

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 20 November 2014, the State Electricity Regulatory Commission adopted

DECISION

APPROVING LONG-TERM TRANSMISSION NETWORK DEVELOPMENT PLAN FOR PERIOD 2014-2023

1. Following the approval of the Steering Board of the Independents System operator at the session held on 4 November 2014, the Long-term transmission network development plan for the period 2014-2023 of the Company for Transmission of Electric Power in Bosnia and Herzegovina – Elektroprenos/Elektroprijenos Bosne i Hercegovine a.d. Banja Luka (hereinafter: TRANSCO), was approved.
2. The Independent System Operator in BiH shall publish the Long-term plan and make it publicly available in an appropriate manner.
3. 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 obligation and methods of developing a long-term transmission network development plan for a ten-year period have been defined by the provisions 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), Law Establishing an Independent System Operator for the Transmission System of BiH (“Official Gazette of BiH”, 35/04), Grid Code (“Official Gazette of BiH”, 48/06) and SERC decisions on granting a license for performance of the electricity transmission activity, of which the most recent one was published in the “Official Gazette of BiH”, 5/13.

The relevance of the long-term plan’s preparation is also reflected through the fact that based on this plan TRANSCO develops an annual investment plan and submits it to SERC for approval by the end of November for the following year.

Furthermore, the development of Long-term plan is in the function of fulfilling obligations by responsible parties in BiH towards the European Network of Transmission System Operators for Electricity (ENTSO-E). Namely, the Independent System operator in BIH, as all other system operators within ENTSO-E, is obligated to provide its contribution to the development of the European Ten Year Network Development Plan (TYNDP), which is prepared on a biannual basis pursuant to Regulation 714/2009/EC of the European Parliament and of the Council of 13 June 2009 on conditions for access to the network for cross-border exchanges in electricity.

Although SERC continuously pointed to and requested of TRANSCO, from the commencement of its operation in February 2006, to conduct activities concerning the adoption of a Long-term transmission network development plan and an Annual investment plan without delay, there were significant delays in the development thereof. Only in March 2014, TRANSCO adopted the first multiannual planning document and an annual plan based on it, which was submitted to SERC for approval. On 22 April 2014, SERC passed decisions

approving the Investment plan for the period 2014-2016 and the Investment plan for 2014 ("Official Gazette of BiH", 34/14).

Although the first planning document of TRANSCO, which covers a ten-year period, was submitted to SERC for approval at the time when the planning document for the following period (2015-2024) should have been submitted, SERC considered the submitted Long-term transmission network development plan for the period 2014-2023 (hereinafter: the Long-term plan).

The Long-term plan was based on the Indicative generation development plan for the period 2014 – 2023, which was approved by a SERC decision of 14 May 2013 ("Official Gazette of BiH", 41/13). The general principles and criteria of the transmission network planning as well as investment ratios were defined by decisions of TRANSCO's Assembly of Shareholders of 3 February 2012 and 23 December 2013. The Long-term plan was initially approved by the Steering Board of the Company, which was followed by the revision of the document by ISO BiH and preparation of the innovated Long-term plan by TRANSCO. Following the approval by the ISO BiH Steering Committee, the Long-term plan was submitted to SERC for final approval.

The Plan envisages the construction of 29 110/x kV new substations, 50 110 kV transmission lines, two 220 kV transmission lines, three 400 KV transmission lines and 37 transmission line bays within the existing substations. The Plan also includes the expansion and installation of the second transformer in 34 110/x substations, installation of one 400/220/110 kV transformer and reconstruction and rehabilitation of 112 high- and medium voltage facilities.

It also envisages reconstruction and rehabilitation of 76 110 kV transmission lines, 20 220 kV transmission lines and one 400 kV transmission line as well as replacement of 52 110/x kV transformers, one 220/x kV transformer and two 400/x kV transformers. Construction of six interconnectors is planned at the 400 kV voltage level.

The value of total investments as foreseen by the Long-term plan amounts to 787.84 million BAM.

Similarly to the approval of the Investment plan for the period 2014-2016, the State Electricity Regulatory Commission did not consider either the value of individual investments or unit costs of equipment and works included in the Long-term 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 all planning documents in line with its competences.

Furthermore, the Commission points out that professional preparation of the Long-term plan is not disputable. 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 account the titles of documents and periods they apply to.

In addition, 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 such capital and, at the same time, complex and comprehensive planning documents 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. The State Electricity Regulatory Commission will continue to insist on measures which clearly define and govern its tasks and responsibilities in this context.

Number: 05-28-13-331-3/14

20. November 2014

Tuzla

Chairman of the Commission

Nikola Pejić