

ENERGY



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ENERGY

By signing the Electricity Policy Statement in 2000, adopting the entity Law on Electrical Energy, Law on Transmission, Regulator and Electrical Energy System Operator in Bosnia and Herzegovina in 2002, Law on Establishment of Companies for the Transmission of Electrical Energy in BiH and Law on Establishment of NOS (ISO) for the Transmission System of BiH in 2004 started the reform of the electrical energy sector in Bosnia and Herzegovina. This process has been further strengthened by signing the Treaty on Establishment of the Energy Community in South East Europe between the European Union and participants of Athens Memorandum in 2005.

Electrical energy sector reform is based on the harmonization of legislation in Bosnia and Herzegovina with the requirements and directives of the EU in the field of energy, environment protection, competition and renewable energy.

Two entity laws on electrical energy and the Law on Transmission, NOS (ISO) and DERK (SERC) in Bosnia and Herzegovina jointly provide the basis for the regulation of the electrical energy sector by the three regulatory commissions.

The State Electrical Energy Regulatory Commission DERK (SERC) mostly regulates the Transmission Company, Independent System Operator and international trade of electrical energy; two entity regulatory commissions (Regulatory Commission for Electrical Energy of the Federation of Bosnia and Herzegovina – FERK /FERC and Regulatory Commission for Energy in the Republic of Srpska – RERS/RERS) regulate the generation, distribution and supply of electricity.

Bosnia and Herzegovina ratified the Treaty establishing the Energy Community of South East Europe (ECSEE), and therefore accepted the application of EU directives on energy markets, environmental protection, competition and renewable energy in accordance with a time schedule specified in the Treaty.

The Parties to the Treaty establishing the Energy Community of South East Europe are obliged to establish a common energy market which will operate in accordance with the standards and rules of the energy market of the European Union (EU) with which it will be integrated.

Law on Energy of the Republic of Srpska

A basis of the energy policy of the Republic of Srpska, i.e. energy development strategy, its implementation, and regulation and realization of energy activities, as well as the use of renewable energy sources and terms and conditions for realization of energy efficiency are regulated by the Energy Law of the Republic of Srpska (Official Gazette of RS, no. 49 of 11 June 2009).

The aim of this law is to provide, along with other laws which regulate realization of the energy activities, legal assumptions for safe and qualitative supply of customers with energy following the principles of the competitive power market and sustainable development, along with the energy use and environmental protection.

Energy activities under this Law are:

1. production, distribution, supply and trade of electricity,
2. production of oil products, transport of oil through pipelines and oil products by other means of transportation, storage of oil and oil products, trade of oil products,
3. transport of natural gas, managing a natural gas transport systems, storage and managing systems for the storage of natural gas, natural gas distribution and managing distribution systems for natural gas, natural gas supply and trade,
4. biofuel production, storage and trade of biofuels, and
5. heat energy production, distribution and managing of distribution system for heat energy, heat energy supply and trade.

Activities of distribution and supply of natural gas in the energy sector shall also include distribution and supply of liquefied petroleum gas, biogas and gas from biomass and other types of gas, if it is technically safe to transport it through distribution network of natural gas.

In accordance with the Law on Electrical Energy, the Energy Regulatory Commission of the Republic of Srpska was established, firstly as a Regulatory Commission for Electrical Energy of the Republic of Srpska, and then after the entry into force of the Law on Amendments to the Law on Electricity ("Official Gazette of the Republic of Srpska", no. 60/07), in addition to changes of competences there were also changes in the name of the Regulatory Commission for Electricity of the Republic of Srpska to "Regulatory Commission for Energy of the Republic of Srpska" (hereinafter Regulatory Commission).

The Regulatory Commission is an independent and non-profit organization, which is functionally independent from the republic authorities, energy operators and users of their products and services, as well as of all other legal and natural persons, and which was founded with the aim to regulate and supervise relations in the market of electrical energy, gas and oil in accordance with the provisions of the Energy Law and responsibilities stipulated by this law in the sector of electrical energy, gas sector and oil sector, taking into account the provision of the principles of transparency, non-discrimination, fairness, stimulating competitiveness and protection of final buyers.

In its work the Regulatory Commission cooperates with the State Electricity Regulatory Commission (DERK/SERC), Regulatory Commission for Electrical Energy in the Federation of Bosnia and Herzegovina (FERK/FERC), Independent System Operator (NOS/ISO) and the single Transmission Company of Bosnia and Herzegovina, and at least once a year, it reports to the National Assembly of the Republic of Srpska on its work.

