12	705.465	53.50
13	751.177	53.50
14	742.844	53.50
15	659.040	47.21
16	622.934	47.21
17	613.686	47.21
18	584.601	47.05
19	579.909	45.63
20	554.257	45.63
21	625.282	47.21
22	715.749	53.50
23	695.943	70.50
24	660.590	44.06
<b>Total</b>	<b>17,165.179</b>	

Opcom, Romania: Energy Traded on Sunday, June 24, 2007

Hour	Traded Volume [MWh/h]	MCP [EUR/MWh]
1	645.605	45.63
2	865.156	40.90
3	858.699	40.90
4	898.228	37.76
5	880.924	40.90
6	898.226	40.90
7	818.783	40.90
8	694.129	47.20
9	652.154	56.64
10	721.711	69.22
11	720.829	70.79
12	707.867	70.79
13	697.484	72.37
14	679.861	72.37
15	646.006	72.37
16	656.198	69.22
17	661.175	62.93
18	659.463	56.64
19	597.425	56.62
20	581.638	56.62
21	571.509	54.43
22	643.833	64.50
23	599.239	72.37
24	656.936	56.62
<b>Total</b>	<b>17,013.078</b>	

Opcom, Romania: Energy Traded on Wednesday, June 27, 2007

### Tables with results of Allocated Available Transfer Capacities (AATC) in Balkan region for July 2007

NOS BIH - Bosnia & Herzegovina									July 2007.
Border+Direction	TTC	TRM	NTC	AAC	ATC	AATC	Price	Validity period:	
IMPORT									
Croatia > BIH	-	-	450	-	125	125	/	01-31.07.2007.	
Montenegro > BIH	-	-	350	-	175	0	/	01-31.07.2007.	
Serbia > BIH	-	-	100	-	50	35	/	01-31.07.2007.	
EXPORT									
BIH > Croatia	-	-	700	-	350	0	/	01-31.07.2007.	
BIH > Montenegro	-	-	490	-	180	76	/	01-31.07.2007.	
BIH > Serbia	-	-	200	-	89	64	/	01-31.07.2007.	

ESO - Bulgaria									July 2007.
Border+Direction	TTC	TRM	NTC	AAC	ATC	AATC	Price	Validity period:	
IMPORT									
Serbia > Bulgaria	-	-	70	-	-	-	-	01-31.07.2007.	
Romania > Bulgaria	-	-	250	-	-	-	-	01-22.07.2007.	
Greece > Bulgaria	-	-	300	-	-	-	-	23-31.07.2007.	
Greece > Bulgaria	-	-	0	-	-	-	-	01-31.07.2007.	
EXPORT									
Bulgaria > Serbia	-	-	150	-	-	-	-	01-15.07.2007.	
Bulgaria > Serbia	-	-	100	-	-	-	-	16-22.07.2007.	
Bulgaria > Serbia	-	-	150	-	-	-	-	23-31.07.2007.	
Bulgaria > Romania	-	-	120	-	-	-	-	01-31.07.2007.	
Bulgaria > Greece	-	-	570	-	-	-	-	01-31.07.2007.	

OPS HEP - Croatia									July 2007.
Border+Direction	TTC	TRM	NTC	AAC	ATC	AATC	Price	Validity period:	
IMPORT									
Hungary > Croatia	-	-	-	-	152*	152*	14.33	01-31.07.2007.	
Slovenia > Croatia	-	-	-	-	300	5	0.00	01-31.07.2007.	
Serbia > Croatia	-	-	-	-	50	45	5.05	01-31.07.2007.	
BIH > Croatia	-	-	-	-	150	0	/	01-31.07.2007.	
EXPORT									
Croatia > Hungary	-	-	-	-	200*	194*	0.21	01-31.07.2007.	
Croatia > Slovenia	-	-	-	-	150	20	0.00	01-31.07.2007.	
Croatia > Serbia	-	-	-	-	100	100	0.15	01-31.07.2007.	
Croatia > BIH	-	-	-	-	75	75	0.55	01-31.07.2007.	

\* Common auction conducted by MAVIR

HTSO - Greece									July 2007.
Border+Direction	TTC	TRM	NTC	AAC	ATC	AATC	Price	Validity period:	
IMPORT									
Bulgaria > Greece	-	-	-	-	285	285	8.20	01-31.07.2007.	
Macedonia > Greece	-	-	-	-	30	30	1.00	01-31.07.2007.	
Albania > Greece	-	-	-	-	50	50	0.12	01-31.07.2007.	
EXPORT									
Greece > Bulgaria	-	-	-	-	0	0	/	01-31.07.2007.	
Greece > Macedonia	-	-	-	-	0	0	/	01-31.07.2007.	
Greece > Albania	-	-	-	-	0	0	/	01-31.07.2007.	
Greece > Italy	-	-	-	-	/	/	/	01-31.07.2007.	

MAVIR - Hungary									July 2007.
Border+Direction	TTC	TRM	NTC	AAC	ATC	AATC	Price	Validity period:	
IMPORT									
Croatia > Hungary	500	200	300	100	200*	194*	0.21	01-31.07.2007.	
Romania > Hungary	0	0	0	0	0	0	/	01-22.07.2007.	
Romania > Hungary	200	100	100	50	0	0	/	23-31.07.2007.	
Serbia > Hungary	200	100	100	50	0	0	/	01-31.07.2007.	
EXPORT									
Hungary > Croatia	950	200	750	598	152*	152*	14.33	01-31.07.2007.	
Hungary > Romania	0	0	0	0	0	0	/	01-22.07.2007.	
Hungary > Romania	400	100	300	25	125	120	0.08	23-31.07.2007.	
Hungary > Serbia	200	100	100	25	25	23	7.35	01-31.07.2007.	

\* Common auction conducted by MAVIR

Transelectrica - Romania									July 2007.
Border+Direction	TTC	TRM	NTC	AAC	ATC	AATC	Price	Validity period:	
IMPORT									
Bulgaria > Romania	220	100	120	0	60	60	0.10	01-31.07.2007.	
Serbia > Romania	200	100	100	50	0	0	/	01-31.07.2007.	
Hungary > Romania	0	0	0	0	0	0	/	01-22.07.2007.	
Hungary > Romania	400	100	300	25	125	125	0.02	23-31.07.2007.	
Ukraine > Romania	500	0	500	215	285	80	0.00	01-31.07.2007.	
EXPORT									
Romania > Bulgaria	350	100	250	50	75	75	7.85	01-22.07.2007.	
Romania > Bulgaria	400	100	300	50	100	100	7.76	23-31.07.2007.	
Romania > Serbia	250	100	150	50	25	25	14.09	01-15.07.2007.	
Romania > Serbia	200	100	100	50	0	0	/	16-22.07.2007.	
Romania > Serbia	250	100	150	50	25	25	14.09	23-31.07.2007.	
Romania > Hungary	300	100	200	50	50	50	4.31	01-31.07.2007.	
Romania > Ukraine	20	0	20	0	20	0	/	01-31.07.2007.	

MEPSO - Macedonia									July 2007.
Border+Direction	TTC	TRM	NTC	AAC	ATC	AATC	Price	Validity period:	
IMPORT									
Serbia > Macedonia	400	100	300	150	0	0	-	01-31.07.2007.	
Greece > Macedonia	270	100	170	0	0	0	-	01-31.07.2007.	
EXPORT									
Macedonia > Serbia	350	100	250	125	0	0	-	01-31.07.2007.	
Macedonia > Greece	130	100	30	0	0	0	-	01-31.07.2007.	

Remark: No transparent allocation procedure on Greek and Bulgarian border

TSO EPCG - Montenegro									July 2007.
Border+Direction	TTC	TRM	NTC	AAC	ATC	AATC	Price	Validity period:	
IMPORT									
Albania > Montenegro	-	-	200	-	80	0	/	01-31.07.2007.	
BIH > Montenegro	-	-	490	-	250	220	0.00	01-31.07.2007.	
Serbia > Montenegro	-	-	410	-	150	149	0.00	01-31.07.2007.	
EXPORT									
Montenegro > Albania	-	-	150	-	75	60	0.00	01-31.07.2007.	
Montenegro > BIH	-	-	350	-	155	0	/	01-31.07.2007.	
Montenegro > Serbia	-	-	450	-	200	49	0.00	01-31.07.2007.	

Remark: Smaller part of ATC on some borders was left for daily allocation

EMS - Serbia									July 2007.
Border+Direction	TTC	TRM	NTC	AAC	ATC	AATC	Price	Validity period:	
IMPORT									
Hungary > Serbia	200	100	100	0	50	50	*	01-31.07.2007.	
Romania > Serbia	250	100	150	0	75	75	*	01-15.07.2007.	
Romania > Serbia	200	100	100	0	50	50	*	16-22.07.2007.	
Romania > Serbia	250	100	150	0	75	75	*	23-31.07.2007.	
Bulgaria > Serbia	250	100	150	0	75	75	*	01-15.07.2007.	
Bulgaria > Serbia	200	100	100	0	50	50	*	16-22.07.2007.	
Bulgaria > Serbia	250	100	150	0	75	75	*	23-31.07.2007.	
Macedonia > Serbia	350	100	250	0	125	20	/	01-31.07.2007.	
Albania > Serbia	260	50	210	0	105	0	/	01-31.07.2007.	
Montenegro > Serbia	600	150	450	0	225	60	/	01-31.07.2007.	
BiH > Serbia	300	100	200	75	25	0	/	01-31.07.2007.	
Croatia > Serbia	300	100	200	0	100	100	*	01-31.07.2007.	
EXPORT									
Serbia > Hungary	200	100	100	0	50	0	/	01-31.07.2007.	
Serbia > Romania	200	100	100	0	50	50	*	01-31.07.2007.	
Serbia > Bulgaria	170	100	70	0	35	10	/	01-31.07.2007.	
Serbia > Macedonia	400	100	300	0	150	150	*	01-31.07.2007.	
Serbia > Albania	260	50	210	0	105	105	*	01-31.07.2007.	
Serbia > Montenegro	510	100	410	110	150	90	/	01-31.07.2007.	
Serbia > BiH	200	100	100	25	25	20	/	01-31.07.2007.	
Serbia > Croatia	200	100	100	0	50	30	/	01-31.07.2007.	

\* No price information available

General remark: Sign - in all tables means that data is not available  
 General remark 2: All prices for capacity are presented in €/MWh

TTC (Total Transfer Capacity), TRM (Transmission Reliability Margin) and NTC (Net Transfer Capacity) values in previous tables, represents commonly correlated values, given per each border and per each direction on the respective border. (Please note that some of TSOs on their web sites publish only one-half of the NTC value, i.e. their own part of NTC, and therefore NTC data can be different)

AAC (Already Allocated Capacity) value represents part of transmission capacity allocated earlier by TSO in which table this value appears.

