

Pursuant to Article 4.8 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, operation of ISO and ancillary services – Consolidated Version (Official Gazette of BiH, 93/11, 61/14 and 95/16) at its session held on 31 December 2019, the State Electricity Regulatory Commission adopted a

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

Article 1

Article 2 paragraph (1) of the Decision on tariffs for system and ancillary services (Official Gazette of BiH, 8/19 and 26/19) is amended to read as follows:

“(1) The tariff for system service shall be set to the amount of 0.5188 fening/kWh.”.

Article 2

This Decision shall enter into force on the day of its adoption and it shall be applied as of 1 January 2020.

The disposition of the Decision shall be published in the Official Gazette of BiH, the official gazettes of the Entities and Brčko District of Bosnia and Herzegovina.

Statement of Rationale

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 Independent System Operator in Bosnia and Herzegovina (ISO BiH) charges the system service tariff to all licensed entities taking over electricity from the transmission system.

Since the middle of 2017, an upward trend in wholesale electricity prices has been evident which caused an increase in ancillary services prices in the procurement procedures both for 2018 and 2019. The results of the ancillary services procurement for 2020 indicate that the prices stopped going up while it has also been noticed that the purchase price for some ancillary services decreased to a certain extent. Consequently, the increased costs of ancillary services procurement had an impact on the decrease of the financial surplus on the account for all services from the previous period. The situation was further complicated by a significant reduction of electricity withdrawal from the transmission system by the customer “Aluminij” d.d. Mostar, and uncollected receivables from the same customer amounting to approximately 3.1 million BAM.

While passing the Decision on tariffs for system and ancillary services of 27 March 2019, it was concluded that revenues and expenditures in the balancing mechanism depend on a large number of factors such as the physical scope of transmission losses, the scope of provided ancillary services compared to the planned one, prices of control energy and its activation, prices and scopes of imbalances, and it was specified that the application of the tariff would be continuously monitored as well as trends in revenues and expenditures and the circumstances on the electricity balancing market, and announced that the system service adjustment would be initiated when deemed appropriate.

As a negative balance of services in the power system balancing mechanism was registered in 2019, and the same trend is also expected in the forthcoming period due to an increased scope of electricity losses in the transmission system it is necessary to initiate the tariff system adjustment, taking into account the planned costs of ancillary services procurement and electricity to cover losses in the transmission system in 2020 as well as the volumes of energy withdrawn in the same period which, according to the 2020 Balance, are lower by some 1.4 TWh in comparison to the previous year.

Hence, the calculation of tariff is based on offers and results of the completed bidding procedures of the ISO BiH for 2020 as well as the trend in revenues and expenditures in the period from January 2016 to December 2019, which is presented through the balance of services, in accordance with the following table:

1.	Secondary reserve (BAM)	15,523,605
2.	Upward tertiary reserve (BAM)	6,062,558
3.	Downward tertiary reserve (BAM)	1,036,951
4.	Total amount for secondary and tertiary reserve in 2020 (BAM) 1.+2.+3.	22,623,115
5.	Total amount for losses in 2020 (BAM)	42,533,930
6.	Total planned costs for 2020 (BAM) 4.+5.	65,157,045
7.	Balance of services in 2016 (BAM)	9,532,807
8.	Balance of services in 2017 (BAM)	4,826,023
9.	Balance of services in 2018 (BAM)	-10,021,408
10.	Balance of services in 2019 with estimation for December (BAM)	-1,140,000
11.	Balance of services in the previous period (BAM) 7.+8.+9.+10.	3,197,422
12.	Revenue based on balance of imbalances and balancing energy (BAM)	7,083,333
13.	Total for calculation of tariff for system service (BAM) 6.-11.-12.	54,876,289
14.	Energy (kWh)	10,576,887,535
15.	Tariff for system service (fening/kWh)	0.5188

Taking into account the aforementioned, with the aim of achieving the balanced ratio of the revenues based on the tariff for system service and expenditures based on payments for procurement of ancillary services and energy to cover losses in the transmission system, and revenues and expenditures based on the balancing energy and deviations of the balance responsible parties, the tariff for system service is adjusted to the value of 0.5188 fening/kWh.

Hence, the tariff adjustment was initiated in line with the obligation to continuously monitor the circumstances on the balancing market after the negative balance in the power system balancing mechanism in 2019 had been noted, and the need to stabilise the financial circumstances within the balancing mechanism. Independently of this Decision and having regard to further trends in indicators on the balancing market and available information, SERC will take a position and decide on the required scopes of all ancillary services and the individual and total financial amounts thereof within the tariff proceedings which are in progress.

Pursuant to Article 9.2 of the Law on Transmission of Electric Power, Regulator and System Operator of Bosnia and Herzegovina, proceedings may be initiated before the Court of Bosnia and Herzegovina against this Decision by filing a lawsuit within sixty (60) days from receipt of this Decision.

Number: 04-28-5-446-1/19
31 December 2019
Tuzla

Chairman of the Commission
Suad Zeljković