

PUBLIC ENTERPRISE ELECTRIC POWER INDUSTRY OF SERBIA, BELGRADE

Carice Milice 2

Number: *2392/31-14*

Belgrade, *27-10-2014*

Subject: additional clarifications no. 13 in accordance with Article 63 paragraph 3 of Public Procurement Law ("Official Gazette of the Republic of Serbia" number 124/12) in public procurement procedure **PP number 61/14/DEFP**, for which Invitation to Tender was published on Public Procurement Portal on **10.10.2014**.

Five and more days prior to expiry date foreseen for submission of tenders in subject public procurement procedure, interested party has submitted to the Employer via e-mail request for additional information, i.e. clarifications, regarding which the Employer, i.e. Public Procurement Committee, in accordance with provision of Article 54 paragraph 12 item 1) of the Law shall provide the following information i.e. clarifications within three days from the day of the receipt of the request:

Potential Tenderer asked QUESTION No. 13.1.1:

"The use of proceeds is specified as "repair of flood damage and preparation for the upcoming winter". Do we have more detail on the split and how these funds will be spent? What damage has EPS suffered (to power plants, lines, mines,...)? What measures are required for the winter?"

ANSWER of the Employer to QUESTION No. 13.1.1 is:

„Current estimates of total costs of flood relief and costs of necessary additional import of electricity amount to RSD 39.9 billion. MB Kolubara whose mines were flooded was hit the most. During winter period 2014/2015 it is necessary to ensure electricity import and eliminate flood consequences at the same time.”

Potential Tenderer asked QUESTION No. 13.1.2:

"Who's the borrowing entity? Please provide standalone financials."

ANSWER of the Employer to QUESTION No. 13.1.2 is:

„The report of the authorized auditor for 2013 for PE EPS– parent company in Serbian and Balance Forms in English are submitted attached to the answer to question 1.4 on 17.10.2014 on PP Portal and EPS website.

The report of the authorized auditor for 2012 for PE EPS– parent company in Serbian and Balance Forms in English are submitted attached to the answer to this question.”

Potential Tenderer asked QUESTION No. 13.2.1:

"What legal restrictions (if any) limit EPS' ability to freely set power prices?"

ANSWER of the Employer to QUESTION No. 13.2.1 is:

„The price of electricity for public supply and network fee are regulated prices and they are within the competence of Energy Agency.”

Potential Tenderer asked QUESTION No. 13.2.2:

"We're aware of the unbundling of supply and distribution as well as the liberalization of the high voltage market in 2013. What regulatory steps have been taken in 2014 and what are the next steps/timing towards a liberalized power market in Serbia?"

ANSWER of the Employer to QUESTION No. 13.2.2 is:

„Energy law stipulates that as of 2014 only households and small customers have the right to public supply. As of January 2015 all customers have to choose the supplier and household customers may remain on public supply.”

Potential Tenderer asked QUESTION No. 13.2.3:

“How are the changes in regulation expected to affect EPS, in particular in terms of market share, revenue and cost?”

ANSWER of the Employer to QUESTION No. 13.2.3 is:

„We expect higher revenues – increase of electricity prices under which we shall perform sale.”

Potential Tenderer asked QUESTION No. 13.2.4:

“Are additional changes to EPS’ corporate structure required? ”

ANSWER of the Employer to QUESTION No. 13.2.4 is:

„EPS plans corporatization in 2015. Increase of efficiency is expected.”

Potential Tenderer asked QUESTION No. 13.3.1:

“Current competition?”

ANSWER of the Employer to QUESTION No. 13.3.1 is:

„Relatively small. EPS covers 98% of total electricity consumption in Serbia.”

Potential Tenderer asked QUESTION No. 13.3.2:

“What domestic competition does EPS expect?”

ANSWER of the Employer to QUESTION No. 13.3.2 is:

„When foreign competitors come we expect competition – there are none so far.”

Potential Tenderer asked QUESTION No. 13.3.3:

“Are foreign competitors expected to operate in the Serbian market?”