The Regulatory Commission for Energy of the Republic of Srpska, on its 7th regular session, held on 13 April 2010, adopted the Regulations on licensing (published in the "Official Gazette of RS", no. 39 dated 11 May 2010, 65/13). The same prescribes the procedure for issuance, renewal, amendment, transmission, cancellation and revocation of licenses for energy sector activities, as well as the procedure for the construction of power facilities, the criteria and conditions for the issuance of licenses, type, content and period of validity of licenses as well as the manner of keeping records of issued and revoked licenses and the manner of their supervision. The Regulatory Commission for Energy of the Republic of Srpska, in accordance with the Regulations on the licensing issues the following licenses:

Licenses in the electricity sector:

- License for the generation of electricity in hydroelectric power plants, thermal power plants, thermal power plants with integrated coal mines and other power plants, with installed capacity exceeding 1 MW,
- License for distribution of electricity, in terms of transmission to the medium-voltage and low voltage network in order to supply electricity to customers,
- License for the supply of electricity to tariff customers,
- License for the trade and supply of electricity in the territory of Bosnia and Herzegovina,
- License for the construction of a power facility with installed capacity exceeding 1 MW.

Licenses in the natural gas sector:

- License for the activity of production of natural gas,
- License to perform the activity of transport of natural gas system management,
- License to perform the activity of natural gas transportation,
- License to perform the activity of distribution and natural gas system management,
- License to perform the activity of storage and storage of natural gas system management,
- License to perform the activity of supply of tariff customers with natural gas,
- License to perform the activity of trade and supply with natural gas.

Licenses in the oil and oil products sector, RERS issues:

- License to perform the activity of production of oil derivate,
- License to perform the activity of oil transport via pipelines,
- License to perform the activity of oil products transport via product lines,
- License to perform the activity of storage of oil and oil products.

Licensing procedures

The procedure for issuing licenses for the energy sector activity or issuance of license for the construction of the electrical energy facility is initiated at the request of the applicant which may be natural or legal person entered in the court or other appropriate registry.

Legal or natural person who intends to carry out several energy sector activities shall be obliged to submit an application for a license for each of these activities separately.

The license request shall be submitted (in written and electronic form) on the completed form of the Regulatory Commission, which is an integral part of the list of supporting documents. The request is available in the premises or at the website of the Regulatory Commission, (<http://www.reers.ba/lat>).

The license application shall be considered as complete when along with the completed application form there is attached supporting documentation and paid one-off regulatory fee in the amount determined by the Regulatory Commission each year by a special decision in accordance with the budget of the Regulatory Commission adopted by the National Assembly of the Republic of Srpska.

Notice for the public about the completeness of the application for a license contains a summary of the application for a license, the manner in which interested parties may obtain further information, place and manner of making documentation available, procedure and time for submission of comments on the request in writing, and information relating to acquiring the intervener status.

The Regulatory Commission can check all the information and, if necessary, inspect buildings, plants and equipment of the applicant, in order to establish the facts of the fulfilment of the set criteria and conditions stipulated for the license at any stage of the process of issuing the license.

After determining the completeness of the application, the Regulatory Commission shall consider the same in terms of meeting the criteria for issuing a license and shall establish the draft license or make another decision on the request at its regular session. The Regulatory Commission shall review the application according to the criteria prescribed by this Book of Rule, taking into account the general public interest, safety and security in supplying electrical energy, natural gas, oil and oil derivate.

If the draft license is determined the Regulatory Commission shall bring a conclusion on the establishment of at least one public hearing on the draft, then about the deadline for submitting comments on the draft license, application for intervener status etc.

After the deadline for submitting comments on the draft license and processing the received comments, the proposed license conditions shall be submitted to the members of the Regulatory Commission for a decision. The final decision on issuing the license is adopted by the Regulatory Commission at its regular session in the form of a decision, which contains the issued license and requirements for the same.

Licenses are issued for the following period of validity:

- up to 30 years for the activity of production of electrical energy and the activity of distribution of electrical energy,
- up to 5 years for the activity of supply of tariff customers with electrical energy and activities of trade and supply of electrical energy in the territory of Bosnia and Herzegovina,
- up to 6 years for the construction of electrical energy facilities,
- for 5 years for the production of natural gas, management of natural gas transport system, natural gas transport, distribution and natural gas distribution system management, storage and storage of natural gas system management, supply of tariff customers for natural gas and natural gas trade and supply,
- up to 5 years for production of oil products, transport of oil via pipelines, transport of oil products via product transport lines and storage of oil and oil products.

License for construction of electrical energy facility expires if construction or works are not commenced within a period specified by the license and that period cannot be shorter than six months or longer than two years.

License for carrying out energy activities, which is to be issued for the first time by the RERS, shall be issued for a validity period of up to two years.