ATC (Available Transfer Capacities) value represents amount of transmission capacity, which will be offered by the TSO in which table this value appears to the interested market participants through allocation procedure: usually by pro-rata or explicit auctions method. (Please note that some of TSOs on their web sites within their ATC value publish ATC part of the neighboring TSO, and therefore ATC data can be different)

AATC (ALLOCATED Available Transfer Capacities) values are the results of allocation procedure conducted by respective TSO in which table this value appears

**Weather conditions**

	2.07.	3.07.	4.07.	5.07.	6.07.
<b>Albania</b> <i>Tirana</i>	T: 18-34 W: SW 11 R: -	T: 20-33 W: W 8 R: -	T: 19-34 W: N 14 R: -	T: 17-31 W: NE 16 R: -	T: 14-29 W: NE 8 R: -
<b>Bosnia and Herzegovina</b> <i>Sarajevo</i>	T: 10-31 W: SW 4 R: -	T: 7-30 W: NW 6 R: -	T: 12-26 W: N 8 R: -	T: 10-31 W: - R: -	T: 13-31 W: L-V R: -
<b>Bulgaria</b> <i>Sofia</i>	T: 14-31 W: L-W R: -	T: 17-29 W: - R: -	T: 14-30 W: NW 11 R: -	T: 12-30 W: NE 12 R: -	T: 13-30 W: NE 4 R: -
<b>Croatia</b> <i>Zagreb</i>	T: 16-35 W: SW 8 R: -	T: 18-27 W: NW 6 R: -	T: 16-25 W: - R: 2	T: 15-32 W: L-V R: -	T: 16-31 W: NE 6 R: -
<b>Greece</b> <i>Athens</i>	T: 22-32 W: N 20 R: -	T: 22-33 W: NW 17 R: -	T: 22-35 W: NW 16 R: -	T: 23-35 W: N 17 R: -	T: 25-32 W: N 19 R: -
<b>Macedonia</b> <i>Skopje</i>	T: 15-31 W: SW 6 R: -	T: 17-31 W: W 4 R: -	T: 16-32 W: N 14 R: -	T: 11-24 W: NE 11 R: -	T: 9-25 W: NE 4 R: -
<b>Montenegro</b> <i>Podgorica</i>	T: 17-32 W: SW 11 R: -	T: 16-32 W: W 8 R: -	T: 18-35 W: N 17 R: -	T: 21-35 W: NE 14 R: -	T: 18-36 W: NE 8 R: -
<b>Romania</b> <i>Bucharest</i>	T: 20-35 W: - R: 2	T: 21-35 W: - R: -	T: 21-35 W: L-V R: -	T: 20-35 W: N 8 R: -	T: 18-35 W: - R: -
<b>Serbia</b> <i>Belgrade</i>	T: 17-35 W: SW 8 R: -	T: 21-36 W: W 11 R: -	T: 21-32 W: NW 19 R: 0.3	T: 16-33 W: E 9 R: -	T: 18-33 W: NE 9 R: -

**Average weather conditions for July**

	Daily Minimum (°C)	Daily Maximum (°C)	Mean total rainfall	Mean number of rain days
<b>Bosnia and Herzegovina</b> <i>Sarajevo</i>	12.8	25.5	79.0	9.0
<b>Bulgaria</b> <i>Sofia</i>	13.8	25.9	63.0	10.0
<b>Croatia</b> <i>Zagreb</i>	14.2	26.7	81.0	10.9
<b>Greece</b> <i>Athens</i>	20.8	33.5	5.8	1.9
<b>Macedonia</b> <i>Skopje</i>	14.8	29.8	34.0	7.0
<b>Montenegro</b> <i>Podgorica</i>	20.3	31.8	38.0	5.0
<b>Romania</b> <i>Bucharest</i>	15.6	28.8	64.0	7.0
<b>Serbia</b> <i>Belgrade</i>	16.3	27.3	66.0	10.0

T: Ts in Celsius degrees.

W: Ws in km/h, S – South, W – West, N – North, E – East and variables; L-V - light and variable

R: Rain in mm

**Danube water-level**

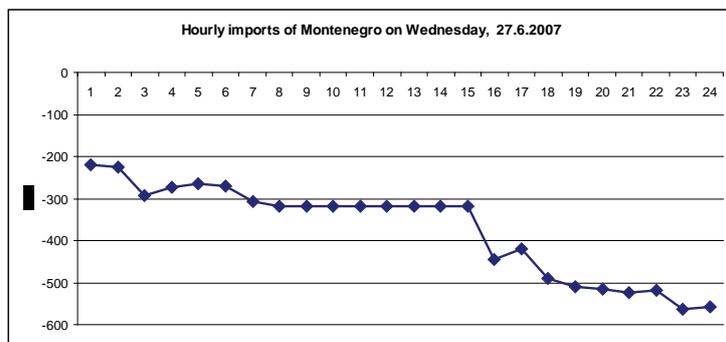
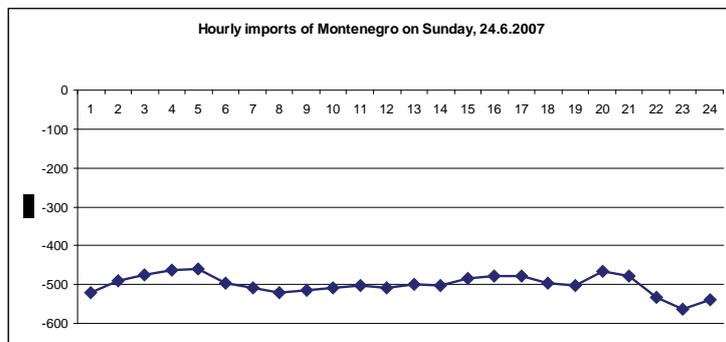
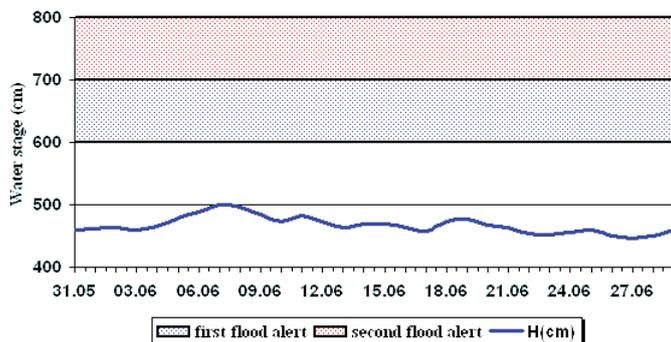
relevant for:

HPP Portile de Fier I, 1167 MW, Romania

HPP Portile de Fier II, 270 MW, Romania

HPP Djerdap I, 1058 MW, Serbia

HPP Djerdap II, 270 MW Serbia



\*Physical imports are shown, i.e. with included generation of HPP Piva in exchange total of Montenegro

In the period from 16.6.2007 till 30.6.2007:  
Montenegro maximum daily consumption: 12.98 GWh  
Montenegro maximal hourly consumption: 620 MWh

**Analysis:**

**Status of the energy sector privatization in Romania**

As of 2006 the total power installed in the Romanian power generation sector was of 14,714 MW, out of which 40.2% on coal, 30.7% on hydro-carbonates (liquid fuel + natural gas), 24.6% hydro and 4.5% nuclear (1 unit of 660 MW). In 2006 the total power consumed in Romania reached 59,729 GWh, out of which 38% coal (lignite + hard coal), 28% natural gas, 24% by hydro-carbonates and 9% nuclear. By 2006 the domestic generators produced 56,373 GWh (or 5% higher than in 2005). The main shares in this generation were enjoyed by Hidroelectrica (31.7%), Power Complex Rovinari (11.4%), Power Complex Turceni (11.4%), Electrocentrale Bucuresti (11%), while all others recorded under 10% each and collectively 34.6% (here are Nuclearelectrica, Power Complex Craiova, Electrocentrale Deva, Termoelectrica, RAAN-Halanga, Electrocentrale Galati).

**1. Privatization developments**

The energy sector restructuring and modernization needs as well as certain EU accession commitments that were not met will push again for the re-launching of the privatization process in energy sector. Power sector privatization in Romania has attracted so far mostly European investors: ENEL (distribution - Electrica Banat, Dobrogea, Muntenia South), CEZ (distribution - Electrica Oltenia), E.ON (distribution - Electrica Moldova), Bateman (generation - Iernut TPP), Unit (power & heat cogeneration - Bucharest South CHPP), VA Tech (power & heat co-generation - Bucharest West CHPP), Dalkia

(power & heat co-generation - Bucharest Grozavesti CHPP, Ploiesti - Brazi CHPP). There are many others having tried their luck without success so far, but they still monitor the opportunities in the sector. International Financing Institutions (such as WB or EBRD) are following closely the processes and providing finance for transactions support, while in numerous cases they offered to join the winning bidder.

Privatization of regulated power business has been an excellent trigger for improving the regulatory framework with financial assistance from the European Commission and International Financing Institutions. Further privatization of the competitive side of the power business (such as power generation) will be a serious exam for the existing legal and regulatory framework. Recently the legal framework applicable to the entire privatization process, here included that of the companies in the energy sector, has been completed by a new Government Emergency Ordinance issued at AVAS's initiative on December 26, 2006. But the main downturn is that Romania has privatized till now mostly natural monopolies (such as power and natural gas distribution) and to a lower extent the competitive sub-sectors (such as power generation). In some cases privatization processes were slower and more hesitant than in neighbouring countries, therefore they suffered the competition of parallel regional privatizations.

The energy privatization projects (further power distribution, lignite fired power complexes, Romgaz) have been slowed down by the corruption scandals which exploded in the last quarter of 2006, resulting among others in the resigning of Economy Minister Codrut Seres and the transfer of Ministry's of Economy privatization arm to the national privatization agency "AVAS" ([www.avas.gov.ro](http://www.avas.gov.ro)). Such events have shown the vulnerability of the privatization as an institutional process and requested deep reaching corrective actions. However it is expected continuation of privatization from mid 2007. Also, there were a series of questionable power acquisition contracts concluded between private companies and low cost state owned generators, such as Hidroelectrica in most cases. Hidroelectrica's exposure to the competitive market was 40% in 2004 and 69% in 2005. As of May 2006 the Hidroelectrica selling price was increased to 28.5 €/MWh, still remaining extremely competitive with all other generators. Only two private companies currently purchase cheap electricity from Hidroelectrica, and the clauses of current purchase contracts provide for an automatic renewal of such contracts plus an option to increase volume purchased (therefore establishing de facto a cheap power monopoly situation, hopefully not for long due to other players challenging such allocation of hydro power). Another similar case under investigation by the Ministry of Economy was that of power purchase contracts concluded between low cost thermal power generators (Turceni & Rovinari) with a series of private companies acting as intermediaries and reselling to state-owned companies. Expectations are that such limited and discretionary access to cheaper energy will eventually cease, and that wholesale market will start operating only according to transparent market practices.

In the beginning of 2007, new Romanian Economy Minister, Varujan Vosganian, emphasized the opportunity to fund the badly needed capital expenditure in the Romanian energy sector (around 1 billion €) by listing minority stakes (up to 30%) of its "blue chip" national corporations (such as Nuclearelectrica, Romgaz, Hidroelectrica) on the Bucharest Stock Exchange - BSE, as in alternative to strategic sales to foreign operators. Such trend was supported by the positive experience of listing Transelectrica on the BSE, and satisfies the need to maintain security of supply and national control on a vital and sensitive sector.

## 2. Privatization of the electricity distribution

Electrica ([www.electrica.ro](http://www.electrica.ro)) is expected to continue its privatization program, while reinventing itself as a holding company (with significant 22.5-49% participations in all its privatized subsidiaries) and increasingly as a services company (telecommunications). Such re-launching of the privatization process (expected at second half of 2007) will only happen after its subsidiaries unbundled their distribution and supply businesses, thus responding to the respective EU directives. From the way that 8 leading regional distributors (either Electrica or privately controlled) have purchased their energy in previous years, the very much different quota of cheap hydro energy each of them was allocated can be noticed. Most of this cheap hydro energy went to privatized subsidiaries, indirectly to E-ON, ENEL and CEZ. Also, Electrica has had increasing problems with power acquisition. Namely, report of the Minister's of Economy (as of May 2006) revealed the fact that Electrica purchased power some 30% more expensively than its private competitors (39.42 €/MWh compared to 27.54 €/MWh).

Electrica Muntenia Sud (EMS) privatization was the most attractive to foreign investors, with 10 investors expressing interest in the privatization process and all being pre-qualified, 8 submitting bids and finally 5 companies (CEZ, ENEL, Gaz de France, RWE and Iberdrola) qualifying for the 2nd round of improved financial bids. Of all these 5, ENEL became the front runner after offering the most in the 1st round (720 million € for 67.5% of Electrica Muntenia Sud). After the 2nd round of enhanced financial offers, ENEL won the process with an unexpectedly high 820 million €, followed by Iberdrola with 770 million €. The corruption scandal exploding towards the end of 2006, as well as allegations about irregularities in the process, has frozen the finalization of the EMS privatization, while national privatization agency (AVAS) requested ENEL to extend the validity of its bid by mid 2007. It is expected that the process will be finalized before end of 2007, as suggested by recently released AVAS Privatization Plan.

