



MAJOR CURRENT OBSTACLES IN ENERGY SECTOR REFORM AS OF 10-23-08

1. Transmission Company. Complete breakdown of management decision-making and operation.

The Transmission Company Management Team and Management Board have been unable to function as a team since the Independent Member officially declared the company formation period completed, and decision-making has fractured along ethnic lines. Examples of the dysfunction are (i) revenues have been collected from tariffs but left unspent – to the extent that the RS taxed such funds as profit; (ii) basic business documents (such as annual reports and investment plans) remain incomplete; (iii) investment has not been made; and (iv) basic maintenance has not been done. The RS wants to withdraw from the unified State Company and form three Transcos within the current EP boundaries.

2. State Gas Law Working Group blocked by failure to agree.

With regard to the creation of a State Law, the creation of a single Transportation Company has been discussed, including the possibility of an Independent System Operator idea, such as that in Austria, enabling ownership of the transportation system to remain as it is. Although it appeared that the entire group could accept this idea, because of the RS National Assembly's prohibition of delegation of authority to the State, only an association with no legal ability to make decisions can be agreed by RS members of the Working Group, whereas the Federation Members will only agree to a full-blown joint stock company Transportation Company that mirrors the electricity sector.

3. Federation Gas Law nonexistent, only a deficient decree.

The Federation Gas decree is not in accord with the Gas Directive because it does not provide for regulation by a regulator; rather, the Ministry will regulate the sector. The reason given by the Ministry is that it awaits State Law and will issue a law consistent with the State Law. With a Federation gas law then at least there would be some compliance with the Energy Community Gas Road Map; currently, there is no progress whatsoever.

4. Deficient implementation of the Entity-approved Action Plan on electricity, especially in the Federation.

Whereas the Republika Srpska has implemented the Entity-approved Action Plan to an acceptable extent, the Federation has not yet even unbundled its integrated utilities. That is the fundamental step toward reform, without which little other reform can be achieved.



USAID
FROM THE AMERICAN PEOPLE

Regulatory and Energy Assistance

5. Complete failure to implement Energy Community Treaty Gas Road Map and incomplete implementation of Electricity Road Map.

The same circumstances described in Item Nos. 3 and 4 apply to the Energy Community Treaty Gas and Electricity Road Maps.

This publication is made possible by support from the American People sponsored by the United States Agency for International Development (USAID). The contents are the sole responsibility of the author/s and do not necessarily reflect the views of USAID or the United States Government.