LICENSES FOR CARRYING OUT ENERGY ACTIVITIES AND CONSTRUCTION OF ELECTRICAL ENERGY PLANTS

❖ LICENSES FOR ACTIVITIES IN ELECTRICAL ENERGY SECTOR

Documents that must accompany the application for the license for the electrical energy sector (joint documents)

The following documents shall be submitted along with the application for a license for carrying out activities in the electrical energy sector:

- 1) valid decision on entry into the court or other appropriate registry, with attachments,
- 2) registration number and unique identification number (UIN) of the applicant,
- 3) founding act of the company with the accompanying agreements or statute,
- 4) organizational structure of the applicant (organizational chart), workplace systematization, data on the number of employees and their qualifications, and the statement of the applicant that his/her personnel is trained to perform the required activity or contracts concluded with other legal or natural persons who have professional qualifications for carrying out energy activities,
- 5) statement regarding available facilities, installations and equipment that can be used, put into operation for the energy activity or contracts concluded with other legal or natural entities that have an impact on technical qualifications,
- 6) set of financial statements for the previous three years, which includes: statement of financial position (balance sheet), statement of comprehensive income for the period (profit and loss), cash flow statement, statement of changes in equity, remarks (notes) to the financial statements and report of the independent auditor or the initial statement of financial position for the newly formed entities,
- 7) statement of the applicant and certificates of commercial banks that the applicant owns sufficient funds or has the possibility of credit debt with the bank or the possibility of obtaining bank guarantees,

- 8) statement of the applicant and certificates of commercial banks on all open transaction accounts of the applicant and status of the same (any blockages and trading volume) in the month immediately preceding the date of application,
- 9) annual and three-year business plans of the applicant,
- 10) certificate of the competent authority that the applicant or his legal representative are not prohibited from doing economic activity or duty which requires a license,
- 11) statement of the applicant on the existing obtained licenses for carrying out activities or requirements for licenses submitted before other regulatory commissions,
- 12) certificate of the competent court that the applicant is not under bankruptcy or liquidation proceedings (except for the distribution activity),
- 13) proof of payment of a single regulatory fee.

Additional documents that must accompany the application for generation of electrical energy

The application for a license for generation of electrical energy, in addition to the above mentioned joint documents, has to be accompanied by additional documents as it follows:

- 1) list of power plants and facilities, as well as lists of fixed assets in connection with the required activity, where the applicant is the owner or user,
- 2) schematic drawings of plants and single-line diagrams of plants with the environment,
- 3) technical parameters of power plants and facilities,
- 4) minutes and decisions of the competent inspection and review of activities carried out in accordance with the decision of the competent authority on the technical condition and safety of the plant, as well as meeting the standards of environmental protection,
- 5) a declaration of intention to introduce or plan and program of introduction i.e. statement on the introduced or copy of certificate on the introduced quality system management (ISO 9001) and the system of environmental management (ISO 14001) in business operation,
- 6) statement or confirmation on equipment insurance, if insured,
- 7) evidence on the nature of the primary sources and their use for the production of electrical energy,
- 8) legal documents related to water supply collected in accordance with the regulations,
- 9) environmental permit obtained in accordance with the regulations,

- 10) concession contracts in accordance with the regulations on concession,
- 11) contract on the connection to the distribution network and report on internal technical inspection and connection points, and/or contract on connection and approval for connection to the transmission network, for newly built production facilities,
- 12) contracts related to the activity of production of electrical energy (NOS, BOS, transmission company and distributor, other than those listed in item j) of this Article, traders and suppliers),
- 13) approval for the use of the newly built production facility or proof that action to obtain the same is on-going, where the permit for use in this case should be submitted prior to issuing permits.

Additional documents that must accompany the application for performance of the electrical energy distribution

The application for a license for distribution of electrical energy, in addition to the above joint documents, has to be accompanied by additional documents as it follows:

- 1) list of power plants and facilities, as well as lists of fixed assets in connection with the required activity, where the applicant is the owner or the user,
- 2) single-line diagrams of the distribution areas and work units with the environment, with marked power supply substations and generation facilities as of TS 10(20)/0,4 kV,
- 3) technical parameters of power plants and facilities in connection with the required activity,
- 4) minutes and decisions of the competent inspection and review of activities carried out on the basis of the decision of the competent authority on the technical condition and safety of the plant, as well as meeting the standards of environmental protection,
- 5) a declaration on the introduced quality system management or copy of the certificate on the same (ISO 9001) and the system of environmental management (ISO 14001) in business operations,
- 6) statement or confirmation on equipment insurance, if insured,
- 7) concession contracts in accordance with the regulations on concession,
- 8) number of users of the distribution network by category of expenditure and the corresponding group of customers,

- 9) geographical map of the area where the activity of distribution of electrical energy is carried out,
- 10) contracts with NOS (Independent System Operator in Bosnia and Herzegovina), BOS (Balance Responsible Party in Bosnia and Herzegovina) Transmission Company, producers whose facilities are connected to the electricity network, traders and suppliers,
- 11) forms of contract on connection and access to the distribution network and form of power approval,
- 12) price list of all services that the distributor provides to its users.

Additional documents that must accompany the application for activities of supplying electricity to tariff customers

The application for issuing a license for supplying electricity to tariff customers, in addition to the above joint documents, has to be accompanied by additional documents as it follows:

- 1) evidence of the legal basis for the use of office space,
- 2) list of fixed assets and in particular the description of information and communication technologies used for carrying out activities (software, hardware and communications),
- 3) intended annual volume of electrical energy supply,
- 4) number of final customers, the number of customers by category of expenditure and the corresponding group of customers,
- 5) geographical map of the area where the activity is carried out,
- 6) forms of electrical energy supply contract of final customers,
- 7) a declaration on or copy of the introduced quality system (ISO 9001) for its business operations.

