

Pursuant to Article 4.3. of the Law on Transmission, Regulator and Electricity System Operator in Bosnia and Herzegovina ("Official Gazette of BiH", No. 7/02 and 13/03) and Article 36 of the Procedural Rules of the State Electricity Regulatory Commission ("Official Gazette of BiH", No. 2/05), the State Electricity Regulatory Commission at its session held on April 21, 2005 has issued

RULE ON TARIFF PROCEEDINGS

I GENERAL PROVISIONS

Article 1

Scope of Procedural Rules for Procedures Relating to Tariffs

This Rule shall determine the procedural basis for consideration of applications and any other pleadings relating to tariffs, tariff methodologies and standards for issuance of tariffs, which are necessary for the State Electricity Regulatory Commission (hereinafter: the SERC) to meet its obligations with regard to compliance with the Law on Transmission, Regulator and Electricity System Operator (hereinafter: the Law).

Article 2

Definitions

The terms used in this Rule shall have the meanings as set forth in the Law, Procedural Rules and Rules on Hearing Procedures of the SERC.

II BASIS OF TARIFF PROCEEDINGS

Article 3

Commencement of Tariff Proceedings

Tariff proceedings, as a group of activities conducted in the tariff approval procedure, shall be commenced by filing of a tariff application by the regulated company or at the initiative of the SERC.

The application referred to in the previous paragraph may relate to full or partial change of tariff rates.

The tariff proceedings initiated upon request of the regulated company shall commence when the SERC establishes that the tariff application meets all formal and procedural requests prescribed by the Rules on Hearing Procedures and this Rule.

Article 4

Content of Tariff Application

Tariff application, or annexes to the application, including but limited to mandatory data referred to in Article 7 of this Rule, must clearly present and confirm:

- a) anticipated effect of proposed tariff, if any, on the revenue of regulated company;
- b) any significant change in tariff design expected to result from the application;
- c) the statement that the information and data submitted with the application are true and correct to the best of one's knowledge.

- d) The application and attachments to the application referred to in the previous paragraph must be organized in such a way to provide identification of:
- e) the name of the regulated company, services included in tariff(s), requested date of coming into effect of the proposed tariff(s) and the authorized representative of the regulated company;
- f) table of content or indices of attached tables with sufficient details so that particular costs, revenues, requested tariffs or serves, or any other item; and

current tariffs charged by the regulated company to its customers for any regulated service and any additional information necessary to identify tariffs of the regulated company for particular services.

The SERC shall inform the public on the tariff proceedings initiated upon request of the regulated company or the procedure initiated at its own initiative, as determined by the Procedural Rules of the SERC, i.e. Rule on Public Hearings of the SERC.

Article 5 ***Public Notice***

The regulated company filing tariff application must submit notices on filed application to all of its customers individually. The notice must include:

- a) the amount of proposed tariff change;
- b) the percentage of proposed tariff change for each customer class;
- c) the date of coming into effect of proposed tariff change;
- d) the customer's right to request information related to current and proposed tariffs; and
- e) customer's right to participate in an open and fair hearing before the SERC.

The SERC shall inform the public on the tariff proceedings initiated upon request of the regulated company or the procedure initiated at its own initiative, as determined by the Procedural Rules of the SERC, i.e. Rule on Public Hearings of the SERC.

Article 6 ***Approval of Application***

The SERC shall approve request for tariff change in a manner and following procedure set forth in the Procedural Rules of the SERC and SERC's procedures for hearings as prescribed by the Rules on Public Hearings of the SERC.

As a rule, the SERC shall not review tariff applications relating to tariff period which, in the previous decision of the SERC, has been determined as the period of unchanged tariffs.

Article 7 ***Tariff Methodology***

The tariff application shall be filed and reviewed in accordance with the Tariff Pricing Methodology for Electricity Transmission Services, Independent System Operator and Ancillary Services which is determined by the separate document of the SERC.

The Methodology from the previous paragraph shall define the tariff structure and pricing in electricity transmission related activities, and operation of transmission network.

The Methodology must take into account the following objectives: approved tariffs shall be transparent, non-discriminatory and based on the justified operation and maintenance costs,

to stimulate energy efficiency, to create stable relations on the power market, to stimulate development of transmission activity, to take into consideration environmental protection and to maintain standards of prevailing international practice.

In the Methodology from the paragraph 1 of this Article included shall be the content and the shape of Tables of all indicators necessary for allocating data in tariff proceedings, and instructions for expressing reference values.

