

Pursuant to Article 4.8 of the Act on Transmission of Electric Power, Regulator and System Operator in Bosnia and Herzegovina ("Official Gazette of BiH", number 7/02 and 13/03), Article 46 of the Law Establishing the Company for Transmission of Electric Power in Bosnia and Herzegovina ("Official Gazette of BiH" number 35/04 and 13/03), Articles 7 and 18 of the Rule on Tariff Proceedings ("Official Gazette of BiH", number 44/05) and Articles 3 and 8 of the Decision on method of determination of interim tariffs for the transmission of electricity and the operation of the Independent System Operator ("Official Gazette of BiH", number 44/05), at its session held on March 21, 2006, the State Electricity Regulatory Commission rendered

## **DECISION**

1. It is determined that the annual revenue requirement of the Company for Transmission of Electricity in BiH ("Elektroprenos Bosne i Hercegovine" stock company Banja Luka) for the 2006 shall amount to 125,443,181 KM and the interim tariff for electricity transmission services as follows:
  - 0.980 pf/kWh for customers in Bosnia and Herzegovina that take over electricity from the transmission network,
  - 0.398 pf/kWh for declared import of electricity from countries that have the perimeter country status within the Inter-TSO Compensation Mechanism (ITC mechanism),
  - 0.578 pf/kWh for declared export of electricity.
2. The Independent System Operator in Bosnia and Herzegovina is ordered to prepare at the end of every month reports on values of declared import and export with the related values for each license owner in the power sector, based on which the Company for Transmission of Electricity in BiH will bill the services in accordance with the tariff from paragraph 2 and 3 of the previous Point.
3. The Company for Transmission of Electricity in BiH is ordered to ensure the installment of metering devices (capacity, active and reactive energy) at all bordering points between the transmission and distribution network and at all bordering points between the transmission network and generating units by October 31, 2006.

The Company is obligated to prepare at the end of every month a report on peak loads, values of active and reactive energy measured at all bordering points between the transmission and distribution network as well on the values of active and reactive energy delivered to the transmission network at all bordering points between the transmission network and generating units.
4. This Decision shall enter into force on the day of its issuance, and it shall be applied as of April 1, 2006.

The decision shall be published in the "Official Gazette of BiH" and the official gazettes of the entities and Brčko District of Bosnia and Herzegovina.

### ***Rationale***

By the decision of the State Electricity Regulatory Commission (hereinafter: SERC), number: 04-28-248-29/05 of January 31, 2006., it is determined that the annual revenue requirement

of the Company for Transmission of Electricity in BiH (“Elektroprenos Bosne i Hercegovine” stock company Banja Luka) for the 2006 shall amount to 123,610,120 KM and the initial interim tariff for electricity transmission services in the amount of 1.087 pf/kWh, keeping the right of SERC to adjust the tariff, if deemed necessary.

Differentiation of the interim tariff into a few categories, domestic customers, especially big industrial customers, are ensured a better position at the market with regard to availability of electricity in the quantities needed for their operation. The decision supports the giving of priority to supply of domestic consumers by all power entities in Bosnia and Herzegovina, thus affirmatively contributing to the creation and development of a single electricity market in BiH. At the same time, the adjustment of tariffs in the manner as described in the disposition of the decision represents also one of the measures directed to avoiding of a considerable increase in electricity price for end-customers in BiH, which the cost-based principle in formation of the tariffs for services provided could cause in the initial period of tariff application.

To ensure more just approach in tariff pricing, i.e. to be able to more precisely allocate to each customer the relevant cost caused on the transmission network, in the forthcoming period SERC intends to establish two-part tariff in the next tariff proceedings, that will include the energy and capacity components, for whose application it will be necessary to introduce the measuring of load beside the measuring of energy.

Taking into account reduction of the revenue based on the implementation of ITC mechanism, from the estimated 8 million to 6,166,939 KM, it was necessary to increase the revenue requirement of the Company for Transmission determined by the previous SERC decision of January 31, 2006 to the amount of 125,443,181 KM.

Pursuant to Article 9.2 of the Act on Transmission of Electric Power, Regulator and System Operator in Bosnia and Herzegovina, proceedings against this decision may be initiated before the Court of Bosnia and Herzegovina by filing a lawsuit within sixty (60) days from the day of its publishing.

Number: 04-28-248-37/05  
March 21, 2006  
Tuzla

Chairman of the Commission  
Željko Topić