

Pursuant to Article 4.2 of the Law on Transmission of Electric Power, Regulator and System Operator in Bosnia and Herzegovina (Official Gazette of BiH, 7/02, 13/03, 76/09 and 1/11) and Article 28d of the Tariff Pricing Methodology for services of electricity transmission, independent system operator and ancillary services – Consolidated text (Official Gazette of BiH, 93/11 and 61/14), at its session held on 28 June 2017 the State Electricity Regulatory Commission passed a

## **DECISION**

### **ON AMENDMENT TO THE DECISION OF TARIFFS FOR SYSTEM AND ANCILLARY SERVICES**

#### **Article 1**

Article 2, paragraph (1) of the Decision on tariffs for system and ancillary services (Official Gazette BiH, 2/16 and 51/16), shall be amended to read:

“(1) The tariff for system service shall be set to the amount of 0.3187 fening/kWh.”.

#### **Article 2**

This Decision shall enter into force on the day of the adoption; it shall be applied as of 1 July 2017 and published in the Official Gazette of BiH and official gazettes of the Entities and Brčko District of Bosnia and Herzegovina.

#### ***Statement of Rationale***

The tariff setting proceedings for system and ancillary services were conducted through the tariff proceedings initiated at the request of the Independent System Operator in Bosnia and Herzegovina (hereinafter: the ISO BiH), number: 34/15 of 30 October 2015, while the decision was passed on 29 December 2015.

Article 28d of the Tariff Pricing Methodology for services of electricity transmission, independent system operator and ancillary services defines the method of determining the system service tariff and its adjustment. The ISO charges the system service tariff to all licensed entities taking over electricity from the transmission system.

The initial revenue requirement calculation for procurement of ancillary services was published in December 2015 on the basis of offers and results of the completed tendering procedures conducted by the ISO BiH and an estimate of missing capacity volumes for 2016. It was emphasised then that since a new model of ancillary services procurement and system service provision was being introduced into practice, SERC would continuously monitor the implementation of this decision and rules regulating this field. In accordance with the completed tendering procedures, total costs of ancillary services procurement for 2016 amounted to 60.24 million BAM based on which the initial system service tariff was determined amounting to 0.5014 fening/kWh.

After six month of implementing the new BiH power system balancing model, there arose the need to adjust the system service tariff taking into account the scope of costs for procurement of ancillary services during this period and an estimate for the remaining period. As the costs of procuring ancillary services of secondary and tertiary reserve and energy for covering of losses in the transmission system were lower than the projected ones while the cost of compensation for unintended deviations of the BiH regulation area and the balance account of balancing energy and imbalances (deviations of balance responsible parties from a daily schedule) were conducive to the reduction of costs, i.e. an increase in income, on 28 June

2016 SERC adjusted the system service tariff to the new amount of 0.3761 fening/kWh. This tariff had been implemented since 1 July 2016.

In the meantime, the tendering procedure for procurement of ancillary services for 2017 was conducted and, based on the offers received, it turned out that the costs of procuring ancillary services amounted to 55.11 million BAM, which is 5.13 million BAM less than in the previous year. Moreover, a significant deviation of the balance responsible parties was registered in the period November 2016 – February 2017, on the basis of which the incomes were increased by 7.5 million BAM. In addition to other circumstances which also were conducive to increasing the difference between incomes and expenditures, there are sufficient reasons to initiate the system service tariff adjustment in terms of its further reduction. The following table provides the planned and realised costs of procuring ancillary services during the entire period of the new power system balancing model implementation (BAM):

month	planned costs in total	realised costs *	balancing energy **	imbalances**	tariff for system service	incomes – costs
<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>	<i>7=6-3-4-5</i>
January	5 276 698	3 723 269	- 528 874	1 026 057	5 649 091	1 428 639
February	5 199 170	2 989 921	- 108 941	130 129	4 880 742	1 869 633
March	4 569 168	3 382 450	361 017	-1 115 426	5 260 860	2 632 817
April	4 896 718	3 177 819	217 960	- 558 533	4 597 132	1 759 885
May	4 170 330	3 565 428	490 433	-1 068 758	4 701 105	1 714 002
June	4 426 120	3 271 376	659 508	-1 021 786	4 509 710	1 600 612
July	5 441 303	4 238 272	256 990	- 429 409	3 574 479	- 491 374
August	5 644 713	3 872 412	- 58 231	185 531	3 533 010	- 466 702
September	4 930 765	3 424 345	130 727	- 81 282	3 447 793	- 25 998
October	5 118 415	5 289 815	196 360	- 715 602	3 776 134	- 994 438
November	5 023 283	5 249 902	369 994	-1 081 349	3 895 726	- 642 821
December	5 546 973	5 183 005	1 054 918	-2 773 803	4 491 972	1 027 851
<b>total 2016</b>	<b>60 243 653</b>	<b>47 368 014</b>	<b>3 041 862</b>	<b>-7 504 231</b>	<b>52 317 752</b>	<b>9 412 108</b>
January	5 229 050	5 036 942	839 201	-2 580 134	4 855 688	1 559 678
February	4 764 670	4 349 929	395 359	-1 044 503	3 884 195	183 411
March	4 613 070	3 855 706	457 610	- 611 886	3 815 042	113 613
April	4 071 240	3 323 619	416 522	- 981 575	3 624 568	866 002
May	3 955 110	3 054 637	195 153	- 406 839	3 483 138	640 188
<b>total 2017 (I-V)</b>	<b>22 633 140</b>	<b>19 620 833</b>	<b>2 303 844</b>	<b>-5 624 937</b>	<b>19 662 632</b>	<b>3 362 892</b>
<b>total 2016-2017</b>	<b>82 876 793</b>	<b>66 988 846</b>	<b>5 345 706</b>	<b>-13 129 168</b>	<b>71 980 384</b>	<b>12 774 999</b>

\* costs of procurement of secondary and tertiary control capacity and energy for covering of losses in the transmission system, penalising of ancillary services providers and compensation of unintended deviation within the SHB regulation block are included

\*\* +/- ISO pays/ISO charges

Taking into account the aforementioned, with the aim of achieving the balanced ratio of the incomes based on the system service tariff and expenditures based on payments for procurement of ancillary services and incomes and expenditures based on the balancing energy and deviations of the balance responsible parties, the system service tariff is adjusted to the value of 0.3187 fening/kWh.

SERC will continue to monitor the developments in the balancing market and initiate the adjustment of the system service tariff on a needs basis.

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Chairman of the Commission

28 June 2017

Tuzla

Suad Zeljković