Additional documents that must accompany the application for activities of trade and supplying electricity in the territory of Bosnia and Herzegovina

The application for a license for activities of trade and supplying electricity in the territory of Bosnia and Herzegovina, in addition to the above joint documents, has to be accompanied by the following additional documents:

- 1) evidence of the legal basis for the use of office/business space,
- 2) description of the necessary computer equipment (software, hardware) for business operation,
- 3) a declaration on the introduced quality system management or plan and program to introduce or copy of the certificate on the same (ISO 9001) for business operation,
- 4) intended annual volume supply / trade of electrical energy.

❖ LICENCE FOR CONSTRUCTION OF ELECTRICAL ENERGY FACILITIES

Documents required to be submitted along with the application for a license to carry out construction of electrical energy facilities

Along with the application for a license for activities of construction of an electrical power facility it is necessary to attach the following documents:

- 1) valid decision on entry into the court or other appropriate registry, with attachments,
- 2) identification number and unique identification number (UIN) of the applicant,
- 3) articles of incorporation of the company with the accompanying agreements or articles of association,
- 4) statement of the applicant about the structure of financing sources which is compatible with a feasibility study or confirmation of commercial banks that the applicant owns sufficient funds and / or access to credit funds necessary for construction of the facility,
- 5) certificate of the competent authority that the applicant, or legal representative of the same, is not prohibited from doing business activity or duty,
- 6) feasibility study and conceptual design or the main project if completed,
- 7) certified study on the assessment of environmental impact, as prescribed by laws or regulations for a specific facility,
- 8) environmental permit to the law or other regulations provided for the type of facility for which the application for a license,
- 9) legal documents related to water supply as regulated by law or other regulations for the type of facility for which the application for license was filed,

- 10) electrical energy approval for connection to the distribution network, and / or study of the technical solution of the connection and the conditions for connection to the transmission network,
- 11) location requirements,
- 12) concession contract in accordance with regulations on granting concessions,
- 13) statement / certificate of the applicant on the previously constructed or reconstructed similar electrical energy facilities (production of electricity),
- 14) statement / certificate of the applicant on the requests, and licences granted by other regulatory commissions,
- 15) schedule and duration of any interruption of electricity supply due to the construction of an energy facility,
- 16) proof of payment of one-off regulatory fee.

❖ LICENCES FOR ACTIVITIES IN NATURAL GAS SECTOR

Documents required to be submitted accompanying the application for a license to carry out activities in natural gas sector (Joint documents)

Along with the application for a license for activities in natural gas sector it is necessary to attach the following documents:

- 1) valid decision on entry into the court or other appropriate registry, with attachments,
- 2) identification number and unique identification number (UIN) of the applicant,
- 3) articles of incorporation of the company with the accompanying agreements or articles of association,
- 4) organisational structure chart of the applicant (organizational chart), systematization of workplaces, data on the number of employees and their professional qualifications (including data about passed professional exams required for performance of the activity and the type of employment contract) and the statement of the applicant considering trained personnel who shall perform the required activity or contracts concluded with other legal or natural persons who have professional qualifications to perform activities related to energy sector,

- 5) statement that it owns facilities, installations and equipment that can be used, put into operation or contracts concluded with other legal or natural persons referring to the technical qualifications,
- 6) annual and three-year business plans of the applicant,
- 7) contracts concluded with participants in the natural gas market,
- 8) set of financial statements for the previous three years which includes: statement of financial position (balance sheet), statement of comprehensive income for the period (profit and loss), cash flow statement, statement of changes in equity, remarks (notes) to the financial statements and independent auditor's statement or the initial statement of financial position for the newly established entities,
- 9) statement of the applicant and certificates of commercial banks that the applicant owns sufficient funds or have the possibility of taking a loan from a bank or possibility of obtaining bank guarantees for the unobstructed performance of activities in accordance with development plans,
- 10) statement of the applicant and certificates of commercial banks on all open transaction accounts of the applicant and their status (any blockages and trading volume) in the month immediately preceding the date of application,
- 11) loan agreements (debts, loans) with the repayment schedule, if the energy activity is to be financed through loans,
- 12) declaration of intention to introduce or plan and program of introduction, i.e. a statement on the introduced or copy of certificate on the introduced quality management system (ISO 9001) in its business system,
- 13) certificate of the competent authority that the applicant or the legal representative of the same is not prohibited from doing the business activity or duty which requires a license,
- 14) certificate of the competent court that there is no bankruptcy or liquidation proceedings against the applicant,
- 15) proof of payment of one-off regulatory fee.

Additional documents required for the activity of the management of natural gas transmission system, natural gas transmission, distribution and management of natural gas distribution system, and storage and management of natural gas storage system.