Overall Electrica (as a holding owning still 100% in 4 regional distributors, and 49% in the 4 distributors already privatized) has ended 2005 with the following results: Net Profit - 197 million € (almost 2.5 times higher than in 2004 when this was 80 million €) and turnover - 2.03 billion € (5% lower than in 2004). The market position of the three power distributors still to be privatized is shown in the following table.

Distribution company:	Power sales in 2005 GWh	Power sales in 2005 Million €	Number of customers
Electrica Muntenia Nord (EMN)	3648	301.6	1 238 453
Electrica Transilvania Sud (ETS)	3647	305.7	1 038 810
Electrica Transilvania Nord (ETN)	3507	303.6	1 108 617

It is envisaged that the privatization process of the subsidiaries left unprivatized will be re-launched in the second half of 2007, after the unbundling of their distribution and supply businesses, as well as the finalization of the Electrica Muntenia Sud sale to ENEL.

## 3. Micro HPP privatization & new investments in hydro capacities

Hidroelectrica ([www.hidroelectrica.ro](http://www.hidroelectrica.ro)), the owner of most hydro-power plants (exactly 326 of them), has recorded in 2005 (data for 2006 still not available) a profit of 72 million € on turnover of 587 million € (67% higher than in 2004). Such profit has to cover new investment (17 million €) and 2003 unusually high losses due to excessive drought (55 million €). Due to very favourable weather conditions, Hidroelectrica produced in 2005 some 20,100 GWh, contributing 34% to the national power demand and already reaching 56% of the technical hydro generation potential, while production for year 2006 was around 18,000 GWh.

Hidroelectrica has continued privatization in 2006 by selling some of its smaller (and obviously less profitable) hydro-power plants.

Since 2004, when privatization of 150 MHPPs has been initiated and started with the purpose of rehabilitating and upgrading them, 48 MHPP was privatized by selling. Still left 102 MHPP with 466 MW energy generation, 1700 GWh/year energy production and an investment of 1.23 billion €. However such privatization opportunities attracted numerous domestic and foreign investors. The attractiveness of such smaller generation capacities (under 10 MW capacity) was further enhanced by their eligibility for green energy incentives (as high as 42 €/MWh generated out of Renewable Energy Sources).

Until 2008, Hidroelectrica proposed to complete works and commission 16 hydro power plants, whose generation costs are under 35 €/MWh, while between 2009-2011 some additional 10 hydro power plants, whose generation costs are in the range 35-50 €/MWh. The total 26 plants added will have a rated capacity of 392 MW and will produce an output of 1400 GWh/year. Such projects may be also treated as BOT opportunities and involve foreign capital.

Another still very interesting project is the construction of the 1000 MW pumping storage HPP at Tarnita-Lapustesti, worth some 770 million €, possibly in a joint-venture between Hidroelectrica, Nuclearelectrica (interested to get system services for its Unit no. 2 at NPP Cernavoda, which started operation in May 2007) and other attracted investors. The organization of the tendering process for choosing the general Contractor and closing the financing is expected during 2008, while the execution of the project will last 6 years.

#### 4. Privatization of the thermal power generation

The coal is the only dependable domestic energy resource in Romania on the long term, with estimated depletion period of 260 years for hard coal and 110 years for lignite, with 100% of domestic supply coverage. Recent history of coal exploitation, as well as its projection until year 2015, is shown in following table.

[mill.tons]/year	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2015
Hard coal	3.2	3.5	3.3	3.0	2.6	2.9	2.76	1.41	1.44	1.33	1.25	1.1
Lignite	25.8	29.4	26.8	29.8	28.6	28.0	30.4	32.8	34.7	35.3	36.0	34.4

It is noteworthy the increasing energy dependency of Romania, from current 33-34% to as high as 40% by 2015. By 2015 the gross energy output of Romania is forecast to reach 72.09 TWh, out of which 25 % lignite, 24% hydro, 21% hydro-carbonates, 22% nuclear and 8% hard coal.

Termoelectrica ([www.termoelectrica.ro](http://www.termoelectrica.ro)) operates three thermal power production branches: Electrocentrale Deva, Electrocentrale Galati, as well as five subsidiaries, which are not independent legal entities (Borzesti, Braila, Doicesti, Paroseni and the services and sale subsidiary). In June 2006, Ministry of Economy and Commerce (MEC) as the sole shareholder in Termoelectrica, promoted the decision for writing-off historical Termoelectrica debts worth some 1.2 billion €. Following such cleaning, Termoelectrica was intended to merge with Hidroelectrica, while the resulting entity to be further split into regional units with comparable generation costs and easier to privatize. This Ministry of Economy planned course of action was aborted following the transfer of its privatization responsibilities to national privatization agency AVAS. The spin-off of certain thermal power plants and their transfer to local authorities may continue, with units such as CHPP Palas, CHPP Titan, CHPP Progresul, Electrocentrale Galati very likely to change owners soon. For CHPP Bucharest South and West, such transfer has to be also approved by foreign investors already present there. CHPP Craiova II will probably remain included in the Isalnita Power Complex. Environmental capital expenditure needed by the thermal generation sector to meet EU standards is huge reaching approximately 5 billion €. An alternative way to foreign investment to

finance it is the listing of minority stakes in certain blue chip national corporations in the energy sector.

The three lignite fired power complexes in Romania are:

- Rovinari (4\*330) – currently operational capacity 860 MW,
- Turceni (6\*330 MW) – currently operational capacity 1260 MW, and
- Isalnita-Craiova II (2\*315+2\*150 MW).

All of those lignite fired power complexes include adjacent surface lignite quarries which supply them for the next 40-50 years. Rovinari and Turceni are thermal power generation cost-leaders, with costs in the 34.8-43.5 €/MWh range, compared to Termoelectrica's 49.3 €/MWh. Their historical debt has been written-off on spin-off from Termoelectrica. Both Rovinari and Turceni need ample environmental capital expenditure (mainly in de-sulfuring, in the range of 800-1000 million € each) to comply with EU standards.

The first one to be put for sale is Turceni ([www.eturceni.ro](http://www.eturceni.ro)), whose privatization is scheduled to be launched by the mid 2007. Turceni is situated half way between the cities of Craiova and Targu Jiu, South-West Romania. The plant facilities occupy some 1293 ha. The Turceni TPP is the largest power plant in Romania with an installed capacity of 2310 MW (7\*330 MW installed power) and a current operational capacity of about 1260 MW (5\*330 MW operational units, 1 unit in rehabilitation, and 1 unit retired from operation. Net power delivered into the system by one 330 MW unit is around 285 MW. The condensation units are block design: boiler (tower type, forced draught, intermediary superheating, Babcock license), turbine (Rateau-Schneider license, 4 cylinders on one rotor line) and generator (synchronous, Alsthom license, hydrogen cooling). The units were commissioned during a period from July 1978 (Unit 1) to November 1987 (Unit 7). The plant output is transmitted to the national power system via transformers of 24/400 kV and 4 lines of 400 kV (each line for two units), towards the system substation of Tantareni, situated several kilometers away. For reserve power supply of internal consumers, the plant is supplied via 6 lines of 110 kV (3 substations of 110/6 kV). The main fuel is lignite with a low heat value of 1400-1800 kcal/kg, supplied by rail from distances averaging 35 km (main open pit mines are Jilt and Dragotesti), with the plant operating an unloading and storage system with a capacity of about 1 million tons (about 30 days of nominal consumption). The plant is supplied by rail with heavy fuel oil (start-up fuel) from different sources. The cooling water is ensured from the Jiu River, mixed with water from 7 cooling towers with natural draught (the ratio being 12 m<sup>3</sup>/s per unit open cooling circuit vs. 0.75 m<sup>3</sup>/s per unit closed circuit). Ash and slag is disposed by hydraulic transport to the Valea Ceplea storage with a deposit capacity of about 18 million m<sup>3</sup> and a reserve in a second storage of about 8 million m<sup>3</sup>.

Nevertheless, recently released AVAS Privatization Plan suggests that all three power complexes may be launched for privatization by mid 2007 with the aim of completing the deals by end of 2007 but this seems to be overambitious and less realistic. Termoelectrica's generation assets, for a long period under foreclosure and liquidation threats by the Ministry of Finance, will be likely privatized by means of joint ventures with strategic operators. Such operators will partner with Termoelectrica for Greenfield projects at Termoelectrica's plants, while later on taking over the entire plant.

#### 4.1 Greenfield high efficiency power plants

Another envisaged and already applied privatization method is the formation of joint-ventures (JVs) to build and operate modern high efficiency thermal power plants, that will exceed 80% fuel burning efficiency and will benefit of the incentives provided under the EU Directive 8/2004 (consisting mainly in priority take-off by the grid independent of the price). Electrocentrale Bucharest has entered such joint-venture arrangements and is currently in various implementation stages with 5 combined cycle projects (120 MW cogeneration

unit at Bucharest South, 60 MW cogeneration unit at Bucharest Grozavesti, 13 MW cogeneration unit at CHPP Titan, 400 MW condensation unit at TPP Iernut, 75 MW cogeneration unit at CHPP Palas). It is expected that Termoelectrica and some local authorities operating cogeneration plants will follow up this process closely. Some out of Termoelectrica's projects that may start soon are:

- » • rehabilitation of up to three of the 200 MW hard coals groups at TPP Mintia (5\*210 MW - owned by Electrocentrale Deva),
- » • the 200-500 MW greenfield lignite unit at TPP Borzesti (2\*210 MW),
- » • the 150-250 MW greenfield lignite unit at TPP Doicesti (2\*200 MW),
- » • the 200 MW greenfield lignite unit at TPP Paroseni (2\*150 MW),
- » • the 100 MW oil & gas combined cycle cogeneration unit at CHPP Galati (3\*105 MW).

The cogeneration plants already transferred to the local authorities account for 70% of the domestic heat supply, while their contribution to the power supply is diminishing due to low capacity utilization due to reduced heat consumption (by households mainly during winter time, with little industrial round the year demand).

\* \* \*

In the second half of the year 2007, the Romanian energy sector privatization process will be re-launched and speed up with improved regulatory framework and new national privatization agency, especially for the three remaining electricity distribution companies and three lignite fired power complexes.

## News:

### **Russia adopted law on Bourgas –Alexandropoulos oil pipeline (Region)**

In mid June, Russian president Vladimir Putin signed the federal law for ratification of interstate agreement for construction of oil pipeline Bourgas- Alexandropoulos. The agreement was signed by Russia, Bulgaria and Greece. Putin handed over the ratification to the president of Transneft, the future operator of the pipeline.

The future pipeline will be owned by the International project company, where 51 % of stake belongs to Russia and the rest will be equally owned by Bulgaria and Greece.

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### **Gazprom and Eni to build new Black Sea natural gas pipeline (Region)**

Italian Eni and Russian Gazprom signed a memorandum of understanding for construction of new Black Sea natural gas pipeline. The pipeline was named South Stream and it should go across Bulgaria. It was confirmed during the joint press conference held by CEO of Eni Paolo Scaroni and Gazprom deputy chief executive Alexander Medvedev. Two officials signed the MoU, which predicted a start of feasibility study and establishing cooperation between two companies in the project design, funding and technical issues.

The pipeline would be the third project developed jointly by Eni and Gazprom. In the same time, Russian Industry and Energy Minister Viktor Khristenko and Italian Minister of Economic Development Pierluigi Bersani signed the statement of the support for the project.

