

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“, 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“, 2/05), at the session held on 30 December 2014, the State Electricity Regulatory Commission adopted

DECISION

APPROVING THE INVESTMENT PLAN FOR 2015

1. The Invest Plan of the Company for Transmission of Electric Power in Bosnia and Herzegovina – Elektroprenos Bosne i Hercegovine a.d. Banja Luka (hereinafter: Transmission Company) for 2015 shall be approved.

The total investment value as projected by the Investment Plan amounts to 316,715,461 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

The Transmission Company adopted the Investment Plan for 2015 (hereinafter: the Investment Plan) at the session of the Company's Steering Board held on 11 December 2014. Furthermore, at the session held on 22 December 2014, the Assembly of Stakeholders adopted a Decision approving Decisions on investments in Transmission Company's facilities exceeding amounts of 1,000,000 EUR number UO-16271/2014 of 11 December 2014.

In addition to giving full consideration to technical and economic planning criteria, the plan development framework also includes decisions and conclusions of the Company's Board of Directors and Steering Boards and Assembly of Stakeholders defining in that way criteria and relationships in the very investment structure. When developing the Investment Plan, the Investment Plan for the Period 2014-2016 was used as approved by the SERC Decision number: 05-28-16-146-3/14 ("Official Gazette of BiH", 34/14), as well as the Long-Term Transmission Network Development Plan for the Period 2014 – 2023 as approved by the SERC Decision number: 05-28-13-331-3/14 ("Official Gazette of BiH", 93/14).

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 and 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.

Due to lack of data, when considering the Investment Plan for 2015, SERC did not take into consideration Item A-II-1-11 pertaining to construction of TS Stanari. For that reason, Item A-II-1-11 was not approved by this Decision.

In addition to investments in energy equipment, for the functioning of the Company, it is planned to obtain the business operating system, a single telecommunication system and document management system (*DMS*), digital signature system, as well as reconstruct and equip business buildings, purchase necessary equipment, vehicles, tools etc.

The value of total investments as foreseen by the 2015 Investment Plan amounts to 316,715,461 BAM, of which 186,821,170 BAM pertains to funds transferred from the 2014 Investment Plan and previous plans, 96,922,556 BAM to funds available in 2015, 8,553,626 BAM to engagement of Company's own resources in 2015, 5,080,109 BAM to previously provided equipment and materials, and 180,000 BAM to granted assets. The Plan also foresees investments based on connection charges (variable part) totalling 19,158,000 BAM.

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.

Number: 05-28-16-418-1/14

30 December 2014

Tuzla

Chairman of the Commission

Nikola Pejić