ANSWER of the Employer to QUESTION No. 13.3.3 is:

„Yes”

Potential Tenderer asked QUESTION No. 13.4.1:

“Breakdown of EPS’ existing generation assets and description of plants e.g. by type, purpose (base load, peak, reserve), capacity, age, remaining useful life, anticipated capex and anticipated limitations to availability over the next 5 years. ”

ANSWER of the Employer to QUESTION No. 13.4.1 is:

Basic characteristics of EPS' power plants					
No.	Power plant	Power plant type	Purpose	Installed capacity (MW)	Average age of a power plant
1.	HPP Djerdap			1.586	
1.1.	HPP Djerdap			1.349	
	HPP Djerdap 1	run of river HPP	generation of electricity	1.079	43
	HPP Djerdap 2	run of river HPP	generation of electricity	270	28
1.2.	HPP Zavoj Piro	reservoir HPP	generation of electricity	80	24
1.3.	HPP Masinske	reservoir HPP		157	
	- HPP Vrla 1	reservoir HPP	generation of electricity	51	59
	- HPP Vrla 2	reservoir HPP	generation of electricity	24	39
	- HPP Vrla 3	reservoir HPP	generation of electricity	29	48
	- HPP Vrla 4	reservoir HPP	generation of electricity	25	47
	- PAP Lisina	pump storage HPP	generation of electricity	28	36
2.	HPP Drinsko Limske			1.298	
2.1.	HPP Drinske			1.087	
	HPP Bajina Bašta	run of river HPP	generation of electricity	364	48
	PS HPP Bajina Bašta	PS HPP	generation of electricity	614	32
	HPP Zvomik	reservoir HPP	generation of electricity	96	59
	HPP Elektromorava			13	
	- HPP Medjuvršje	reservoir HPP	generation of electricity	7	57
	- HPP Ovčar banja	reservoir HPP	generation of electricity	6	60
2.2.	HPP Limske			211	
	HPP Potpeć	run of river HPP	generation of electricity	51	47
	HPP Bistrica	reservoir HPP	generation of electricity	102	54
	HPP Kokin brod	reservoir HPP	generation of electricity	22	52
	HPP Uvac	reservoir HPP	generation of electricity	36	37
3.	TPP Nikola Teska			3.096	
3.1.	TENT			2.772	
	- TENT A1	termal power plant	generation of electricity and heat energy	191	44
	- TENT A2	termal power plant	generation of electricity and heat energy	191	44
	- TENT A3	termal power plant	generation of electricity	280	38
	- TENT A4	termal power plant	generation of electricity	280	36
	- TENT A5	termal power plant	generation of electricity and heat energy	320	35
	- TENT A6	termal power plant	generation of electricity and heat energy	320	35
	- TENT B1	termal power plant	generation of electricity	610	31
	- TENT B2	termal power plant	generation of electricity	580	29
3.2.	TPP Kolubara			216	
	- TPP Kolubara 1	termal power plant	generation of electricity and heat energy	29	58
	- TPP Kolubara 2	termal power plant	generation of electricity and heat energy	29	57
	- TPP Kolubara 3	termal power plant	generation of electricity and heat energy	58	54
	- TPP Kolubara 4	termal power plant	generation of electricity	0	53
	- TPP Kolubara 5	termal power plant	generation of electricity	100	35
3.3.	TPP Morava		generation of electricity	108	45
4.	TPP Kostolac			921	
	- TPP KostolacA1	termal power plant	generation of electricity and heat energy	90	46
	- TPP KostolacA2	termal power plant	generation of electricity and heat energy	191	34
	- TPP KostolacB1	termal power plant	generation of electricity	320	26
	- TPP KostolacB2	termal power plant	generation of electricity	320	23
5.	CHP Panonske			336	
	- CHP Novi Sad	CHP	generation of electricity and heat energy	208	32
	- CHP Zrenjanin		generation of electricity and heat energy	100	25
	- CHP Energana Sr. Mitrovica		generation of electricity and heat energy	28	41

„ None of the power plants have limitations to its usage in the next 5 years. „

Potential Tenderer asked QUESTION No. 13.4.2:

“ Breakdown of EPS’ other existing assets (incl. mines, rolling stock) and description. ”

ANSWER of the Employer to QUESTION No. 13.4.2 is:

”

No.		Production (000t)
1	Total	39,514
1.1	MB Kolubara	30,710
1.2	OCM Kostolac	8,804

”

Potential Tenderer asked QUESTION No. 13.4.3:

“Description of EPS’ CAPEX plans for the next 5 years.”