According to gas supply agreement, Gazprom will be the one of the main gas suppliers in Italy until 2035th.

The pipeline should originate from the same point as the Blue Stream pipeline, from Beregovava in Russian Black Sea shore, and it would go to the Bulgarian Black Sea coast. The pipeline will be 900 km long, and the exact route is still to be determined as well as the costs of the project.

In Bulgaria, the pipeline will follow two routes, one toward Italy and the second one toward Austria and Slovenia. The annual capacity of the pipeline should be 30 billion cubic meters. It is expected that Bulgarian gas company Bulgargaz would increase natural gas deliveries toward Hungary, Austria, Greece and Italy.

The project should be followed by the interstate agreement signed by Bulgaria and Russia.

According to preliminary estimations, Bulgaria could collect some 250-400 million dollars of transit fees from the new pipeline.

During the energy summit held in Zagreb on June 24th, Bulgarian president Georgi Purvanov met Russian president Putin and expressed readiness for Bulgaria's participation in the project.

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### **Albania and Macedonia interested for Caspian gas (Region)**

According to the Turkish energy minister, Hilmi Guler, Albania and Macedonia are interested in buying the natural gas from Turkey-Greece pipeline, which would transport natural gas from Caspian region. Minister said this during the energy conference in Istanbul.

The 300 million dollars worth and 285km long pipeline should be operational in August. The pipeline should be extended to the Italy in the future, while capacity of the pipeline should be 12 billion cubic meters per year.

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### **The electricity cooperation agreement signed (Greece & Albania)**

In the end of June, The Regulatory Authority for Energy (RAE) and Albania's Electricity Regulatory Authority (ERE) signed a memorandum of cooperation on regulatory issues. The agreement is aimed to facilitate cross-border electricity trade between two countries, which is in accordance to Energy Community in Southeastern Europe.

Greek deputy development minister welcomed the memorandum saying it would contribute common efforts of two countries regarding the stable energy supplies.

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### **8.247 TWh of electricity produced in 2006th (Bosnia and Herzegovina)**

In 2006th, overall electricity production in Federation of Bosnia and Herzegovina (BiH) stood at 8.247 TWh, which was 36 % higher than planned or 9.5 % higher comparing to 2005th. Thermal power

plants (TPPs) produced 58.3 % of the amount, large hydropower plants (HPPs) produced 40.9, while small HPPs produced 0.8 % of overall electricity in the country.

The data were presented during the session of the government of Federation of BiH in the end of June. Government announced that, during this year, the merger of the coalmines and the national power utility, the EP BiH, would be finished.

In the same time, according to the data of Federal government (BiH), the current electricity debts toward power utilities in Federation of BiH reached some 114 million euros.

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### **Plans for development of natural gas network (Bosnia and Herzegovina)**

Federal minister of energy, mining and industry, Vahid Heco, said the activities in natural gas sector came into problems since Republic of Srpska presented its independent plans for development of natural gas network. Nevertheless, Heco announced that joint primary natural gas network should be built on the state level.

Government concluded that existing natural gas pipeline was insufficient for natural gas supply of BiH. In this moment, BiH imports natural gas exclusively from Russia.

Government announced plans for construction of natural gas network in middle BiH in order to connect natural gas network to gas ring of western Balkan and further to Caspian region.

It is estimated that current natural gas consumption in BiH of 400 million cubic meters would be doubled in 2010th.

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### **Austrian companies to invest in small HPPs (Bosnia and Herzegovina)**

Austrian companies, investors and construction companies, visited Bosnia and Herzegovina (BiH) in mid June in order to reconsider options for construction of small HPPs in the country. Among others, Winerstrom, ABB, Gugler Water Turbines paid the visit to BiH.

The trade advisor of Austrian embassy in BiH confirmed the Austrian companies were interested for construction, investments and providing the equipment for the small HPPs.

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### **Final negotiations with APET, CEZ and Kaztrangas (Bosnia and Herzegovina)**

Local media reported that final negotiations between government of Federation of Bosnia and Herzegovina (BiH), on one side, and CEZ, Kaztrangas and APET on other side should have started in the end of June. The negotiations are related to selection of strategic partner for large-scale projects of construction of thermal power plants (TPP) and hydropower plants (HPPs) in Federation of BiH.

Minister of energy, mining and industry, Vahid Heco, believes that incoming negotiations would result in final agreements in order

to start the ambitious projects. Heco confirmed the government had had talks with APET consortium and German company ENBW, where some initial agreements were reached.

Government would like to sign cooperation agreement with all four aforementioned companies, the minister said. It is most likely that each company would be in charge for construction of one hydro and one thermal power plant, according to minister. He pointed out that nothing was agreed so far.

According to plans, Federation of BiH plans to build overall number of 8 power plants, the HPPs Ustikolina (3 x 22 MW), Vranduk (21 MW), Rmanj (2 x 36 MW), Vrilo (42 MW) and TPPs Tuzla (370 MW), Kakanj (250 MW), Bugojno (2x300 MW) and Kongora (2x275) MW. The estimated cost of the project is some 3.5 billion euros.

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### **EP BiH demanded 5-10 % increase in electricity prices (Bosnia and Herzegovina)**

Power utility of Bosnia and Herzegovina (BiH) demanded from Federal regulatory energy commission (FERK) to approve 5 % or 10 % increase in electricity starting from July 1st.

In the same time, FERK rejected a request submitted by Power utility of Herzeg Bosnia (EP HZHB) for increase in electricity prices. FERK explained the EP HZHB did not substantiate its request by the new facts.

On the other, the head of FERK announced that facts submitted by EP BiH could be the starting point for the further discussion on new electricity prices. The public debate on new prices should be held in period September 3rd-October 22nd.

According to first proposal presented by EP BiH, the customers connected to 110kV or higher voltage grid would pay 18.20 % higher prices, the 35kV customers would pay 11 % higher prices, 10kV customers would pay 3.4 % higher prices, while price increase for the households should reach 14.2 %. The second proposal includes slightly higher increases, i.e. 25.7 % for 110kV customers, 13.1 % for 35kV customers, 3.9 % for 10kV customers and 14.2 % for households.

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### **Signing the agreement for NPP Belene by the end of the year (Bulgaria)**

Russian president Vladimir Putin believes that agreement for construction of nuclear power plant (NPP) Belene in Bulgaria would be signed by the end of the year. The future constructor of the NPP will be the Russian company AtomStroyExport. This was said during the energy summit held in Zagreb.

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### **Government approved construction of new plant in Maritsa Iztok basin (Bulgaria)**

Government of Bulgaria officially approved the construction of new 600 MW thermal power plant (TPP) in Maritsa Iztok coal basin. The future investor should be selected through tender procedure, where cost of the project is estimated at 1 billion euros. National electric-

ity company (NEK) should sign long-term purchase agreement with new plant.

On the other hand, according to legal experts, the Maritsa Iztok company is not obliged to carry on a tender procedure. This caused unrest among potential investors who fear that selection procedure could be predetermined.

Several investors, among them RWE and Enel, have more than once expressed interest for the project. RWE and mining company already had signed cooperation agreement, which was seen as the first step toward construction of new TPP.

Deputy energy minister announced that procedure would be fair and transparent, where the working group, which will present selection criteria, should be established by the energy ministry, the power regulator and NEK. According to CEO of Maritsa Iztok mining company, the future investor should be selected based on construction period, environmental impact and technical solutions of the project.

So far, RWE, consortium of local company Brikel and CEZ, Enel, AES and E.ON have expressed interest for the project. Maritsa Iztok power complex produces some 30 % of overall electricity in the country, where coal reserves are estimated at 1.85 billion tons.

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### **No increase in natural gas prices (Bulgaria)**

State-owned gas company Bulgargaz confirmed the natural gas prices will remain some 164 euros/1,000 cubic meters of natural gas (taxes included). The proposal was submitted to the power regulator. The main reason for not increasing the gas prices was the depreciation of US dollar.

The new long-term natural gas supply agreement signed with Russian Gazprom, which became effective in April this year, should lead to gradual price increase up to the market prices by 2012th. The first increase in prices of 0.5 % happened in April.

According to unofficial sources, in July this year, Gazprom will start to sell natural gas to Bulgargaz at price of 147 dollars/1,000 cubic meters.

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### **Bulgaria and Russia argue on project company for Bourgas –Alexandropoulos pipeline (Bulgaria)**

According to sources, Bulgaria and Russia have still been arguing over several issues regarding the establishment of the project company for design and construction of Bourgas –Alexandropoulos pipeline. The negotiations should be continued on July 9th in Bulgaria.

Russia proposed to have 6 directors in the board of the future company, where Bulgaria and third partner in the project, the Greece, would be represented by 2 seats each. Bulgaria and Greece have been insisting on 3 directors each. Bulgaria also refused that Cyprus should be home country of the future company, due to possible lack of the transparency.

Bulgarian representatives in the project, Technoexportstroy and Bulgargaz have been insisting that future statute of the company protects the minority shareholders.

In the related news, ecological organizations announced to file a lawsuit against the ratification of the project. If this does not succeed, environmentalists will try to cooperate with environment ministry. The analyses showed that project failed to fulfill basic environmental regulations in the country. Ecologists also warned that project would be unprofitable for Bulgaria due to non-imposing the VAT on the project activities. The loss could reach 100 million euros, they said.

In the same time, deputy development minister confirmed that the pipeline would avoid the Sozopol bay. His statement was the response to the petition of Sozopol municipality, which is against the project, having in mind that pipeline would affect the tourism business in the region.

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### **7.5 % increase in electricity prices from July 1st (Bulgaria)**

Despite previous announcements, State Energy and Water Regulatory Commission (SEWRC) approved 7.5 % increase in electricity prices for households starting from July 1st. The increase is related to increase of fuel prices on international and domestic markets. In the first half of June, SEWRC proposed 5 % increase in electricity prices.

The peak electricity tariff for households will rise up to 8 eurocents/kWh (taxes included), while the off-peak tariff will be 5.13 eurocents/kWh.

The regulator also set new tariffs for the electricity sold by producers and transmission operator to the distribution companies. The price at which National electric company (NEK) will sell electricity to distribution companies will rise by 13.15 % (NEK demanded 24.5 %).

The distribution companies believe that new tariffs would be in favor of state companies and that price for the customers is still too low.

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### **0.6 million euros of profit for HEP in the first quarter (Croatia)**

According to the financial report submitted to the Zagreb Stock Exchange, Croatian power utility (HEP) reported profit of 0.6 million euros in the first quarter of this year. The profit was considerably lower comparing to the last year, when the profit stood at 41.5 million euros.

In the first three months of this year, financial incomes of HEP reduced by even 64.39 % comparing to the last year and it reached 3.2 million euros. In the same time, financial expenses increased by 71 % up to 11.1 million euros.

Overall incomes reached 353.6 million euros (9.9 % reduction), while overall expenses reached 352.25 million euros (0.5 % increase).

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### **Introduction of RES fee from July 1st (Croatia)**

Starting from July 1st 2007th, all electricity customers in Croatia will pay renewable energy sources (RES) fee of 0.12 eurocents/kWh.

The fee will be used for subsidizing the usage of RES, and average household bill should be some 0.5 euros higher due to fee. The polls showed that some 75-80 % of the customers are willing to pay such fee.

It is expected that some 9 million euros could be collected through this fee by the end of the year. The money will be directed to the special fund managed by Croatian operator of electricity market (HROTE), which will distribute funds to the RES and cogeneration electricity producers.

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### **Liberalization of electricity market from July 1st (Croatia)**

Starting from July 1st, all customers in Croatia, apart from households, will be granted a status of eligible customer in electricity market. It implies they would be able to select their electricity supplier, and this should be done in six-month period after becoming the eligible customer.

