

# ENERGY GOVERNANCE FACT SHEET: SERBIA

Last updated: 15 April 2016

## KEY ISSUES:

- The energy sector is almost entirely state-owned. The third Energy Package has not been fully transposed. Electricity prices are below cost recovery levels.
- Administrative capacity and independence of the energy and nuclear regulators need to be significantly strengthened.
- As a rule competition is restricted in tendering, in particular in the energy sector.
- The government directly appoints members of supervisory board and director of state-owned enterprises (SOEs).
- Selection, removal, and evaluation of work of directors are heavily politically dominated processes.
- There are plenty of examples of supervisory boards' vocations not being related with SOEs' field of work.
- Anticorruption in the energy sector seems to be politically motivated without targeting root causes and introducing appropriate tools.

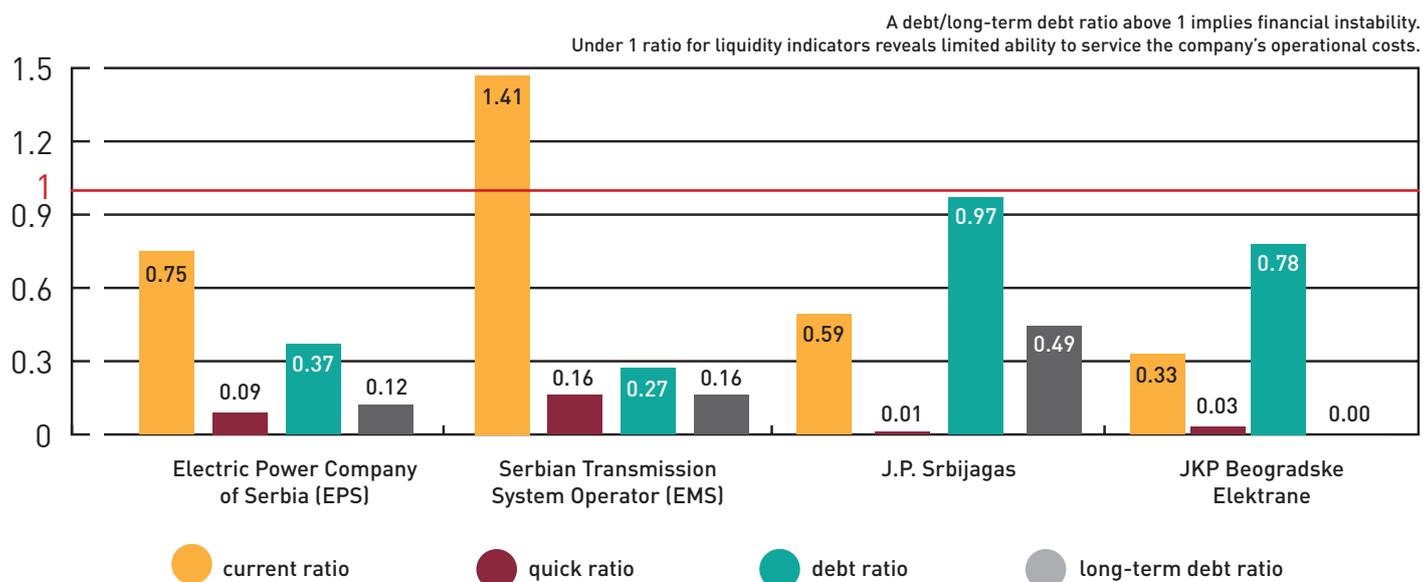
SOURCE: Regional Energy Governance and State Capture Assessment Report, SELDI, 2016.

**TABLE 1: State of electricity sector liberalisation  
(eligibility, market opening, price regulation and unbundling)**

<b>Price regulation</b>	Prices of generation and supply to all large industrial customers have been deregulated. An exception is the price for small businesses, which similar to households pay the universal subsidised power tariff. The deregulation of those categories depends on an assessment of the regulatory authority to be completed before 1 May 2017 under the Energy Law.
<b>Eligibility</b>	All customers are eligible to choose their supplier as of 1 January 2015, including households and small business clients.
<b>Market opening</b>	The right to be supplied under regulated prices remains only for households and small businesses, who may choose to be supplied by a guaranteed supplier. Consumers with annual consumption of over 30 GWh had a deadline to choose a final supplier by 1 July 2015.
<b>Unbundling</b>	The Law stipulates that unbundling shall apply as of 1 June 2016. EMS, as a holder of a transmission system operation license, had to continue performing this activity until the Law enters into force. Unbundling of the distribution system operator is transposed, but not fully implemented yet. Since both EMS and EPS, the wholesale supplier and the biggest power generating company, are fully state-owned companies, further measures need to be undertaken in order to ensure separation of control in line with the unbundling requirements of the Third Package.

SOURCE: Progress Report on the Implementation of the Energy Acquis of the European Energy.

## CHART 1: Financial Ratios (2013)



SOURCE: Author's calculations based on the Annual Financial Reports of the SOEs

## TABLE 2: Energy Acquis Implementation by Measure

Primary Laws	Accomplished
Complementary Legal Acts	Progress on Track
Organised Day-Ahead Market	Significant Progress
National Balancing Market	Significant Progress
Price Deregulation	Significant Progress
DSO Unbundling	Progress on Track
TSO Unbundling	Progress on Track
NRA Independence	Progress on Track

SOURCE: European Energy Community Progress Report, 2015.

## POLICY RECOMMENDATIONS:

- Energy transport companies to allow access to the transportation network to other gas or electricity suppliers on a non-discriminatory basis.
- The suppliers to apply the regulated fees consistently in order not to abuse their dominant market position.
- Ensure the independence of the national regulator.
- Establish rules to enable the functioning of retail markets including ease the procedures for supplier switching.
- Improve transparency in the management of SOEs and the energy sector in general.

SOURCE: Regional Energy Governance and State Capture Assessment Report, SELDI, 2016.

## **PUBLIC PROCUREMENT:**

The 2013 Public Procurement Act represented a significant change compared to the previous Law (adopted in 2009) as it increased transparency regulations, improved the planning procedures, simplified the way of proving mandatory requirement for participation, envisaged the establishment of a single bidder registry and the obligation of registering and monitoring the implementation and amendments to public procurement contracts, and regulated the implementation of centralized public procurements. The mandates of the Public Procurement Office and the Commission for Protection of Rights in Public Procurement have been changed. The regulatory framework in place seems adequate but its coherent implementation is still a challenge. EU's most recent progress report stated that "Serbia is moderately prepared in this area", "Good progress has been made in the past year, notably by adopting amendments to the Law on Public Procurement and increasingly using open tender procedures", but also that "Significant efforts are needed across the board to improve competition, efficiency and transparency in public tenders."

SOURCE: Regional Energy Governance and State Capture Assessment Report, SELDI, 2016.



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