Along with the application for issuing a license to perform the activity of the management of natural gas transmission system, natural gas transmission, distribution and management of natural gas distribution system, and storage and management of natural gas storage system, it is necessary to attach the following documents:

- 1) geographical map of the area in which the activity related to the natural gas sector is performed / planned to be performed, along with a schematic specification of the gas pipeline system with the environment,
- 2) list of facilities, plants, equipment and devices with the technical parameters and with the register of fixed assets from the account records that are required to perform the activity, and which contain the necessary information on the date of purchase, date of putting it into operation, purchase value, value adjustments, annual depreciation cost, follow up evaluation, impairment, fair value, revaluation reserve, degree of utilization with the depreciation policy and nomenclature of fixed assets for depreciation calculation,
- 3) statement / certificate of insurance of a plant and equipment for the activity,
- 4) use permit in accordance with laws regulating field of spatial planning and construction,
- 5) environmental permit obtained in accordance with regulations,
- 6) concession contract in accordance with regulations on concession award or valid legal documents on assigning the energy activities as activities of general interest,
- 7) description of the system of measuring and monitoring the quality of gas and quality of delivery,
- 8) plans and reports on maintaining transport, i.e. distribution or storage system in the last three years,
- 9) records and decisions of the competent inspection authorities and review of their activities conducted on the basis of the decision of the competent authority considering the technical correctness of the system (occupational safety, fire and explosion protection and environmental protection),
- 10) valid rules of the gas system operation,
- 11) information on users (number and categories) whose facilities are connected or have the possibility to access transport/distribution/storage system of natural gas.

Additional documents required for the activity of supplying tariff customers and trade and supply of natural gas

Along with the application for a license for activities of supply of tariff customers and trade and supply of natural gas it is necessary to attach the following documents:

- 1) evidence of the legal basis for the use of business facility,
- 2) list of fixed assets and in particular the description of information and communication technologies used to perform activities (software, hardware, and communications),
- 3) general conditions of natural gas supply,
- 4) total number of customers according to consumer category as well as the corresponding group of customers (by settlements / areas in which the supply is carried out) and the number of potential customers for the next three years in accordance with the annual plans of supply scope,
- 5) description of the method of monitoring the quality of the supplied natural gas,
- 6) examples of standardized contracts and supporting documentation for the performance of appropriate energy activities:
 - supply of tariff customers with natural gas,
 - supply of qualified buyer with natural gas,
 - natural gas trade,
- 7) planned annual volume of supply / trade of natural gas for the next three years.

❖ LICENCES FOR ACTIVITIES IN THE SECTOR OF OIL AND OIL PRODUCTS

Documents required to be submitted accompanying the application for a license to carry out activities in the sector of oil and oil products (joint documents)

Along with the application for a license for activities in the sector of oil and oil products, it is necessary to attach the following documents:

- 1) valid decision on entry into the court registry, with attachments,
- 2) identification number and unique identification number (UIN) of the applicant,
- 3) articles of incorporation of the company with the accompanying agreements or articles of association,

- 4) review of the area, in an appropriate proportion with the marked facilities, in which the activity is carried out in the sector of oil and oil products is performed with a schematic review of the oil system with the environment,
- 5) organizational structure of the applicant (organizational chart), workplace systematization, data on the number of employees and their professional qualifications (including data about passed professional exams required for performance of the activity and the type of employment contract) and the statement of the applicant that has trained personnel to perform the required activities or contracts concluded with other legal or natural persons who have professional qualifications for carrying out energy activities,
- 6) statement regarding the facilities, installations and equipment that can be used, put into operation for the energy activity or contracts concluded with other persons or entities that have an impact on technical qualifications,
- 7) annual and three-year business plans of the applicant,
- 8) description of the measuring system and record of measuring devices on the delivery points,
- 9) in relation to monitoring the quality of oil, oil products in accordance with regulations,
- 10) set of financial statements for the previous three years which includes: statement of financial position (balance sheet), statement of comprehensive income for the period (profit and loss), cash flow statement, statement of changes in equity, remarks (notes) to the financial statements and independent auditor or the initial statement of financial position for the newly established entities,
- 11) statement of the applicant and certificates of commercial banks that the applicant owns sufficient funds or have the possibility of taking a loan from a bank or possibility of obtaining bank guarantees for the smooth conduct of activities in accordance with development plans,
- 12) statement of the applicant and certificates of commercial banks on all open transaction accounts of the applicant and their status (any blockages and trading volume) in the month immediately preceding the date of application,
- 13) loan agreements (debts, loans) with the repayment schedule, if the energy activity is to be financed through loans,