During the transition period, Operator of distribution system (HEP-ODS) will continue to supply all customers. During the six-month period, the customer should select its supplier and sign the supply contract. The customer will be also obliged to sign the network access contract with operator of power grid, which could be the HEP-ODS or HEP-OPS (Transmission system operator), depending on the voltage level.

The business customers with up to 50 employees and up to 10 million euros of annual incomes could submit request to preserve a status of tariff customer. There are some 2.15 million customers in Croatia, which all buy electricity from Croatian power utility (HEP) at the moment.

According to estimations, there will be some 100,000 eligible customers after July 1st, which spent 8.5 TWh of some 57 % of overall electricity consumption in the last year. In 2006th, some 100 eligible customers at the time (with annual consumption higher than 9 GWh), spent some 6 % of overall electricity consumption in Croatia.

On the other hand, choice of the suppliers will not be big having in mind that only two electricity suppliers were granted a license by the Croatian regulatory agency (HERA). Those are the subsidiary of Croatian power utility (HEP), the HEP Supply and Slovakian company Korlea. It is believed that all large electricity customers will remain HEP's customers, due to lowest prices, safety and the best conditions.

The Korlea announced it would not deliver electricity at unrealistic low prices set by the government. Head of Korlea for Southeastern Europe confirmed that the company would not be able to deliver electricity to future eligible customers at such low prices as HEP would. Korlea confirmed it would continue to trade electricity exclusively with HEP, while company plans to supply customers directly in 2008th.

The second phase of liberalization of electricity market in Croatia would start on July 1st next year, when households would be allowed to select their electricity supplier. There are some 2 million households customers in Croatia, which spent some 6.4 TWh in last year or some 43 % of overall electricity consumption.

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### **New proposal for Druzba Adria project and LNG terminal (Croatia)**

During the energy summit held in Zagreb in the second half of June, sources announced continuation and changes in energy projects in Croatia.

According to sources, the Druzba Adria project, which revival was announced during this year more than once, could experience some changes. Instead, to Omisalj, on island of Krk, the oil pipeline would be diverted from Melnice (Croatia) to Trieste, where the pipeline would be connected to TAL pipeline (TransAlpineLine). By this, project would satisfy environmental demands by not increasing the number of tankers in Adriatic.

In the same time, Croatia should build liquefied natural gas (LNG) terminal in Plomin instead of island of Krk, sources said.

Croatian oil industry (INA) should speed up the construction of underground natural gas storage facility in Benicanci (2 billion cubic meters capacity), where Russian companies could be involved in the project. Sources imply that INA's new partner could be the Lukoil.

The issues related to Druzba Adria project and project for construction of liquefied natural gas (LNG) terminal were discussed in the meeting of Russian and Croatian president during the energy summit held in Zagreb.

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### **Energy summit in Zagreb (Croatia)**

Energy summit of South European countries, held in Zagreb on June 24th, gathered highest officials from SE countries and Russia. The host of the summit was Croatian president Stjepan Mesic, and the summit was attended by presidents of Albania, Bosnia and Herzegovina, Bulgaria, Montenegro, Macedonia, Romania and Serbia as well as Russian president Vladimir Putin. The summit was also attended by the high officials from Slovenia, Greece and EU.

In the final statement of the summit, participants obliged producers, customers and transit countries not to use energy in political purposes, while energy should be available to all interested parties under market terms. The use of energy sources must not endanger natural environment, especially not to cause climate changes. Because of that, use of renewable energy sources should become permanent goal and key point of energy stability, participants concluded.

The Russian president pointed out that Russia is interested for cooperation in energy sector in Southeastern Europe (SEE) and Europe in whole, in accordance to environmental standards. He reminded that in 2006th, Russia exported 73 billion cubic meters of natural gas to SE countries, which was equal to 50 % of natural gas export of Russia to EU. Russia is interested for continuation of natural gas export and transit in SEE and construction of new natural gas storage facilities, Putin said. He reminded that Russia had never breach any contractual obligation. Putin believes that relations of Russia and SEE are based on mutual sympathies, similar cultures and joint history, where region of SEE must become stable and safe. Russia is ready to do its best for solving the energy problems in the region, particularly in oil and natural gas sector, Putin concluded.

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### Heat causes problems in electricity grid (Greece)

Due to extremely warm weather in the second half of June, the problems occurred in national power grid, which struggled to meet an increase in electricity consumption. The blackouts occurred in parts of Attica, Crete and other islands.

The usage of air conditioners in households and offices rapidly increased. According to the information from retailers, sales of air conditioners reached record levels, where in just three days 25,000 devices were sold in Attica alone. According to data, there are some 3 millions of air conditioners in the country, where some 350,000 new ones are expected to be installed each year.

In mid June, peak electricity consumption reached some 9,240 MW development ministry confirmed. The largest demand of 3,440 MW was reported in Attica.. The electricity consumption was met by the additional import of electricity.

On the other hand, development minister general secretary said the power grid's operation had been impressive, having in mind that some parts of distribution networks in Athens were designed to have five times less capacity than it managed to handle.

Public power corporation (PPC) appealed to citizens to limit the usage of large number of electricity appliances in the same time.

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### Endesa Hellas announced 2,500 MW in new power plants (Greece)

Endesa Hellas announced it would invest assets contributed by Mytilineos (pursuant to the agreement on joint venture signed in March) for the development of new projects.

The projects will be related to construction of some 2,500 MW in new coal fired power plants, combined-cycle plants and renewable energy sources ( RES) units.

The initial capital of the joint venture will be 1.2 billion euros. The company should be the largest independent power utility in Greece, with potential expansions in Southeastern Europe. The company's head office will be in Athens, which should emphasize the Endesa's plans for further expansion in the Mediterranean basin. New company should have balanced ratio between thermal power plants and RES plants.

Endesa Hellas has already started its business activities in Greece, and it plans to reach 10 % of overall power generation in the country by 2010th.

According to the development projects, new combined heat power plant (CHP) with power output of 334 MW was planned to be operational in June this year, 430 MW natural gas fired TPP (under construction) should be operational by June 2009th. Some 1,000 MW in RES should be built, while company plans to build new 600 MW coal fired TPP.

The company's portfolio includes 310 MW trading license, a license for another CHP and another coal fired plant. The company would be also involved in trading of CO2 emission rights.

CEO of Endesa Rafael Miranda believes that Greece's and South European market has great prospects, while head of Mytilineos Group, the Evangelos Mytilineos was glad that negotiations between two companies, which lasted for over six months, had successfully end-

ed. According to plans, Endesa should gradually increase its stake in Mytilineos up to 50.1 %.

In March this year, Mytilineos confirmed it would sign the agreement with Spanish Endesa regarding the construction and subsequent operation of the 600 MW gas-fired thermal power plant (TPP), CCGT type, in St. Nicolas, Viotia.

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### Natural gas delivery from Turkey delayed to August (Greece)

Officials from energy ministry of Turkey announced that natural gas deliveries from Azerbaijan's Shakh Deniz field to Greece would be delayed until the second week of August.

As a reminder, in the beginning of June, Turkish energy minister Hilmi Guler confirmed the Turkey was ready to deliver natural gas to Greece in July this year.

The reason for delay is prolongation of the construction works at the section over the Meric River.

According to plans, some 685,000 cubic meters of gas should be transported through the pipeline per day or some 90 million cubic meters until end of the year. The initial target was 250 million cubic meters.

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### PPC prepares new business plan (Greece)

Public Power Corporation (PPC) has been preparing new business plan, which should enable company successfully to operate on fully deregulated energy market. This was said by the chairman of PPC, Mr Athanasopoulos, during the annual shareholders meeting held in mid June.

The new plan should be presented in October this year. Head of PPC said that new electricity tariffs should be automatically adjusted in accordance to fuel prices, after which PPC would not suffer losses due to sudden changes in prices.

PPC should replace or modernize old power plants, in order to meet EU environmental demands. The company also plans to reach 20 % share in the renewable energy sources market by 2012th.

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### 400 KV Bitola - Lerin put in service (Macedonia)

Macedonian transmission system operator (MEPSO) confirmed that 400kV interconnection power line Bitola-Lerin (Florina) (Greece) was put in service in mid June. The power line is 37.2 km long and it has 100 towers.

The power line was jointly built by Macedonia and Greece for the past 8 months. The power line should increase annual exchange between Macedonia and Greece form 2.7 TWh up to 3.1 TWh. Power line is also equipped with the optical fiber, which should improve telecommunication link with Greece.

The power line should have been in test operation for 7 days, after it would be put in continuous operation.

According to latest news, new power line literally saved power system of Greece from total blackout in the end of June. Due to forest fires, several other major power lines tripped, so that electricity import of Greece on northern borders was carried out only through Bitola-Lerin line, which was in the test operation at the time. The disturbance, which even endangered power systems in Macedonia and Bulgaria, lasted for hour and a half.

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### **Continuation of construction of HPP Sveta Petka (Macedonia)**

Minister of economy Vera Rafajlovska visited construction site of hydropower plant (HPP) Sveta Petka (36.4 MW) also known as Matka 2. Estimated annual production of new HPP should be 90 GWh.

The construction reached second phase, where minister expressed its satisfaction with status of the works. The minister believes that HPP could be put in service in mid 2009th.

By construction of HPP Sveta Petka, the water potential of Treska River will be fully utilized, with overall power output of 150 MW. The new plant will be located between two existing HPPs, Kozjak and Matka. Overall annual production of these HPPs should reach 250 GWh.

The construction works are being carried out by the Slovenian company Riko, which acquired the 42 million euros loan (with state guarantees) from the German DEPFA.

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### **Slovenian companies the most interested in the tender for small HPPs (Macedonia)**

According to latest data, 102 bids were submitted in the tender for 20-year concession contracts for construction of 60 small hydro-power plants (HPPs). The HPPs will be built in the confluences of rivers Vardar, Strumica and Crni Drim, where their power output should be up to 5 MW. The electricity produced in small HPPs will be sold at privileged prices

Tender had lasted for 4 month and the state tender commission arranged public opening of bids. The bids had been submitted by 18 companies, although 125 companies purchased tender documentation.

The bids were submitted by companies CO-VER, PCC-SA, local company Metalec, consortium made of local companies Granti, Fero, Toplifikacija and Slovenian Turboinstitut, the Slovenian company Bistrica, Hidroekoninzenjering from Skopje and several other local companies and companies from Slovenia. The largest number of bids was submitted by consortium Granti, Fero, Toplifikacija and Turboinstitut, the 22 of them.

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### **TPP Negotino to be sold until the end of July (Macedonia)**

Minister of economy Vera Rafajlovska announced that new owner of the thermal power plant (TPP) Negotino would be selected by the end of July.

The new owner will be obliged to build new 300 MW TPP at the site of TPP Negotino.

Minister also announced that Macedonia should establish power exchange in accordance to examples in Slovenia. The power exchange should start operations in September and it would help the liberalization of electricity market in the country, minister said.

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### **Increase in electricity prices from July 1st (Montenegro)**

Regulatory energy agency (REA) approved an increase in electricity prices starting from July 1st this year.

According to new tariffs, electricity prices for households will be 9.3 % higher. The households, with two-tariff electricity meters, will pay average price of 6.28 eurocents/kWh (instead of 5.42 eurocents), while households with single-tariff electricity meters will pay average price of 8.61 eurocents/kWh (instead of 7.25 eurocents). The aforementioned prices do not include VAT. REA did not approve introduction of block tariffs, saying it would increase cross subsidizing and make electricity bills more complicated. Also, REA decided that low tariff period will be reduced to 8 hours per day.

REA said the new prices would be valid in a year period, if there were no requests for increase in prices in December this year, when the electricity balance sheet for the next year should be approved.

In the same time, along with new prices, new tariff methodology will be applied, so that electricity bill will not include anymore the variable price of imported electricity. It does not imply that public will not be informed about electricity import, the head of REA, Branko Kotri explained.

