



**REVIEW OF THE STUDY: CONCEPT OF FUTURE ORGANIZATION OF JP
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1. Documents and facts that were taken into account by the authors in developing the Concept of future organization of EP BiH:

Authors of the Study rationalized reasons for the change of EP BiH organization by obligations and proposals arising from the following documents:

- Directive 2003/54;
- Energy Treaty;
- FERC License Conditions;
- Action Plan for restructuring of electricity sector in the FBiH;
- Action Plan for restructuring and modernization of coalmines;
- The Report of the Committee for harmonization of the Action Plan for restructuring of coalmines and the Action Plan for restructuring of electricity sector in the FBiH
- Energy Sector Study in BiH (Hrvoje Požar);

The Study in bullet 4 gives the Proposal of future organization of EP BiH and concept for organization of the company as EP BiH Group by which three companies with limited liabilities will be formed: (i) EP BiH Generation, (ii) EP BiH Distribution and (iii) EP BiH Supply. In bullets 4.3.1. through 4.3.7 the Study explains the main principles of relationship in EP BiH Group, including energy and money flows.

The proposed main principles of relationships in EP BiH Group represent broad base for specific definition of relationships and we think that in final defining of the proposal for organization and mutual relationships between different activities the following should be taken into account:

- a) **Position of DSO in the Group:** In order to ensure transparent functioning of DSO in relation to all stakeholders as well as unhindered development in function of realizing its role in electricity system we think that in defining organization of EP BIH Group the following document should be consulted: “NOTE **DG ENERGY AND TRANSPORT ON DIRECTIVES 2003/54/EC AND 2003/55/EC ON INTERNAL ELECTRICITY AND GAS MARKET – UNBUNDLING REGIME**” dated 16 January 2004. This document, referring to Regulation (EEC) No 4064/89 on control of concentration between companies and Directive 2003/54, Article 15, paragraph 2, and Article 19, paragraphs 1 through 4, analyses and gives the main milestones related to legal, functional and accounting unbundling of the network activity within the company that also performs other activities (generation, supply, etc) especially addressing the following issues:

- i. Unbundling of management function,



- ii. Efficient defining and establishing the right for independent decision making on operation, maintenance and development of the network
 - iii. Formal framework for functioning of DSO activity as the whole and work of employees in accordance to main principles of transparency and non-discrimination of any sector participant.
 - iv. Protection of commercially sensitive data according to other activities in the company,
 - v. Allocation of costs.
- b) **Harmonized action plans of the FBiH and the RS** (which has been implemented in the RS in great extent): The proposed concept, as stated in the Study, deviates from the adopted Action Plan of the FBiH which is harmonized with the Action Plan in the RS that to the great extent was implemented in regard to unbundling of generation and distribution activity. Implementation of asymmetric organization in the FBiH may additionally complicate a picture and relationships in electricity sector in BiH so the proposal of organization should be considered in that regard as well.
- 2. Deviation from the Action Plan of the FBiH** and analyses of alternatives and explanations for new proposal: The Study in part 4.3., last paragraph, rationalize the reasons for deviation from the effective Action Plan, and we assume that in the request for amendment thereof, which EP BiH plans to submit to the Government, quantitative and additional qualifying arguments that are in favor of the thesis which prefers proposed manner of organization in relation to the one as proposed in the Action Plan will be stated. We suggest that comparative analysis of these two proposals and possible third proposal may give quality arguments for making final decision by the FBiH Government. Further it is important to consider these proposals from the standpoint of increasing efficiency, cost effectiveness and removal of “bottle necks” and weaknesses in business operations of EP BiH, control and improvement of business processes and challenges and “dangers” that are associated with planned integration of coalmines into the system of EP BiH.
- 3. Implementation plan:** Implementation of future organization is anticipated in two stages: (see bullet 6 of the Study).
- a. Stage 1, that is expected to be completed by the end of 2008, includes, among other things, accounting unbundling of power related activities and merger of coalmines for which techno-economic justification of merge is determined.
 - b. Stage 2, which does not deadline for completion, includes formation of EP BiH Group and limited liability companies for generation, distribution and supply.

We think that Implementation plan should also have an alternative option that would anticipate reorganization of EP BiH without coalmines, in case that process of creation of preconditions for integration of coalmines into EP BiH is delayed for various reasons.



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- 4. Costs of reorganization and specific program for implementation of the Study:** Any process of reorganization requires changes in regard to labor and technical resources which together incurs certain costs that should be financed from known sources. We think that these costs should be presented same as labor plan (capacity building and reallocation) in regard to the new organization.
- 5. Amendments of law and other documents as precondition for implementation of the Study:** We think that the implementation plan of future organization of EP BiH could be more precise if the representatives of executive and legislative authority would be given the schedule for amending laws and documents referenced in bullet 6 of the Study.
- 6. Project of organization:** It is expected that prior to implementation of the Study the same will be transformed into Project of new organization of EP BiH that will contain all necessary elements for its implementation. In that regard, development of this document should be the part of Stage 1 of this Study implementation.

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