- 14) certificate of the competent authority that the applicant or legal representative of the same is not prohibited from doing the business activity or activity which requires a license,
- 15) certificate of the competent court that there is no bankruptcy or liquidation proceedings against the applicant,
- 16) list of facilities, installations, equipment and devices with its technical parameters, and for transportation of oil pipelines and transport of oil derivatives by other means of transportation and register of fixed assets from the accounting records which are necessary for the activity, and which contains the necessary information on the date of purchase date of putting it into operation, purchase value, value adjustments, annual depreciation cost, follow up evaluation, impairment, fair value, revaluation reserve, degree of utilization comparing to the depreciation policy and nomenclature of fixed assets for depreciation calculation,
- 17) statement / certificate of insurance of plant and equipment for the activity,
- 18) use permit in accordance with laws regulating field of spatial planning and construction or verified copy, and exceptionally, in case of inability to obtain originals, a copy of use permit along with the statement of authorised person on the reasons of inability to submit the same can be submitted,
- 19) environmental permit obtained in accordance with regulations,
- 20) concession contract, if applicable,
- 21) plans and reports on maintenance of production/transport i.e. storage system in the last three years,
- 22) records and decisions of competent inspection authorities and review of their activities conducted on the basis of the decision made by the competent authority regarding to the technical correctness of the system (occupational safety, fire and explosion protection and environmental protection) for the period of 12 months prior to submission of the request for licence issuance,
- 23) valid rules of the transport and storage system for oil and oil products,
- 24) declaration of intention to introduce or plan and program of introduction, i.e. a statement on the introduced or a copy of a certificate on the introduced quality management system (ISO 9001), the system of environmental management (ISO 14001)

and the system of industrial safety (ISO 18001) in its business system, or declaration and evidence of other introduced standard,

25) proof of payment of a single regulatory fee.

The applicant for a license for the production of oil products, which performs the activity of production of oil products as a client, within the section C, class 19 of the Decree on Classification of Activities of the Republic of Srpska, is not required to attach to the application documents stated under 8), 9), 16), 17), 18), 19), 20), 21) and 22), but is obliged to submit the contracts concluded with the producer of oil products, licensed in accordance with the regulations in the Republic of Srpska.

LAWS RELATED TO THE ENERGY SECTOR OF THE REPUBLIC OF SRPSKA

- Law on Energy from renewable sources and efficient cogeneration (Official Gazette of the Republic of Srpska no. 39/13),
- Law on Changes and Amendments of the Law on Energy from renewable sources and cogeneration (Official Gazette of the Republic of Srpska no. 108/13),
- Decree of the Government of the Republic of Srpska on the planning of production and consumption of energy from renewable sources (Official Gazette of the Republic of Srpska no. 2/14),
- Law on Electrical Energy of the Republic of Srpska - revised text (Official Gazette of the Republic of Srpska no. 8/08),
- Law on Changes and Amendments of the Law on Electrical Energy (Official Gazette of the Republic of Srpska no. 34/09),
- Law on Changes and Amendments of the Law on Electrical Energy (Official Gazette of the Republic of Srpska no. 92/09),
- Law on Changes and Amendments of the Law on Electrical Energy (Official Gazette of the Republic of Srpska no. 01/11),
- Law on Gas (Official Gazette of the Republic of Srpska no. 86/07),
- Law on Changes of the Law on Gas (Official Gazette of the Republic of Srpska no. 121/12),
- Law on Oil and Oil Derivate (Official Gazette of the Republic of Srpska no. 36/09),

- Law on Changes and Amendments of the Law on Oil (Official Gazette of the Republic of Srpska no. 102/12),
- Law on Energy (Official Gazette of the Republic of Srpska no. 49/09).

State Electricity Regulatory Commission (loc. DERK/engl. SERC)

The State Electricity Regulatory Commission (DERK/SERC), was established by the Law on Transmission, Regulator and Electricity System Operator in Bosnia and Herzegovina, adopted in 2002, which aims to create conditions for unlimited and free trade and continuous supply of electricity to all citizens of Bosnia and Herzegovina.

This Commission is an independent and non-profit institution with legal entity status, which has jurisdiction and responsibility over the transmission of electricity, transmission system operations and international trade in electricity, in line with international norms and standards of the European Union.

The same has its numerous responsibilities and powers, but below we will pay attention only to the jurisdiction of the Commission related to the issuing of licenses, including the application process, review of the same, essential criteria for approval or rejection of licensing, content and conditions of a license.

SERC issues the following licenses under its jurisdiction:

1. License for transmission of electricity,
2. License for activities of the Independent System Operator,
3. License for international trade,
4. License for international trade of electricity for its own use.

In addition to these licenses, in accordance with its responsibilities in terms of the Brcko District of BiH, the SERC issued the following licenses or permits:

1. License for trade and supply of electricity in the territory of BiH,
2. License for electricity supply of non-eligible customers,
3. License for electricity distribution,

4. License for the production of electricity for facilities with installed capacity exceeding 1 MW,
5. Permit to build a power facility of installed capacity exceeding 1 MW.