Kotri clarified that, starting from July 1st, Power utility of Montenegro (EPCG) should finance by itself the electricity import, where new price of electricity will be weighted during a year, which would lead to more stable prices, REA

The prices for the large industrial customers, such as Aluminum factory (KAP), Steel factory and Railway company, would be lower and equal to those proposed by EPCG. Those prices will be defined by particular contracts with EPCG, Kotri said. For example, REA has set the price of 2.63 eurocents /kWh for electricity delivered by EPCG to KAP. In the same time, according to special contract, the EPCG charges that electricity at 4.37 eurocents/kWh (the price is related to aluminum global prices).

As for Steel factory, government was obliged to pay subsidies for the price of 5.04 eurocents/KWh.

According to new tariffs, the industrial customers connected to 0.4kV grid will pay 16.45 eurocents/kWh, while small and medium companies connected to 0.4kV grid will pay 18.97 eurocents/kWh. REA did not accept the request of EPCG that price for these categories should be 10.5 and 11 eurocents per kWh respectively. Kotri announced that reduction in electricity prices for business customers could be expected in couple of years. According to new methodology, all electricity bills will contain new items, i.e. the transmission and distribution fees.

Commenting the latest decision of REA, EPCG expressed its dissatisfaction with new electricity prices and announced to file an official appeal. EPCG expected that price of electricity would rise by 15-20 %, which would imply average price of 10 eurocents. Member of the management board of EPCG believe that inadequate increase in prices would not be sufficient both for regular maintenance and for import of electricity.

According to EPCG, new prices will cover only 192 million euros of expenses instead of 217 million euros, which are the costs earlier approved by REA. REA and EPCG agreed to reevaluate aforementioned figures. In the same time, EPCG requested that new prices should cover 250 million euros of annual expenses.

Non-governmental organization MANS demanded from REA to explain the latest price increases to the citizens. According to MANS, the old price of 5.42 eurocents was never mentioned before having in mind that official price of electricity for households was 4.2 eurocents (high tariff) and 2.2 eurocents (low tariff). In the same time increase from 5.42 up to 6.28 eurocents is some 15 % and not 9.3 %, MANS concluded.

Montenegro business alliance (MBA) was surprised that REA had not approved reduction of electricity prices for business customers. MBA pointed out that the companies in Montenegro pay three times higher electricity prices comparing to households and two times higher comparing to current market prices.

The latest price increase would be the first one for the households that should be imposed in the next five years. According to plans, final electricity price at the end of five-year period should cover production, transmission and distribution expenses of EPCG and it should be two times higher comparing to current ones.

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#### **24.4 million euros of loss for EPCG in 2006th (Montenegro)**

During the latest shareholders meeting of Power utility of Montenegro (EPCG), the government increased its stake from 67.8 % up to 70.5 % based on taking over of 86.5 million euros of old debts. Due to such development, EPCG would issue another 9.9 million euros of shares, which would belong to the state. In this moment, EPCG has 103.9 million euros of shares, with nominal worth of 8.7 euros.

Shareholders adopted final financial report for 2006th, which showed that EPCG achieved 24.4 million euros loss, which was 4.5 million euros lower comparing to the loss reported in 2005th and 2.9 million higher than planned.

The overall incomes reached 193.2 million euros, which was 4 % higher than planned, while overall expenses stood at 217.73 million euros.

The overall electricity production stood at 2.8 TWh, which was 2.6 % higher than planned and reported in 2005th. The overall consumption reached 4.6 TWh, which was 1.3 % higher than planned and 3.1 % higher comparing to 2005th. The electricity losses in transmission network were 14.4 % lower than planned and stood at 156.6 GWh, while losses on distribution network reached 29 % or 693.3 GWh, which was 34 % higher than planned. The EPCG employs some 3,400 people.

The executive director of EPCG Srdjan Kovacevic explained that production costs increased, while regulator did not approve the increase in tariffs, which was one of the reasons for unplanned expenses in the last year.

In the related news, management of EPCG confirmed that customers owe some 100 million euros to national power company in this moment. Households alone owe some 54 million euros. The collection rate in this year increased by 7 %, EPCG confirmed.

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#### **Announcements and denials of power cuts in July and August (Montenegro)**

Prime minister of Montenegro, Zeljko Sturanovic, confirmed on the latest government session that there would be no power cuts in July and August. Minister of economic development also confirmed that funds for purchase of missing quantities of electricity for July and August had been provided.

The few days earlier, officials from Power utility of Montenegro (EPCG) accused Regulatory energy agency (REA) that their refusal to approve demanded increase in electricity prices could cause serious problems in electricity supply and possible power cuts during summer. EPCG confirmed it should have to pay some 25 million euros for electricity import in July and August, due to renewal of thermal power plant Pljevlja. EPCG already signed supply contracts for the aforementioned months, but management feared it would not have enough funds to pay the expenses.

Management of EPCG claims that REA decreased regulated incomes of EPCG by 45 million euros. EPCG also announced submitting the lawsuit against REA due to irregularities made during the setting of the new tariffs. EPCG accused REA that new tariffs would imply that hydropower plants Piva and Perucica would operate at zero profit.

Officials from REA suggested to EPCG to think twice before submitting the lawsuit. REA believes that new tariffs would enable EPCG to achieve good business results in this year already, including the investments.

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#### **Canceling the contract with Global Steel (Montenegro)**

Global Steel, the first ranked bidder in the tender for sale of Berane coalmine, demanded the postponement of payment of the remaining part of the sale price. Vice president of Global Steel, Ravi Darbari, said the company did not have problems to pay 1.9 million euros for purchase of coalmine Berane, yet company had not wanted to do that before all parts of the sale contract had been clarified.

On the other hand, the bankruptcy management of the coalmine reminded that two parties signed the basic agreement on June 8th, while the annexes should have been agreed later. According to the agreement, Global Steel was obliged to pay the funds until June 23rd, which was not done in time. Because of that, management cancelled the sale contract.

As a reminder, Global Steel announced to invest 500 million euros in the coalmine and to build 125 MW power plant.

Management of the coalmine announced it would invite second ranked bidder, the Greek Balkan Energy (offered some 1.4 million euros for the coalmine) to start negotiations regarding the sale procedure. After that, management would decide whether to sign contract with Greeks or to launch new tender. The Berane coalmine is out of operation for the last 4.5 years.

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### **Tender for TPP Pljevlja still not cancelled (Montenegro)**

Tender commission for sale of thermal power plant (TPP) Pljevlja and coalmine Pljevlja did not reach the decision for canceling the tender. As a reminder, the parliament demanded total cancellation of the tender, while government decided temporarily to stop the tender procedure and negotiations with Russian EN Plus Group, the winner in the tender.

In the related news, management of the TPP Pljevlja announced that renewal of the TPP could be finished even before September 1st. The renewal started in mid May, while TPP would not perform regular winter maintenance works before winter.

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### **CEZ to invest 65 million euros in 2007th (Romania)**

CEZ Group expressed its interest for investing in units 3 and 4 in nuclear power plant (NPP) Cernavoda. This was confirmed by the chairman of the Board of directors of CEZ, Ian Veskrna. CEZ is willing to invest some 65 million euros in Romania in this year.

CEZ has been waiting for approval of new national energy strategy in order to continue with new investments, management said. In the last four months, CEZ has been also interested for acquiring the combined heat and thermal power plants operated by local municipalities.

In the last year, CEZ invested 63 million euros, while, the CEZ Distributie, the distribution branch in Romania, reported profit of 27 million euros. The same profit for distribution branch is expected in this year too.

In 2007th, the estimated profit for all three CEZ's branched in Romania, the Distributie, CEZ Vanzari and CEZ Servicii is some 40 million euros.

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### **Government approved strategy for construction of units 3 and 4 in NPP Cernavoda (Romania)**

The government of Romania approved the strategy for selection of future investors interested for construction of units 3 and 4 in nuclear power plant (NPP) Cernavoda. Ministry of economy and finance should be in charge for the selection procedure.

According to strategy, the units should be built by the private investor with sufficient capital, which will be capable for cooperation with Nuclearelectrica. The procedure, which is approved by EU, will be conducted in transparent manner.

The additional funds for the project should be provided through issuing of shares or bonds. The main aim of the strategy is to motivate investors to establish company for construction of new units in until March 31st 2008th so that construction works could start the same year. The units should be operational by 2014th and 2015th according to government's plans. The cost of the project is estimated at 2.2 billion euros.

According to previous announcements, the shortlist of the potential investors in the project should be published by the end of October. The commission in charge for the selection procedure should be established by mid July. The criteria for the bids should be published until August 10th, while the bids should be evaluated until October 29th 2007th.

The selected investors will be obliged to invest 30 % of the necessary funds in cash.

The project company will be registered in Romania, while none of the shareholders will control majority stake in the company.

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### **Drought caused reduction in electricity production (Romania)**

The drought that has been lasting for several months resulted in 40 % reduction of electricity production in hydropower plant (HPP) Portile de Fier. In the same time, nuclear power plant (NPP) Cernavoda could be disconnected from the grid due to cooling problems caused by the high temperatures and especially due to reduction of Danube flow. The same happened in 2003rd and 2004th, the head of the Nuclearelectrica reminded. The reduction of the Danube flow was 40 % comparing to multiyear average.

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### **Petrom to invest 500 million euros in power plant (Romania)**

Romanian leading oil company Petrom announced the project for construction of natural gas fired power plant. The power plant should have power output of 860 MW and it should be built in three-year period. The cost of the project is estimated at some 500 million euros. The construction works should start in 2008th, so that plant could be operational in 2010th. The plant will be build at the site of Petrobrazi Ploiesti refinery.

Some 20 % of the plant's output would be used for company's purposes, while the rest will be delivered to national electricity grid.

Deputy general manager of Petrom said the project was in accordance to company's expansion plans. New plant will also improve Romania's energy stability, he said.

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### **Liberalization of electricity and natural gas market from July 1st (Romania)**

Starting from July 1st, each household customer in Romania will be entitled to choose its natural gas and electricity supplier. In the mid June, the government of Romania approved the resolution on liberalization of entire electricity and natural gas market.

Government believes that liberalization would result in competitive prices in both sectors as well as in improvement of the quality of services.

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## Petrom's oil reserves 7.1 billion euros worth (Romania)

According to the report on the oil sector in Central and Eastern Europe, which was presented by Austrian Raiffeisen bank, the overall worth of the oil reserves of Petrom is some 7.1 billion euros. In the same time, analysts estimated worth of two Petrom's refineries at 2.3 billion euros, while the worth of petrol stations is some 400 million euros.

The current oil reserves of Petrom stand at 789 million barrels, while natural gas reserves stand at 646 million barrels of oil equivalent, the report said.

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## The new wind farm put in service (Romania)

The new wind farm in the country was connected to the national power grid in mid June, local media reported. The power output of the wind farm should be 550kW according to plans. It is the first out of four wind farms that will be installed in Tulcea County. Those wind farms should provide electricity for local municipalities from Orsova up to Tulcea.

The area of Topolog, where the wind farm was installed, is considered as one of the most favorable for wind farms in the country. In this moment, seven different investors from Austria, Spain, Italy, France and Portugal have been conducting the wind measurements in the area.

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## EMS announced construction of power line Nis-Skopje (Serbia)

During the anniversary celebration of Serbian transmission system and market operator (EMS), general manager Dragan Vignjevic announced that construction of interconnection 400kV power line Nis (Serbia)-Skopje (Macedonia) should start by the end of the year. At first, the section from Nis to Leskovac should be built. Vignjevic also announced renewal of large substations in Belgrade, Nis and Novi Sad.

General manager visited new 400kV substation Jagodina 4, which was put in service in December last year. The 12 million euros project was mostly funded by the loans of EBRD. New substation considerably reduced electricity losses in that part of power grid.