It is within SERC's authority and discretion to:

- consider and verify all costs and revenues submitted as support to proposed tariffs and to allow, disallow or adjust any item which is not justified;
- consider and verify entire assets proposed to be the part of regulatory asset base and allow, disallow or adjust the value of any of such assets;
- allow, disallow or adjust any other value or analysis used for calculation of the proposed tariffs; and
- accept proposed tariff design or to adapt it as appropriate.

Article 8

Regulatory Chart of Account

For the purpose of implementation of Methodology referred to in Article 7 of this Rule, the SERC shall determine the regulatory chart of account in the separate decision, using the basic classification of the official chart of accounts.

Article 9

Standards for Approval of Tariffs

The SERC shall only approve those applications that provide sufficient information to the SERC in order to make decision. The SERC shall approve applications in cases when the prices, terms and conditions for implementation of tariffs are nondiscriminatory, reasonable to customers, and based on the properly incurred costs of providing a particular service. The burden of proof shall be on the applicant to show that the proposed tariff satisfies the requirements of the Law and this Rule.

Article 10

Informal Hearings

In cases where the subject of dispute is insignificant and trivial or when the SERC determines that the impact on customers is not large, not controversial, or there are no interveners in the proceedings, the SERC may expedite action on the pleadings, shorten time periods for submitting replies and comments, implement informal information request procedures, schedule a public hearing in shorter period than prescribed in the Rules of Hearing Procedures, limit the length of participation in the hearing, and take such other action necessary to expedite the decision. However, this simplification of the proceeding shall not free the SERC from its obligation to conduct proceedings in public and to permit interested persons to participate in the proceeding.

Article 11

Prohibited Activities

It is unlawful for any regulated company to charge, demand, collect or receive compensation for any regulated service performed within Bosnia and Herzegovina, a greater or lesser compensation than as specified in the decision of the SERC or to demand, collect or receive any other compensation not specified in the decision approving tariffs.

Article 12
Enforcement

The SERC may sanction each violation of approved tariffs or noncompliance with this Rule as provided in the Law, taking into account the severity of the violation. If the SERC determines, after hearings conducted in accordance with the Rules of Hearing Procedures, that a regulated company has not operated in compliance with its approved tariffs, it shall bind the regulated company to disgorge any economic benefits it received in such a way, and may order payment to injured parties in an amount three times the economic benefit.

Article 13
Effectiveness of Tariff

The approved tariffs shall become effective on the date established in the SERC decision.

The approved tariffs shall be effective until changed by the new decision of the SERC, in accordance with provisions of this Rule.

Article 14
Public Access to Official Tariffs

When tariffs become effective, the SERC shall provide the regulated company with a copy of all approved tariff rates, with the actual effective date of the tariff, the pertinent docket number, and an official stamp of the SERC. The regulated company shall make the approved tariffs available to the public for inspection at its main business office during regular business hours, and by posting such documents on its website.

Article 15
Monitoring Requirements

Whether or not a proceeding is pending, the regulated companies shall cooperate with any reasonable information request in order to enable the SERC to execute its responsibilities under the Law to monitor the regulated companies' compliance with approved tariff.

Article 16
Investigation

The SERC may, on its own motion or in response to an application, initiate an investigation on regulated company's tariffs and practices affecting such tariffs, and may take such actions within its authority to correct unreasonable tariffs and practices.

Article 17
Waiver

The SERC may authorize a waiver from or modification of this Rule after a clear finding of exigent circumstances, necessity or severe unnecessary complexity.

III TRANSITIONAL AND CLOSING PROVISIONS

Article 18 ***Initial/Interim Tariffs***

Initial/interim tariffs for the services of electricity transmission and the operation of the independent system operator during the initial period of functioning of regulated companies until meeting conditions for establishment and implementation of tariffs in accordance with the Law and rules and regulations referred to in Articles 6, 7 and 8 of this Rule, shall be determined by the separate decision of the SERC.

Article 19 ***Interpretation***

The SERC shall provide interpretation of this Rule.

If an issue is not covered by this Rule, the SERC shall decide on its resolving in each concrete case.

Article 20 ***Effectiveness***

This Rule shall become effective on the eighth day upon its publication in the "Official Gazette of Bosnia and Herzegovina".

Number: 04-02-9/05

April 21, 2005

Tuzla

Chairman of the Commission

Mirsad Salkić