

Pursuant to Article 28, paragraph (1) of the Energy law (“Official Gazette of Republic of Srpska”, No. 49/09), Article 36 paragraph (2) of the Electricity Law (“Official Gazette of Republic of Srpska”, No.08/08, 34/09, 92/09 and 1/11), Article 18 paragraph 1 of the Statute of Regulatory Commission for Energy of Republic of Srpska – Clean versions (“Official Gazette of Republic of Srpska” No. 6/10) and Article 33 paragraph 1 item a) of the Procedural Rules of Regulatory Commission for Energy of Republic of Srpska (“Official Gazette of Republic of Srpska” No. 59/10) Regulatory Commission for Energy of Republic of Srpska on its 53rd regular session held on 30 November 2012 made

DECISION

On the level of guaranteed redemption prices and premiums for electricity generated from renewable energy sources and in efficient cogeneration facilities

I

Guaranteed feed in prices and premiums for electricity generated in power plants that use renewable energy sources and in efficient co-generation facilities are determined by this Decision in accordance with the Rule book on incentives for generation of electricity from renewable energy sources and in efficient cogeneration (Official Gazette of Republic of Srpska, number 128/11 and 53/12).

II

Guaranteed redemption prices for electricity generated in facilities that use renewable energy sources or in efficient cogeneration facilities which obtain the right for incentive in the period of validity of contract on obligatory redemption and premiums for electricity consumed in own facilities or realized on the market are:

Type of power plant in accordance with the sources of energy	Sale in obligatory redemption based on guaranteed redemption prices			Sales on the market and consumption for own needs	
	Redemption Price KM/kWh	Reference Price KM/kWh	Premium (in guaranteed price) KM/kWh	Reference Price KM/kWh	Premium KM/kWh
Hydro Power Plants					
• Up to and including 1MW	0,1541	0,0541	0,1000	0,0851	0,0690
• Over 1MW up to incl.5MW	0,1327	0,0541	0,0786	0,0851	0,0476
• Over 5 MW up to incl. 10MW	0,1245	0,0541	0,0704	0,0851	0,0394
Wind Power Plants (guaranteed redemption price up to and including 10MW, premium without limits)	0,1652	0,0541	0,1111	0,0851	0,0801

Solar Power plants with photo-voltaic cells					
• Up to and including 1MW	0,4959	0,0541	0,4418	0,0851	0,4108
• Over 1MW up to incld.10MW	0,4163	0,0541	0,3622	0,0851	0,3312
• Over 1 MW	0,3694	0,0541	0,3153	0,0851	0,2843
Power Plants on Solid Biomass of capacity					
• Up to and including 1 MW	0,2413	0,0541	0,1872	0,0851	0,1562
• Over 1MW up to incld.5MW	0,2261	0,0541	0,1720	0,0851	0,1410
• Power Plants on agricultural biogas up to including 1 MW	0,2402	0,0541	0,1861	0,0851	0,1550
Conventional sources of energy in efficient cogeneration facilities (<i>guaranteed purchase price up to and including 10 MW, and premium for sale on the market and consumption for own needs up to and including 30MW</i>)					
• New cogeneration facilities on gas	0,2086	0,0541	0,1545	0,0851	0,1235
• Old cogeneration facilities on gas	0,1933	0,0541	0,1392	0,0851	0,1082
• New cogeneration facilities on lignite	0,0882	0,0541	0,0341	0,0851	0,0031
• Old cogeneration facilities on lignite	0,0541	0,0541	0	0	0

Prices and premiums from paragraph (1) of this item do not include value added tax (VAT)

III

Guaranteed redemption prices determined in this decision are applied at the time of conclusion of contract with generators who obtained the right to obligatory redemption at guaranteed prices.

IV

Reference price for obligatory redemption in the amount of 0.0541 BAM/kWh is applied during procurement of electricity from old facilities in exploitation which obtained the right to obligatory redemption.

V

Premiums for sale on the market and consumption of electricity for own needs determined in the Decision are applied at the conclusion of contract with generators that obtained the right to premium for electricity sold on the market or in consumption for their own needs.

VI

Guaranteed redemption prices and premiums from item II of this Decision are reexamined and accorded in a way and with deadlines proscribed in provisions referred to in Article 26, 47 and 48 of the Rules on incentives for generation of electricity from renewable energy sources and in efficient cogeneration facilities.

VII

This Decision enters into force on the eighth day from the day it is published in the "Official Gazette of Republic of Srpska" and will be applied as of 1 January 2013.

For generators who have been entitled to incentives for obligatorily redemption at the guaranteed feed-in prices and concluded the contract on the obliged redemption with the Incentive System Operator until this Decision becomes effective, the guaranteed feed in price is not changed.