During the same occasion, Vignjevic pointed that the power system in Kosovo province is the property of Serbia. The power system in Kosovo could not function without EMS and Power utility of Serbia (EPS), because it was designed as integrated part of power system of Serbia. He announced that Serbia and UNMIK would discuss on functioning of power system in Kosovo in Brussels on July 10th.

Out of 9,808 km long power lines in Serbia, some 1,035km is located in Kosovo, while overall installed power output in Kosovo is 1,492 MVA.

In the related news, chairman of the management board of Kosovo power corporation (KEK) and the current minister of energy and mining, dismissed general manager of KEK. The reason for dismissal was the unsatisfactory cooperation between ministry of energy and mining and KEK, minister said

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## Presentation of privatization strategy for NIS delayed (Serbia)

The presentation of changed strategy for privatization of Oil industry of Serbia (NIS), scheduled for the end of June, was postponed due to preoccupation of vice prime minister Bozidar Djelic, officials from ministry of energy and mining said.

Privatization advisor, the consortium Merrill Lynch and Raiffeisen Investment, should present to the members of the government changes in privatization model, which was adopted in July last year. The privatization advisor did not want to comment changes in the model. Old privatization model implies sale of 25 % of shares to strategic partner and granting the managerial rights, while strategic partner would be obliged to invest some 500 million euros.

In the related news, vice prime minister Bozidar Djelic announced that none of the large public companies, among others the NIS and Power utility of Serbia (EPS), will undergo majority privatization during mandate of the current government. The privatization of NIS, EPS and other important public companies should be gradual in order to revitalize those companies, increase their worth and attract investors. Vice president confirmed interest of Serbia to preserve oil refineries in Pancevo and Novi Sad and to find partner willing to invest in their renewal, in order not to shut them down in any case.

Minister of finance, Mirko Cvetkovic, believes that only NIS is ready to start privatization procedure. On the other hand, EPS, despite to progress, would not be ready for the privatization for quite some time, he said.

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## The first bio diesel factory put in service (Serbia)

The first bio diesel factory in Serbia, located in city of Sid, officially started production in the end of June. The factory called Victoria oil employs 200 people and it should produce 100,000 tons of bio diesel per year. So far, 20 million euros was invested in the factory. The factory was built in a year period under most modern German technology. The diesel production in this year should reach 30,000 to 40,000 tons.

The factory produces diesel from rapeseed, and it should reach full capacity by the end of the year. It takes some 2.5 kg of rapeseed for production of 1 liter of bio diesel.

The current price of bio diesel in Serbia is some 0.82 eurocents per liter, and the company has been negotiating with oil distributors regarding the sale agreements. The factory should sell part of its production to the Belgrade bus transport company.

In the related news, Jerkovic Group announced plans for construction of new bio diesel factories in Vojvodina province. The group has been negotiating with Austrian company Kristoff regarding the joint construction of 48 million euros worth factory. The future factory should have production output of 66,000 tons per year.

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## Electricity report in May (Serbia)

According to the latest data, gross electricity consumption in Serbia in May this year reached 2.636 TWh (327 GWh was spent in Kosovo province). The average temperature in May was 2.2°C higher comparing to multiyear average value.

The overall production stood at 3 TWh, which was 2.7 % higher than planned. In the same month, electricity export to Macedonia was 34 GWh.

The electricity production in storage type hydropower plants (HPPs) was 150 % higher than planned, in order to compensate lower production in run of the river HPPs, which production, affected by drought, was 36.7 % or 490 GWh lower than planned and 53.5 % lower comparing to the same period last year.

The electricity stored in storage lakes was 13 % or 90 GWh lower than planned.

Thermal power plants (TPPs) (without Kosovo) produced some 1.8 TWh, which was 20.3 % higher comparing to same month last year and 22 % higher than planned.

Power utility of Serbia (EPS) finished regular maintenance works on one of the largest TPPs, the TPP Nikola Tesla B. Until end of the June, maintenance works in the largest coalmine, the Kolubara coalmine should be completed, management of the company said. At the end of May, coal reserves at the depots have been considerably reduced due to long-lasting drought. Even so, the coal reserves were 15 % higher than planned.

In the first five months of 2007th, electricity consumption in Serbia was 9 % or some 1.3 TWh lower than planned.

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## New increase in electricity prices in autumn (Serbia)

According to minister of energy and mining, Aleksandar Popovic, new increase in electricity prices for households in Serbia could be expected in autumn this year. The increase should be some 4 -5 %. The latest increase was imposed on May 15th this year.

The announced prices increase will be higher for business customers, minister said.

Minister pointed out that electricity prices are now being set by independent Regulatory energy agency (REA). Popovic said the electricity prices should rise, having in mind that electricity prices in Serbia are still one of the lowest in the region and that Power utility of Serbia (EPS) needs to provide sufficient funds for new development projects.

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## Announcement for construction of HPP Buk Bijela (Serbia & Bosnia and Herzegovina)

Minister of energy of mining of Serbia, Aleksandar Popovic, and minister of industry, energy and development of Republic of Srpska (RS), Rajko Ubiparip met in Belgrade in mid June.

The main topic of the meeting was the construction of hydropower plant (HPP) Buk Bijela and other projects for increase of utilization of energy potential of Drina River.

Popovic said that construction of HPP Buk Bijela could start in 2008th, where project documentation could be prepared in 6-12 months. New HPP would also provide rational usage of down stream HPPs. The cost of the project is estimated at 200 million euros. Two ministers confirmed that joint workgroup for the project would be established.

The power output of the HPP should be 150 MW, and if Montenegro decided to take part in the project, the power output could be 500 MW.

The project HPP Buk Bijela was designed as the joint project of Serbia, Montenegro and RS. The entire project was stopped in the last year, when Montenegro, under pressure of environmentalists, withdrew from the project due to possible destruction of national park of Tara Canyon.

Ubiparip announced that Serbia and RS would try once again to persuade Montenegro's officials to re-join the project. His statement has once again initiated strong reactions by ecologists, who again initiated signing the petition against the construction of HPP. So far, they managed to collect over 13,000 signatures. Ecologists believe that 500 MW HPP would flood 15 km of Tara Canyon and as well as to increase water level of Drina and Piva rivers.

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## Tender for NIS in autumn, EPS not to be privatized in the next four years (Serbia)

Tender for privatization of Oil industry of Serbia (NIS) should be expected in autumn this year, minister of energy and mining, Aleksandar Popovic said.

Government had earlier reached decision not to sell majority stake in national oil company, but minister announced changes in privatization model adopted in the last year. The changes will be carried out in cooperation with privatization advisor, the consortium Merrill Lynch-Raiffeisen Investment.

Popovic confirmed that changes would not be significant. The future strategic partner would be offered to acquire minority stake in NIS. After the strategy was adopted, the government should initiate changes in the related legislation during autumn, and finally, it should launch the privatization tender.

According to the energy minister, negotiations with future strategic partner could be finished in the first half of 2008th, which would enable finishing the modernization of oil refineries by 2010th.

In the same time, minister pointed out that Power utility of Serbia (EPS) would not be privatized during his mandate. Popovic believes that EPS significantly improved its technical performance and safety in electricity supply, while the electricity prices in Serbia are still among the lowest in Europe.

Privatization of public companies in Serbia will be partially carried out by the new Commission for restructuring and privatization of public companies, which was recently established by government of Serbia. Among others, the members of the Commission will be vice prime minister Bozidar Djelic, minister of economy Mladjan Dinkic, minister of energy and mining.

According to previous statements, Dinkic is in favor of sale of majority stake in NIS, while Djelic believes that state should stay majority owner. According to analysts, privatization of EPS could be the most important obstacle for the members of the Commission.

## Tenders:

### Electricity

Company / organization:

EAR, related Kosovo

**Construction of Fly ash Load out, Storage silos and Mixing Facilities for Stan Trg Mine, re - launch**

Content:

The contract consists of Construction of Fly ash Load out, Storage silos and Mixing facilities for Stan Trg Mine in order to provide continuous supply of fly ash from Kosovo Energy Corporation (KEK) power plant, to fill the voids left after the extraction of ore at Stan Trg mine.

The project includes the construction works for fly ash load out facilities at KEK power plant and construction of storage and mixing facilities at Stan Trg mine including design, steel and reinforced concrete works, electronic and mechanical fittings and other appropriate works..

Deadline:

16 August 2007 at 17:00 CET.

Contact:

Operational Centre Pristina  
Procurement Unit  
Head of Procurement Unit  
1, Kosovo Street  
Pristina, Kosovo UNMIK  
Fax: + 381 38 51 31 308  
E-mail: kwinten.joniaux@ear.europa.eu

Company / organization:

**EBRD, related Romania**

**Timisoara District Heating - Works and Consultancy**

Content:

CLT Colterm S.A. ("Colterm" or the "Company"), the district heating company owned by the City of Timisoara, has applied for a loan from the European Bank for Reconstruction and Development (the "Bank") for the modernisation of the municipal district heating system. The Company intends using the proceeds of the loan for the installation of new gas turbine units of 20 MW gross electricity production with a 29 MW thermal output and for district heating and corporate management consultants. Colterm will be the implementing agency.

The proposed project, which has a total estimated cost of EURO 22.5 million, will require the procurement of works and services for the following components:

- (a) supply and installation of gas turbine units;
- (b) procurement and implementation supervision;
- (c) corporate development programme (donor financed)

Contracts to be financed with the proceeds of a loan from the Bank will be subject to the Bank's Procurement Policies and Rules and will be open to firms from any country

Deadline:

21 Aug 2007 at 24:00, Timisoara time

Contact:

Aurel Matei , Deputy General Manager  
Colterm S.A. Str. Ep. Joseph Lonovici nr. 4  
300092, Timisoara Romania  
Tel: 0040 256 434 614 Fax: 0040 256 434 616  
Email: aurel.matei@colterm.ro

Company / organization:

EBRD, related Romania

**Iasi District Heating Project**

Content:

This General Procurement Notice (GPN) updates the first GPN for this project published in Procurement Opportunities, on 6 February 2006 with the Ref: 5189-GPN -35162.

S.C. Centrala Electrică de Termoficare (CET).Iași S.A. has received a loan from the European Bank of Reconstruction and Development and intends using the proceeds for refurbishment of the city district heating.

The Project, which has a total estimated cost of about €31.8 million, proposed to be financed by the Bank, the Swiss Government and S.C.CET Iasi S.A, will require the procurement of the following goods and works:

- Supply and Installation of thermal modules (expected to be partly donor funded)
- Supply and Installation of the equipment in the Central Sub-stations, including the automation equipment (expected to be partly donor funded)
- Rehabilitation Works for the Central Sub-stations, including Buildings Rehabilitation
- Rehabilitation Works for the Heat Distribution Network

Tendering for the above is expected to start in the 1st quarter 2007.

