

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 Articles 28, 28a, 28b and 33 of the Tariff Pricing Methodology for services of electricity transmission, operation of ISO and ancillary services – Consolidated Text (Official Gazette of BiH, 93/11 and 61/14), at the session held on 7 May 2015, the State Electricity Regulatory Commission adopted

DECISION

ON DETERMINATION OF COEFFICIENTS AND PRICE CAPS FOR ANCILLARY SERVICES

Article 1 (Subject)

This Decision determines the coefficients for calculation of volumes in the system of ancillary services and price caps required to initiate the ancillary service procurement procedures which are conducted by the Independent System Operator in Bosnia and Herzegovina (ISO BiH).

Article 2 (Secondary Control)

The coefficients and price caps for secondary control capacity and energy shall be determined as follows:

- Price coefficient for secondary control capacity amounts to 1.2
($k_{SecCap} = 1.2$),
- The base price for secondary control capacity amounts to 19.56 KM/kW/month
($p_{BaseSecCap} = 19.56$ KM/kW/month), so that
- The price cap for secondary control capacity for each month amounts to 23.47 KM/kW/month
($p_{MaxSecCap} = 23.47$ KM/kW/month),
- Coefficient of charges for non-provided secondary control capacity amounts to 1.1
($k_{PenSecCap} = 1.1$),
- Difference in prices of energy for upward and downward secondary control amounts to 19.56 KM/MWh
($S = 19.56$ KM/MWh).

Article 3 (Tertiary Control)

The coefficients and price caps for capacity and energy for tertiary control shall be determined as follows:

- Price coefficient for tertiary control capacity amounts to 1.1
($k_{TerCap} = 1.1$),
- Price for tertiary control capacity amounts to 5.87 KM/kW/month
($p_{TerCap} = 5.87$ KM/kW/month), so that
- The price cap for upward tertiary control capacity amounts to 6.46 KM/kW/month
($p_{MaxTerCap} = 6.46$ KM/kW/month),
- The price cap for upward tertiary control energy amounts to 391.17 KM/MWh

$(p_{MaxTerEnUp} = 391.17 \text{ KM/MWh})$.

Article 4
(Imbalances)

The coefficients for calculation of imbalances shall be determined as follows:

- Coefficient with a positive imbalance price amounts to 1 ($k_+ = 1$),
- Coefficients with a negative imbalance price amounts to 1 ($k_- = 1$).

Article 5
(Entry into Force)

The Decision shall enter into force on the day of the adoption and be published in the Official Gazette of BiH.

Number 04-28-7-167-1/15
7 May 2015
Tuzla

Chairman of the Commission
Nikola Pejić

Statement of Rationale

The price caps for ancillary services are determined in accordance with the Tariff Pricing Methodology for services of electricity transmission, operation of ISO and ancillary services (hereinafter: the Tariff Methodology) which has been harmonised with the Concept of Ancillary Services for the Balancing of the Power System of Bosnia and Herzegovina.

The Concept of Ancillary Services is the basis for the creation and adoption of implementation rules, regulations and decisions of the relevant bodies in the power sector in line with competences thereof, which should ensure effective functioning of the balancing service market in the BIH power system.

In accordance with the Plan of Activities which was created with the aim of implementing solutions from the Concept of Ancillary Services for the Balancing of the Power System of Bosnia and Herzegovina, a six-month dry run period was foreseen during which procedures, volumes, metering and meter reading, data exchange methods, adjustment of supporting software and hardware etc. should be tested in practice. As the dry-run period expires soon, it is necessary to determine price caps for ancillary services which in the initial period of implementing the Concept have certain relevance with a view to protecting market participants, primarily customers, under the conditions of insufficiently developed market competition.

The price cap for secondary control capacity is defined as the product of the capacity base price and the capacity coefficient. The amount of base price is set at $p_{BaseSecCap} = 19.56$ KM/kW/month (10 €/kW/month). The set value of secondary control capacity coefficient amounts to 1.2 with the aim of providing incentives to providers of this service. Finally, the price of secondary control capacity for each month amounts to $p_{MaxSecCap} = 23.47$ KM/kW/month (12 €/kW/month).

In addition, the coefficient of charge for non-provided capacity is also defined which serves to determine a financial charge for non-provided reserve and its value amounts to $k_{PenSecCap} = 1.1$.

Furthermore, the value S is defined as the difference in prices of energy for upward and downward secondary control. Based on the existing experiences in the neighbouring markets, this value is set at the amount of 19.56 KM/MWh (10 €/MWh).

The price cap for tertiary control is defined as the product of tertiary control capacity coefficient and the price of tertiary control reserve capacity which is equal to the offered price of tertiary control capacity selected in the procedure for procurement of tertiary control reserve capacity. As the capacity has not been purchased in the market so far, the price amounting to $p_{TerCap} = 5.87$ KM/kW/month (3 €/kW/month) is set in order to initiate the whole process.

Furthermore, the price cap for energy for upward tertiary control is set at 391.17 KM/MWh (200 €/MWh) as five times the value of the reference price of electricity in the market (p_{MR}). The same problem of defining the reference price of energy in the market in the initial period occurs here as with the tertiary reserve, taking into account that the Tariff Methodology stipulates that this price is obtained in the market as the result of purchasing energy to cover losses in the transmission system. Taking into account these circumstances, the initial price for p_{MR} amounting to 78.23 KM/MWh (40 €/MWh) is set as the price which is slightly higher

than the current price at the power exchange (HUPX) which ranges between 30 and 35 €/MWh during the past two months.

Furthermore, the coefficients applied to calculation of imbalances k_+ and k_- are also determined. In the initial period, the value of these coefficients is set at 1.

Depending on developments after the initial implementation of the whole process, the possibility of changing the price caps is permitted.