Rationale

Regulatory Commission for Energy of Republic of Srpska (hereinafter: Regulatory Commission) in its 53rd regular session held on 30th November 2012, made Decision on the amount of the guaranteed feed in prices and premiums for electricity generated from renewable energy sources or in efficient co-generation (hereinafter: Decision) and on the basis of competences referred to in provisions of the Energy law and Electricity which prescribe that Regulatory Commission is in charge of prescribing the system of incentives for generation of electricity from RES and in efficient co-generation. Provision of Article 28, paragraph 1 of the Energy law prescribes that the mentioned system of incentives is made by Regulatory Commission with the consent of the RS Government. Pursuant to these competences, Regulatory Commission, on 25th October 2011, determined for the first time Decision on the amount of the guaranteed feed in prices and premiums for electricity generated from RES or in efficient co-generation, which has been applicable, after the RS Government consent made to it, since 1 January 2012. Having in mind that the Rule on stimulating generation of electricity from RES and in efficient co-generation (Official Gazette of RS, number 128/11 and 53/12) (hereinafter: The Rule on incentives) in Article 47 prescribed that Regulatory Commission checks the progress in development of technologies for generation of electricity from RES or in efficient co-generation, for the purposes of harmonizing guaranteed feed in prices with the applied technological circumstances, taking into account the available potential and planned share of different energy sources and efficient co-generation facilities for generation of electricity, and in Article 48 that Regulatory Commission follows the movement of the wholesale prices of natural gas in RS and at least once a year re-examines and if needed corrects the guaranteed feed in prices, the actions were taken to make this Decision.

Incentives are determined for the purposes of realization of the power policy of the RS Government, defined by the Decree on generation and consumption of electricity from RES and co-generation (Official Gazette of RS, 28/11 and 39/11) (hereinafter: Decree) , regarding realization of the indicative goals for generation for electricity from RES and in efficient co-generation.

The energy law defined that the electric power policy is conducted by the RS Government, and such a policy, inter alia, provides for possibilities of using different primary energy sources, use of RES for generation of energy and concern for the efficient use of energy.

Methodology of calculation of the guaranteed feed-in prices based on which the prices are determined in this Decision was prescribed by Rule book on incentives, and relies on RS legislation and analysis of domestic conditions and specific issues (BDP, number of inhabitants, price of electricity from conventional sources, interest rates, technological development, power potential, etc) and generally accepted international standards and positive experiences of other countries, European Parliament Directives within the scope of energy and environment.

While determining the methodology of calculation of the feed-in redemption prices, Regulatory Commission was making efforts to apply the principle of streamlining of the procedure related to calculation of incentives, to have it understandable, based on the accepted parameters and feasible in practice.

The level of the guaranteed feed-in prices determined by this Decision, is based on the type of RES and amounts of electricity which are stimulated and which are determined by the Decree and on the base of data on investments and costs for the facilities which generate electricity from RES or in efficient co-generation, and which are available from some energy sources both in the Strategy of the energy development of RS (hereinafter: Strategy) and in available studies on RES of other countries which have already advanced in development of the incentive system. The methodology of calculation of guaranteed feed-in prices which is prescribed by the Rule on incentives is generally based on the methodology recommended in the "Final Report Green X" and is essentially the same in all countries which base the incentives of electricity generation from RES on the feed-in tariff. While defining the incoming parameters, the priority is first of all given to data which are available in the Strategy as well as in the "Study of development of the energy sector in BiH". Having in mind that the Strategy does not contain data on all parameters which are relevant for some RES, the experiences and available data from the neighboring countries were used.

The methodology of calculation of the guaranteed feed-in prices and premiums is based on the calculation of the total annual costs of the typical generation facilities which use RES applying the annuity method of the investment valuation, whereby this calculation was based on the previously defined technical and economic parameters.

The economic parameters which the calculation of the guaranteed feed in prices is based on, are as follows: the capital price (%), the period of return of investment (years), investment costs (BAM/kWel), costs of operation and maintenance (BAM/kWel), costs of fuel (BAM/kWhel) and revenue from the heat.

Technical parameters which the calculation of the guaranteed feed-in prices is based on are the installed capacity (MWel) and annual hours of operation (h/year) of the typical generation facility.

The guaranteed feed in prices referred to in this Decision, are based on two economic assumptions which are the same for all generation facilities regardless of the energy sources and they are as follows:

- the capital price, as weighted average rate of return on the own and borrowed means of 8.9%,
- period of the investment return (years) of 15 years;

The price of capital and period of return of the invested means determine the amount of the annuity factor (12.3%) which brings the total investment to the annual amount of annuity complying with the return on the own and borrowed capital.

The weighted rate of return was determined with the rate of return on own means in the amount of 13,5%. The rate of return on the borrowed means is determined in the amount of 7.7% on the basis of inspection in the report made by the Central Bank of BiH on movement of interest rates on the long-term loans.

The structure of the own and borrowed means was determined in the ratio of 20%: 80%, which in final calculation resulted in the weighted capital price of 8.9%.

The repayment period of the invested means was determined for the period of 15 years as determined by the Rule on incentives to be the period of the obliged redemption at the guaranteed feed-in price. While determining this parameter, Regulatory Commission took into account the fact the guaranteed feed in prices should attract new investments in order to enable final realization of generation of the planned amounts of electricity from RES and efficient co-generation, taking into account the level of development and first of all the social acceptance of the incentive system in RS.