APPLICATION PROCESS FOR LICENSING

An applicant for a license may be:

- for a license for the transmission of electricity – “Elektroprijenos Bosne i Hercegovine”- established on the basis of the Law on Transmission, Regulator and Electricity System Operator in Bosnia and Herzegovina and the Law on Establishing the Company for Electricity Transmission in Bosnia and Herzegovina,
- for a license for the activities of the Independent System Operator - “Nezavisni operator sistema u Bosni i Hercegovini”- established on the basis of the Law on Transmission, Regulator and Electricity System Operator in Bosnia and Herzegovina and the Law on Establishing the Independent System Operator in Bosnia and Herzegovina,
- for a license for international trade - all persons registered for electricity trade, if they meet the requirements for engaging in international trade provided by the Law and Rules,
- for a license for international electricity trade for its own needs – the customer who is directly connected to the transmission network,
- for license for trade and supply of electricity in the territory of Bosnia and Herzegovina – entities established in Brcko District of Bosnia and Herzegovina involved in the production of electricity or dealing with the trade of electricity, and are separated from distribution companies,
- for a license for electricity supply of non-eligible customers - the Public Utility Company "Komunalno Brcko" d.o.o. Brcko District, BiH,
- for a license for distribution of electricity - the Public Utility Company “Komunalno Brcko” d.o.o. Brcko Distrikt BiH, and
- for a license for production of electricity - entities established in Brcko District of Bosnia and Herzegovina.

The applicant shall submit the application in the form and application defined by the SERC, whereby application forms can be downloaded from the website or taken at the headquarters of SERC. The application with attachments shall be filed in writing form, verified and signed by the applicant, and it is necessary to submit all documents in electronic form, with the attached statement stating that the documents submitted in electronic form fully correspond to the submitted originals.

Also, it is necessary that the application is accompanied with a proof of payment of the application fee defined by a special decision of the SERC.

If the applicant intends to carry out more activities for which a license is required, the same shall for each activity submit a separate request.

The SERC shall determine, not later than 30 days from the date of receipt of the request, whether the application is complete or the amendments are necessary, and shall send a written notice to the applicant regarding this.

In case that the application is not complete, the SERC shall, in a written notice, specify the deficiencies and determine the period within which the applicant is required to remove the same.

If the applicant within the deadline fails to supplement the application, the SERC may reject the application as incomplete.

In the process of establishing the facts regarding fulfilling the prescribed conditions for issuance of the license, the SERC has the right to verify all the information and, if necessary, inspect buildings, facilities and equipment, documentation, as well as request additional information at any time from submission of the application until a final decision on the application or within the period of validity of the license.

PROCESSING APPLICATIONS AND DECISION-MAKING

After determining the completeness of the application, the SERC published a short public notice in the newspapers and on its website, summarizing the license application. The public notice contains the manner in which interested persons may obtain information and advice to interested parties that they may submit written comments on the license application.

Deadline for submission of written comments is 15 days from the date of publication of the notice to the public. The public notice also contains the criteria for the intervener status and information on when and how to submit applications for acquiring the intervener status.

The SERC shall exchange necessary information with the FERC and RERS on a submitted license applications and rulings upon the same, as well as issues of regulatory inspections and the fulfilment of conditions for the use of licenses.

After the review of completeness the SERC shall verify correctness of data, documents and information submitted with the application.

Based on the processing of applications and after the assessment of public comments on the summary of the license, the SERC shall conclude whether a hearing should be held before recommendations concerning a draft license or a proposal to the license are prepared.

If it is not necessary to hold a public hearing, the SERC shall prepare a draft decision on the issuance of licenses or the draft decision to the license.

In the process of issuing licenses a draft decision on issuing a license shall be sent for the public hearing and SERC shall, no later than five days before the public hearing, publish a public notice on the public hearing concerning licenses and shall invite all interested parties to comment on the draft license.

After completion of the hearing, a draft decision on the license application shall be prepared and the same shall be accompanied with supporting documents.

A copy of the draft decision on the license application shall be submitted to the applicant and to the intervener. The applicant and the intervener can give their feedback on the draft decision within eight (8) days of receipt of the proposal. The applicant may at a public hearing at which there were no comments, in order of judicial efficiency, declare that he waives the right to submit comments.

After the deadline for receipt of comments is over, the SERC at an internal meeting shall consider the draft decision, and decision to issue a license shall be adopted at the regular session of the SERC.

The deadline for reaching a final decision on the application for a license depends on the complexity of the application where the SERC shall follow the principles of efficiency, and the decision shall enter into force upon its adoption.

The license shall be submitted on a form prescribed by the SERC, and the **application must be accompanied with the following documents that are common to all types of licensees:**

1. Excerpt from the relevant register of legal entities,
2. Certificate or a proof of tax registration,
3. Articles of Association or Articles of Incorporation,
4. Organizational structure and number of employees,
5. Audited financial statements on the annual accounts for the previous three years for existing companies or opening balance sheet for the newly established companies,
6. Business plan for the next three years,
7. List of fixed assets in accordance with depreciation groups and the last annual statement of depreciation,
8. Certificate of the competent court that neither bankruptcy or liquidation proceedings was initiated against the applicant,
9. Certificate of the competent court that against the applicant and his representative was not initiated a criminal proceeding,
10. Certificate of the competent authority that the applicant and his legal representative are not subject to any security measure or barred from publishing business activity or duty for which it is required or in connection with the issuance of licenses
11. Declaration on all open transaction accounts at commercial banks and bank confirmation of their status (bank confirmation status means the volume of transactions on the account in the last month as well as indicators of the possible account blockades),
12. Certification by an independent company for accreditation of quality assurance system or plan and timetable to introduce such a system,
13. Declaration on the status of compliance with all regulations concerning the protection of the environment and the implementation thereof,
14. Statement that the applicant intends to comply with the market rules,
15. Declaration on the currently issued licenses or license applications submitted to FERC or RERS, as well as any other regulatory authority outside of BiH, and

16. Any other information which the SERC finds, at any stage of the proceedings, necessary to make a decision.

All evidence must be submitted in their original form or certified copy, provided that certificates and statements should not be older than 60 days.