ANSWER of the Employer to QUESTION No. 13.4.3 is:

The most important investments, planned on the corporate level, in the period from 2015 to 2019 (CAPEX), are:

- New facilities: - Contract which is in signing phase, for the construction of the new Unit B3,
- Environmental protection facilities: Planned environmental projects are primarily legal obligation due to the implementation of Directive on industrial emissions 2010/75/EU until 01.01.2027 and Directive on large combustion plants 2001/80/EC until 01.01.2024, in the part which refers to limitation of the emissions of pollutants- SO₂, NO_x and particulate matters, primarily significant investments into production Units that shall continue with operation after 2024 (TENT A 3-A6; TENT B1,B2; Kostolac B1,B2),
- Overhaul and rehabilitation activities of the existing capacities for electricity generation, as well as the extension of exploitation lifetime of the existing capacities,
- Investments into mining sector - Mine basin Kolubara and Mine Basin Kostolac,
- Investments into distribution part of the company for network development and loss reduction.”

Potential Tenderer asked QUESTION No. 13.4.4:

“What assets will EPS have to sell or close down over the next 5 years (e.g. power plants or mines for environmental or cost reasons) ”

ANSWER of the Employer to QUESTION No. 13.4.4. is:

„EPS does not have plans to sell or close assets over the next 5 years.”

Potential Tenderer asked QUESTION No. 13.4.5:

“Does the company have any assets it considers non-core which are slated for disposal?”

ANSWER of the Employer to QUESTION No. 13.4.5 is:

„No.”

Potential Tenderer asked QUESTION No. 13.4.6:

“How is EPS connected to the European grid? What is EPS’ experience and what are its plans for sales/purchases to/from foreign counterparties? ”

ANSWER of the Employer to QUESTION No. 13.4.6 is:

„EPS operates in Serbia. Serbia is interconnected in the region with eight markets and cross border electricity trading is performed. We expect expansion. EPS has incorporated the company in Slovenia “EPS Trgovanje” doo Slovenia that shall perform trading on behalf of EPS at the regional market – first of all on power exchanges in the region. We expect increase of trading in the region, both of sale and purchase.”

Potential Tenderer asked QUESTION No. 13.4.7:

"How dependent are EPS' TPP on EPS' own mines? Could lignite or an alternative fuel also be purchased from other sources and if so at what cost?"

ANSWER of the Employer to QUESTION No. 13.4.7 is:

„Lignite may be bought from abroad under market prices plus transport costs.”

Potential Tenderer asked QUESTION No. 13.4.8:

"Do EPS' mines also sell to clients outside the group?"

ANSWER of the Employer to QUESTION No. 13.4.8 is:

„Yes, the sell separated and dry coal - lignite.”

Potential Tenderer asked QUESTION No. 13.5.1:

"We require an OrgChart.”

ANSWER of the Employer to QUESTION No. 13.5.1 is:

„The requested data is not available to external users.”

Potential Tenderer asked QUESTION No. 13.5.2:

"Does the company own all of its core operating assets? If not, who owns the other assets (e.g. 3 power plants as of eo2013) and background to the structure? "

ANSWER of the Employer to QUESTION No. 13.5.2. is:

„EPS is owner of movable assets. Immovable assets – it has right of use on one part and at the part foreseen for implementation of Project TPP Kolubara B and TENT B3 has the ownership right.”

Potential Tenderer asked QUESTION No. 13.5.3:

"What is the status of EPS' assets in Kosovo? What are the financial repercussions now and going forward?"

ANSWER of the Employer to QUESTION No. 13.5.3 is:

„Law on Public Property is not applied in the territory of Autonomous Province of Kosovo and Metohija. Facilities are owned by RS and EPS Kosovo companies had the right of use pursuant to Law on assets owned by RS. The Law Public Property repealed the Law on assets owned by RS, apart from territory of Kosovo and Metohija (in accordance with Article 90 of the Law on Public Property).”

Potential Tenderer asked QUESTION No. 13.5.4:

"Are there plans for (partial) privatization of EPS? What is the timing? "

ANSWER of the Employer to QUESTION No. 13.5.4 is:

„There are no such plans.”

Potential Tenderer asked QUESTION No. 13.5.5:

"How do EPS' staffing levels and staff cost compare to other numbers/costs in the region and internationally? How is the company planning to reduce any excess staff levels? "

ANSWER of the Employer to QUESTION No. 13.5.5 is:

„PE EPS does not have the data on staffing levels and staffed costs compared to other companies in the region and internationally. Other data are not available to external users.”

Potential Tenderer asked QUESTION No. 13.5.6:

“The 2013 Annual Report refers to the “Framework for the Reorganisation of PE EPS”. Can we have a copy of this?”

ANSWER of the Employer to QUESTION No. 13.5.6 is:

„Review and determining the framework for EPS corporatization is currently in progress.”

Potential Tenderer asked QUESTION No. 13.6.1:

“What is EPS current tariff structure and what changes does it expect over the next 5 years?”