Apart from common economic assumptions, technical and economic parameters have been defined in advance, being typical for each technology depending on the type of the energy sources, taking into account encouragement of investment in the most cost-effective new facilities, namely the facilities which use the most efficient available technology and at the most favorable locations in order to achieve a

reasonable relation between the benefits from stimulating RES and efficient co-generation and costs for the society as a whole.

Total costs per the unit of generation were determined on the basis of the projected optimum hours of peak load for each technology. This parameter was defined on the basis of recommendations referred to in the Strategy as well as on the basis of data which Regulatory Commission has on disposal for generation who have been entitled to incentives in 2012 and on the basis of the analysis of data referred to in the Study done by the neighboring countries.

The investment costs for some energy sources were determined on the basis of data referred to in the Strategy and available studies, and based on reviewing and benchmarking of the amount of this parameter in the guaranteed price published by the neighboring countries taking into account the specific issues of operating in RS.

Costs of operation and maintenance are related to maintenance and operation, insurance, rent, fees and costs of salaries. The amount of these items (apart from the salary) was determined as the percentage of investment, whereby mostly used data were the ones found in available studies and in the document entitled "Green X Project" complying with the specific issues of operating in RS.

Technical and economic parameters for some types of generation facilities which the determined feed-in prices referred to in Decision are based on, are in the next table.

Generation facility depending on the energy source	Capacity MW	Hours of operation h/year	Specific investment €/kW _{el}	Costs of operation and maintenance €/kW _{el}
Hydro power plants				
• Up to 1 MW inclusive	0,50	4.000	2.000	69,12
• More than 1MW up to 5 MW inclusive	2	4.000	1.700	62,25
• More than 5 MW up to 10 MW inclusive	9	4.000	1.600	57,78
Wind farms	2	2.200	1.350	19,77
Solar plants with photovoltaic cells				
Up to 50 kW inclusive	0,05	1.370	2.497	40,17
More than 50 kW up to 1 MW	900	1.370	2.247	15,10
More than 1 MW	2.000	1.370	1.998	13,01
The plants using solid biomass the capacity:				
• up to 1 MW inclusive	1	6.000	3.600	161,79
• more than 1MW up to 10 MW inclusive	9	6.000	3.400	139,95
The plants using agricultural biogas up to 1MW inclusive	0,50	6.500	4.000	163,79

Conventional energy sources in efficient co-generation facility				
• New co-generation facilities for gas	10	4.380	700	29,78
• Old co-generation facilities for gas	10	4.380	420	29,78
• New co-generation facilities for lignite	10	4.380	2.200	73,07
• Old co-generation facilities for lignite	10	4.380	1.320	73,07

Cost of fuel (C_{fuel}) as a variable costs is typical with generation facilities which use biomass and with generation facilities which generate electricity in efficient co-generation. The guaranteed feed-in prices in Decision were based on the price of biomass of 2Eur/GJ for generation of electricity in the facilities which use solid biomass as fuel (agriculture, industrial and forestry remains). Guaranteed feed in prices for electricity generated in efficient co-generation facilities were based on the procurement price of gas of 86.83 BAM/MWh, for the facilities which use gas as fuel namely the price of procurement of lignite of 29.3 BAM/kWh for co-generation facilities which use lignite as fuel.

The revenue from the heat energy in efficient co-generation facilities was calculated at the price of 68 BAM/MWhth.

The system of incentive prices in the obliged redemption at guaranteed feed in prices determined by this Decision is based on the higher incentive prices of the redemption of generated energy from RES compared to the redemption prices for other generators of energy (e.g. big HPP and TPP). The difference between the guaranteed feed in price and previously defined referent price determines the amount of the premium. The reference price with the guaranteed redemption is a generation price of electricity, namely the wholesale price which is used for determination of the price of electricity for the purposes of the end users' supply. In this transitional period of the market opening and having in mind that the gross consumption of electricity in RS is covered by one's own generation, the reference price is determined in the amount of the average generation price which is a calculative element for calculation of the supplying price for tariff customers in RS, determined by Regulatory Commission and amounts to 0.0541 BAM/kWh.

The market reference price which is used for calculation of premium for generators who have been entitled to premium for electricity sold to customers or used for one's own need, was calculated on the basis of available data on realized wholesale prices of electricity in RS for the first 10 months of 2012 and determined in the amount of 0.0851 BAM/kWh.

Prices determined by this Decision shall be applicable while concluding the contract with generators who get the right to incentives as of 1 January 2013. The guaranteed feed in price for generators who got the right to incentive for the obliged redemption at the guaranteed feed in price and concluded the contract on the

obliged redemption with the Incentive System Operator in the period of applying Decision on the amount of the guaranteed feed in prices and premium for electricity generated from RES or in efficient co-generation.

RS Government gives its consent to this Decision.

Having obtained the consent of the RS Government, Decision shall be published in Official Gazette of RS.

No. R-53-526-139/12

Date: 30 November 2012

Trebinje

President
Milenko Cokorilo