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:

25 Apr 2008 at 24:00, Iasi time

Contact:

Centrala Electrica de Termoficare Iasi ( CET) SA Project Implementation Unit  
Contact name: Mrs. Buzea Doina  
Address: Calea Chisinaului Street, no. 25 Iasi; Postal code: 700265 Iasi, Romania Phone: +40-232-231675 Fax: +40-232-231675

Company / organization:	EBRD, Serbia
<b>Electric Power Industry of Serbia</b>	
Content:	<p>This notice updates the General Procurement Notice for this project which was posted on the EBRD website on 19 November 2003.</p> <p>Electric Power Industry of Serbia (EPS) is constructing and conducting an installation of a reliable overburden removal system at Tamnava West lignite mine financed from a loan from the European Bank for Reconstruction and Development (EBRD) and the Kreditanstalt fuer Wiederaufbau (KfW).</p> <p>EPS has applied for an EBRD loan for the realization of the following parts of the new lignite mining system:</p> <ul style="list-style-type: none"> <li>• New Bucket Wheel Excavator</li> <li>• New Belt Conveyor system (co-financed by KfW)</li> <li>• New shifting devices</li> </ul> <p>EPS has further applied for KfW loan for the following parts of the new system:</p> <ul style="list-style-type: none"> <li>• Parts of the new belt conveyor system</li> <li>• New power supply system</li> <li>• Spreader integrating new and available parts</li> </ul> <p>Tendering process is completed and contract realization for the above goods and services is ongoing and project completion is planned for the second quarter of 2009.</p>
Deadline:	12 Jun 2008 at 24:00, Beograd time
Contact:	Mr. Slobodan Mitrović or Mr. Aleksandar Gajić Tel.: + 381-11-397-1926 Fax: + 391-11-397-1923 e-mail: slobodan.mitrovic@eps.co.yu or aleksandar.gajic@eps.co.yu

Company / organization:	EBRD, related Bulgaria
<b>Pernik District Heating Rehabilitation Project</b>	
Content:	<p>Toplofikacija Pernik EAD, hereinafter referred to as "The Employer", intends using part of the proceeds of a Grant from the Kozloduy International Decommissioning Support Fund (KIDSF) administrated by the European Bank for Reconstruction and Development (the Bank) towards the cost of "Pernik District Heating Rehabilitation Project". The project has accumulated savings of €180,000 which is intended to be used for Construction and Installation Works (CIW) needed for the rehabilitation of the heat transmission network.</p> <p>Contracts to be financed with the KIDSF grant will be subject to the Bank's Procurement Policies and Rules. Tendering for contracts to be financed with the proceeds of a grant administered by the Bank is now open to firms from Austria, Belgium, Bulgaria, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxemburg, Portugal, Spain, Sweden, Switzerland, UK, Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, the Netherlands, Poland, Romania, Slovakia, Slovenia, all the so called PHARE and countries of EBRD operations.</p>
Deadline:	12 Jun 2008 at 24:00, Pernik time
Contact:	eng. Gergana Koleva Moshino, CHP Plant Republika 2303 Pernik, Bulgaria Tel./Fax.: +359 (076) 670 675

Company / organization:	NEK, related Bulgaria
<b>Bridge Financing for the Belene NPP Project</b>	
Content:	<p>Natsionalna Elektricheska Kompania EAD has announced a tender to raise debt financing in the amount of MEUR250. This credit facility will be used to finance the design, procurement of equipment and civil works (construction and erection works) under the Project for Construction of NPP Belene during the first year of its implementation. This period is planned for implementation of the first phase of the Project that mainly covers design and preparatory works and within this period of 1 year NEK in its capacity as the company responsible for the development of the Project will complete the process of its structuring. The purpose of this credit facility will be to play the role of bridge financing until the required financial resources are provided for the complete implementation of the Project for construction of NPP Belene. Therefore NEK EAD as Borrower intends to repay entirely the credit immediately after the financial close of the Project is achieved or to keep the credit on its balance sheet with option for long term repayment. The announcement is published on the page of the Public Procurement Agency <a href="http://www.aop.bg">http://www.aop.bg</a> and in the Supplement to the Official Journal of the European Union <a href="http://ted.europa.eu">http://ted.europa.eu</a>. The documents for participation in the public procurement procedure may be obtained at the Head Office of NEK EAD or via e-mail upon submission of a document evidencing payment of the documentation fee of 500 Euro. The payment may be made either at the pay-office of NEK EAD or by bank transfer to the NEK account: IBAN: BG35KORP92201400534102, BIC: KORPBGSF in Corporative Commercial Bank AD.</p>
Contact:	Yulian Kiossev, tel. (+3592) 9263490 ykiossev@nek.bg.

Company / organization:	EBRD, related Romania
<b>CFR TRACTION ENERGY NETWORK MANAGEMENT PROJECT</b>	
Content:	<p>This notice updates the General Procurement Notice published on Ebrd Website dated 22nd July 2005 under reference 5104-GPN-36043.</p> <p>CFR SA and its subsidiary CFR Electrificare have received a loan from the European Bank for Reconstruction and Development and intends to use its proceeds towards the cost of a project to continue modernisation and introduce cost-savings measures in management of its traction energy network. The proposed project, which has a total estimated cost of EUR 27 million equivalent (EUR 22.5 m from the Bank and EUR 4.5m in VAT and other taxes), will require the procurement of the following goods, works and services;</p> <ol style="list-style-type: none"> <li>1. Supply and installation of equipment sets consisting of traction substations, switching equipment, railway station distance control equipment, and central dispatching equipment and communication facilities;</li> <li>2. Supply of catenary maintenance vehicles; and</li> <li>3. Consultancy services for contract supervision.</li> </ol> <p>Tendering for the above contracts started in the second half of 2006.</p>
Deadline:	24 Jul 2007 at 24:00, Bucharest time

Contact: Mr. Tiberiu Angelescu, Director of Foreign Financing Directorate  
Compania Nationala de Cai Ferate CFR – SA  
38, Dinicu Golescu Blvd., 3rd floor, room no. 26  
010873 Bucharest 1 Romania  
Tel.: +40 21 224 84 06 Fax: +40 21 222 14 45

Company / organization: EBRD, related Bulgaria

#### Sofia District Heating Rehabilitation Project

Content: 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 Purchaser now invites sealed tenders from suppliers for the following contracts to be funded from part of the proceeds of the loan and the grant for the Supply of 1700 District Heating Substations and Associated Services including delivery of substations, dismounting of existing substations, preparatory work in substations' rooms, installation, adjustment and commissioning of substations.

The supply of 1700 district heating substations and associated services is divided into five (5) separate lots as follows:

-Lot 1 refers to 500 substations located in DHR "Sofia" (central and north part of Sofia city).

-Lot 2 refers to 470 substations located in DHR "Sofia east" (south-east part of Sofia city).

-Lot 3 refers to 320 substations located in DHR "Zemlyane" (south part of Sofia city).

-Lot 4 refers to 240 substations located in DHR "Lulin" (north-west part of Sofia city).

-Lot 5 refers to 170 substations located in DHR "Sofia" (central and north part of Sofia city) and DHR "Sofia east" (south-east part of Sofia city).

Tenders are invited for one or more lots. Each lot must be priced separately.

Contracts for Lot 1, 2, 3 and 4 will be financed with the proceeds of the KIDSF grant, and Contract for Lot 5 will be financed with the proceeds of the loan. The Contract for Lot 5 will be awarded in case of availability of financial sources from EBRD Loan

Tendering for contracts to be financed with the proceeds of the KIDSF grant (Lot 1, 2, 3 and 4) will be administered by the EBRD under the procurement rules of the EBRD and the KIDSF. Tendering for contract to be financed with the proceeds of the KIDSF grant is open to firms from eligible countries of the Fund. The eligible countries in accordance with the Rules of the KIDSF are EU member states, Switzerland, so called PHARE countries and countries of EBRD operation.

All tenders must be accompanied by a tender security of:

Lot 1 - EUR 61 000 (sixty one thousand)

Lot 2 - EUR 48 000 (forty eight thousand)

Lot 3 - EUR 33 000 (thirty three thousand)

Lot 4 - EUR 26 000 (twenty six thousand)

Lot 5 - EUR 18 000 (eighteen thousand)

or its equivalent in a convertible currency.

Deadline: 20 Jul 2007 at 14:00, Sofia time

Contact: Mr. Peter Petrov  
fax + 359 (2) 859 91 24  
phone +359 (2) 859 81 05

Company / organization: EBRD, related Bosnia and Herzegovina

#### Power Distribution Reconstruction Project

Content: This GPN updates the notice published on the EBRD website on 11 November 2005. Bosnia and Herzegovina has applied for a loan from the European Bank for Reconstruction and Development ("The Bank") towards the cost of reconstructing and modernising the electricity distribution infrastructure in Bosnia and Herzegovina, enabling the three local power utilities (Elektroprivreda Bosne Hercegovine ("EPBIH"); Elektroprivreda Republike Srpske ("EPRS") and Elektroprivreda Hrvatske Zajednice Herceg Bosne ("EPHZHB")) to improve reliability and quality of electricity supply, reduce losses and improve energy efficiency.

The proposed project has a total estimated cost of Euro 55 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.

Tendering for contracts under (c) above was completed in June 2006. Procurement for goods & services and works under (a) and (b) above has started and should be completed by December 2007.

Deadline: 2 Jun 2008 at 24:00, Mostar time

Contact: Mr. Josip Jerkovic  
PIU Director  
Tel: +387 36 323 788  
Fax: +387 36 322 831  
Email: josip.jerkovic@epzhb.ba

Company / organization: EBRD, Bosnia and Herzegovina

#### PROCUREMENT OF SUBSTATIONS 10(20)/0.4 kV

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

JP ELEKTROPRIVREDA BOSNE I HERCEGOVINE – d.d. SARAJEVO (hereinafter referred to as: the Employer), intends using part of the proceeds of a loan from the European Bank for Reconstruction and Development (the Bank) towards the cost of Procurement of Substations 10(20)/0.4 kV

The Employer now invites sealed tenders from all interested Suppliers and/or Contractors for the following contract to be funded from part of the proceeds of the loan:

Supply of various electrical equipment for 48 (forty eight) pcs of Substations 10(20)/0.4 kV in concrete /metal housing; 78 (seventy eight) pcs of pole mounted substations 10 (20)/04 kV; and 131 (one hundred and thirty one) pcs of remotely controlled pole mounted switch disconnectors.

Deadline: 15 Aug 2007 at 12:00, Sarajevo time

Contact: ELEKTROPRIVREDA BOSNE I HERCEGOVINE – d.d. Sarajevo  
Project Implementation Unit  
Mr. Nedeljko Despotović, PIU Director  
Vilsonovo šetalište 15  
71000 Sarajevo  
BOSNIA AND HERZEGOVINA  
Tel.+387 33 751 030  
Fax.+387 33 751 033  
e-mail: n.despotovic@elektroprivreda.ba

Company / organization: EBRD, related Bosnia and Herzegovina

#### ENERGY METERS AND AMR CENTRE

Content: This Invitation for Tenders follows the General Procurement Notice for this project which was published on EBRD website dated 11 November 2005. J.P. ELEKTROPRIVREDA HRVATSKE ZAJEDNICE HERCEG BOSNE d.d. Mostar hereinafter referred to as the Purchaser, intends using part of the proceeds of a loan from the European Bank for Reconstruction and Development (the Bank) towards the cost of Goods and associated Services for equipment and materials for Energy Meters and AMR Centre. The Purchaser now invites sealed tenders from all interested Suppliers and/or Manufacturers for the following contracts to be funded from part of the proceeds of the loan:

#### ENERGY METERS AND AMR CENTRE

Energy Meters and AMR centre cover design, manufacturing, testing, transportation, installation services and commissioning for 0,4 kV current measuring transformers –5668 pcs (five thousand six hundred and sixty eight); 10(20) kV voltage measuring transformers (ninety) 90 pcs; el. energy meters with possibility of remote readings –2750 pcs (two thousand seven hundred and fifty); connecting material for installation , integration of the equipment in the 10(20)/0,4 kV substations and automatic meter reading centre and preparation of "As Built" documentation in Mostar.

Deadline: 17 Jul 2007 at 12:00, Mostar time

Contact: ELEKTROPRIVREDA HRVATSKE ZAJEDNICE HERCEG BOSNE d.d. Mostar  
Project Implementation Unit  
Mr. Božidar Jovanović, PIU Director  
Zagrebačka 1  
88 000 Mostar  
BOSNIA AND HERZEGOVINA  
Tel. +387 36 323 788  
Fax. +387 36 322 831  
E-mail: bozidar.jovanovic@ephzhh.ba

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

Design, Construction and Commissioning of the 390 Km Agadyr-YuKGRES Section of 500 KV Second Transmission Line of Kazakhstan North-South Transit Consulting Services Loan: Management and Monitoring Of Construction Contract Implementation Progress

Content: 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