ANSWER of the Employer to QUESTION No. 13.6.1 is:

„There are two markets: regulated – for domestic and small customers and free market for eligible customers. It is expected that the price at regulated market increases in the next 5 years and that it equals market price. The price is currently 50% lower than the price at the free market. Share of regulated market is 60% of consumption in Serbia.”

Potential Tenderer asked QUESTION No. 13.6.2:

“How do EPS' achievable power prices and production cost compare to the European market?”

ANSWER of the Employer to QUESTION No. 13.6.2 is:

„We are still competitive with average generation price.”

Potential Tenderer asked QUESTION No. 13.6.3:

“What's the level of losses from theft etc.? What measures are being taken?”

ANSWER of the Employer to QUESTION No. 13.6.3 is:

„Non-technical losses that come from unauthorized electricity consumption have been below 6% in the last 3 years. Apart from unauthorized consumption non-technical losses that we often referred to as the commercial losses occur as the consequence of imperfection of organization of exploitation of electric energy system that includes: consumption of electricity during failures of elements of electric energy system (short circuits and earth short circuit), defective meters for registering electricity consumption, errors in reading defective meters.

Measures for prevention of unauthorized consumption are:

- relocation of metering points in order to significantly obstruct unauthorized persons to access metering devices
- special controls of customers where during logic control of calculation of electricity unusually small consumption was noticed
- introduction of special free of charge telephone lines where you can report the doubt in unauthorized consumption
- training for meter reader to identify possible suspicious actions in the metering point

Implementation of smart metering project is planned that shall automatically be followed by energy flows and practically disable unauthorized consumptions.

Potential Tenderer asked QUESTION No. 13.6.4:

“What taxes is EPS paying and how are they calculated? Are any changes anticipated?”

ANSWER of the Employer to QUESTION No. 13.6.4 is:

„Apart from VAT, property tax, fee for using mineral raw materials, fee for use and protection of waters, fee for environmental protection and no changes are expected.”

Potential Tenderer asked QUESTION No. 13.6.5:

“Accounts receivable: These were restructured in 2013, but we don't see a meaningful reduction in days payable and actually an increase in the absolute amount by 10% between eo2012 and eo2013. Please explain.”

ANSWER of the Employer to QUESTION No. 13.6.5 is:

„2013 restructuring of loans was performed and one-off increase is the result of payment that was influenced by spin off of EPS Supply from distribution company.”

Potential Tenderer asked QUESTION No. 13.6.6:

“Accounts payable: These are well in excess of 60 days, which we understand is the legal maximum in Serbia? Please explain.”

ANSWER of the Employer to QUESTION No. 13.6.6 is:

„Correction of liabilities is always performed for all liabilities older than 60 days.”

Potential Tenderer asked QUESTION No. 13.6.7:

“Have additional financial restructuring measures been taken in 2013/recently, e.g. with regards to financial indebtedness?”

ANSWER of the Employer to QUESTION No. 13.6.7 is:

„All information related to financial restructuring measures taken in 2013/recently are in Notes to Consolidated financial statement for 2013 that is attached to Tender documents.”

Potential Tenderer asked QUESTION No. 13.6.8:

“Current debt breakdown by group entity, seniority, security (e.g. MoF guarantee), currency, fixed/floating, maturity profile, etc.”

ANSWER of the Employer to QUESTION No. 13.6.8 is:

„Please check the attachment to answer no 1.2 to the question of potential Tenderer: PE Electric Power Industry of Serbia: Breakdown of financial liabilities on consolidated level on 30.06.2014 (published on 17.10.2014 on PP Portal and EPS website). Data on loan conditions may be found in the Notes to Financial Statement for 2013, which is attached to Tender Documents.”

Potential Tenderer asked QUESTION No. 13.6.9:

“Any defaults under existing loans?”

ANSWER of the Employer to QUESTION No. 13.6.9 is:

„No.”

Potential Tenderer asked QUESTION No. 13.6.10:

“Plans for future financing (debt and equity)?”

ANSWER of the Employer to QUESTION No. 13.6.10 is:

„EPS is currently preparing the strategy of future development.”

Potential Tenderer asked QUESTION No. 13.6.11:

“How will the upcoming CAPEX be financed?”

ANSWER of the Employer to QUESTION No. 13.6.11 is:

„Investments shall be financed from own funds, strategic partners' funds and potentially loans.”

These additional clarifications are submitted by email to the applicant and are published on Public Procurement Portal and web site of the Employer.

Attn:

- Records Management Office
- Procurement Committee

