

Pursuant to Article 4.2 of the Law on Transmission of Electric Power, Regulator and System Operator of Bosnia and Herzegovina („Official Gazette of BiH“, No. 7/02, 13/03, 76/09 and 1/11) and Article 36 of the Rules of Procedure of the State Electricity Regulatory Commission („Official Gazette of BiH“, No. 2/05), at the session held on 22 April 2014, the State Electricity Regulatory Commission adopted

DECISION

APPROVING THE INVESTMENT PLAN OF THE COMPANY FOR TRANSMISSION OF ELECTRIC POWER FOR 2014

1. The Invest Plan of the Company for Transmission of Electric Power in Bosnia and Herzegovina – Elektroprenos/Elektroprijenos Bosne i Hercegovine a.d. Banja Luka (hereinafter: TRANSCO) for 2014 shall be approved.

The total investment value as projected by the Investment Plan amounts to 221,930,080 BAM.

2. The Investment Plan shall include the structure and schedule of realization of planned investments with funding sources.

The value of individual investments and unit costs of equipment are not considered by SERC.

3. The Investment Plan shall be realized in a transparent manner in line with procedures as laid down by the Law on Public Procurement.

4. SERC shall monitor the realization of the Investment Plan in line with its competences.

5. This decision shall come into force on the day of adoption and shall be published in the “Official Gazette of BiH” and official gazettes of the Entities and Brčko District BIH.

Statement of Rationale

TRANSCO adopted the Investment Plan for 2014 at the session of the Company’s held on 26 March 2014. It was approved at the Assembly of Stakeholders held on 31 March 2014.

The Plan is a result of applying planning principles and frameworks as adopted by the Assembly of Stakeholders Plan and established criteria and relations in the investment structure.

The document was prepared in the function of realizing the power balance on an annual basis, applying the basic standard security criterion.

The Plan includes activities on solving rigid points in the system, rehabilitation of transmission network facilities that are not operational and putting them into operation, completing 110 kV transmission line fields and replacement of power and network transformers in accordance with defined criteria.

By application of the standard (n-1) power system security criterion, the Plan included necessary system enhancements. Furthermore, it took into account the requirements resulting from the exploitation and maintenance process and the defined lifespan of equipment. The Plan dynamically defines the realization of activities within the shortest possible deadline taking into consideration available funding and realistic limitations in a large number of parallel investments.

The basic criterion for the transmission network development planning in the BIH power system is the minimization of total costs (investment and exploitation) while meeting the system security requirement.

The Plan envisages the construction of 13 new substations TS 110/x, expansion of the existing nine TS 110/x kV and construction of five new transmission lines with nominal voltage of 110 kV. It is planned to reconstruct the existing 19 TS 110/x kV, five transmission lines, including the reconstruction of one 400 kV and two 220 kV transmission lines. The Plan envisaged the replacement of a transformer at TS Zenica 2 (220/110 kV) and 13 power transformers at TS 110/x kV.

In addition to investments in the power equipment, for the functional needs of the Company, it is planned to realize a business-information system, equipping of business buildings and purchase of required equipment, vehicles, tools etc.

The value of total investments as foreseen by the 2014 Investment Plan amounts to 221,930,080 BAM, which will be fully realized from the Company's funds.

The State Electricity Regulatory Commission did not consider either the value of individual investments or unit costs of equipment and works included in the Plan as it expects its transparent realization pursuant to procedures as laid down by the Law on Public Procurement. SERC will monitor the realization of the Investment Plan in line with its competences.

SERC shall remain reserved with regard to the realization of planned amounts of free depreciation in 2014, to which particular attention will be paid during the procedures for setting the annual revenue requirement of the Company and tariffs for electricity transmission services.

Finally, SERC points out that professional preparation of the Investment Plan is not disputable. The State Electricity Regulatory Commission is aware of its structural complexity, scope and diversity of the content. However, the Commission observes the need for and benefits of making structural comparison of this type of document in the future during preparations with relevant elements of documents it is familiar with and which are binding by European law, taking into accounts the titles of documents and periods they apply to.

Furthermore, development of these plans has to bring together professional capacities of all those institutions in the power sector of Bosnia and Herzegovina, the participation of which is unavoidable or welcome and will ensure both qualified assessments of technical, economic, financial and other elements of plans by various institutions, each in line with its own competences, and coherence of different types of plans and timeframes.

On the other hand, the process of approving prepared plans inevitably raises the issue of choosing the most efficient method of their presentation to the bodies which approve them, in particular the clarity of recognizing relevant parts which are subject to approval. Therefore, in the future, the State Electricity Regulatory Commission will insist on measures which clearly define and govern its tasks and responsibility in this context.

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22. April 2014

Tuzla

Chairman of the Commission

Mirsad Salkić