DOCUMENTS ACCOMPANYING THE APPLICATION FOR THE ISSUANCE OF LICENSE FOR TRANSMISSION OF ELECTRICAL ENERGY

In addition to the aforementioned joint documents, the application for a license should also be accompanied with the following documents:

1. Technical data on the network and facilities owned by the applicant which are used to perform the activities of electrical energy transmission with data on use permits for the same,
2. Technical data on the network and facilities that are not owned by the applicant but used in performing the activities of electrical energy transmission with details of ownership and the legal basis of the use,
3. Situation map and block-functional scheme of electric transmission network,
4. Specification and technical characteristics of metering devices at the location of taking over/submission of electrical energy,
5. List of the communication devices used to perform the basic activities of the applicant with specified ownership on the same,
6. Plan for new construction and major renovations of existing facilities for the next three years,
7. Copy or summary of the Plan for maintenance of electrical energy facilities for the next three years,
8. Overview of customers directly connected to the transmission network with their consumption in the previous three years,
9. Overview of maintenance of facilities in the last three years,
10. Overview of the monitoring manner of the accompanying transmission network and an overview of the management manner of certain high voltage transmission devices which are not required to allow free electrical energy flow from significant energy sources via

the interconnected transmission network, and which ISO eventually awarded to the applicant to manage,

11. List and description of the software functions used by the applicant to perform basic activities, and
12. Statement of ability and willingness to satisfy obligations relating to public service.

DOCUMENTS ACCOMPANYING THE APPLICATION FOR LICENSE FOR ACTIVITIES OF AN INDEPENDENT SYSTEM OPERATOR

In addition to the aforementioned joint documents, the application for a license for activities of an independent system operator should also be accompanied with the following documents:

1. Methodology and criteria for network management with the functional scheme of activities,
2. List of the communication devices used to perform the basic activities of the applicant with specified ownership on the same,
3. List and description of the software functions used by the applicant necessary to perform basic activities,
4. Overview and timetable for adopting technical and commercial rules necessary for carrying out activities of Independent System Operator,
5. Overview and timeline of signing contracts with other entities in BiH or abroad, necessary for carrying out activities of Independent System Operator,
6. Overview of a short presentation of international organizations, in which the applicant wishes or has an obligation to participate,
7. Document on possibly given powers to appropriate parties involved in the transfer of activities to manage the operations of specified high voltage transmission facilities which are not required to allow free electrical energy flow from significant energy sources via the interconnected transmission network, and
8. Statement of the ability and willingness to satisfy obligations relating to public service.

DOCUMENTS ACCOMPANYING THE APPLICATION FOR LICENSE FOR INTERNATIONAL TRADE OF ELECTRICAL ENERGY

In addition to the aforementioned joint documents, the application for a license for activities of international trade of electrical energy should also be accompanied with the following documents:

1. the existing license for trading, manufacturing or supplying issued by FERC, RERS or SERC, if the applicant is already a participant in the domestic electricity market or the evidence that the applicant has requested the issuance of such licenses,
2. Proof of the solvency of the applicant,
3. Proof of the equity of the applicant with the overview of owners or shareholders with a share exceeding 5%,
4. Statement of commercial bank or another organization on readiness to provide financial guarantees or performance guarantees on the amount of planned or contracted transaction (suitability and quality guarantees shall be evaluated by the SERC)
5. Statement of the applicant to accept standardized licensing requirements, and
6. Information about the applicant's activities in the electrical energy markets outside BiH (if the applicant carries out activities abroad as well).

DOCUMENTS ACCOMPANYING THE APPLICATION FOR LICENSE FOR INTERNATIONAL TRADE OF ELECTRICAL ENERGY FOR ITS OWN USE

In addition to the aforementioned joint documents, the application for a license for activities of international trade of electrical energy for its own use should also be accompanied with the following documents:

1. Excerpt from the relevant register of legal entities,
2. Certificate or confirmation on the tax registration,
3. Articles of Incorporation and Articles of Association,
4. Certificate of the competent court that no bankruptcy or liquidation proceeding was initiated against the applicant,
5. Certificate of the competent court that against the applicant and his representative no criminal proceeding was launched,

6. Certificate of the competent authority that the applicant and its legal representative are not under security measure or banned from carrying out the occupation, activity or duty for which the license is required or related to,
7. Statement on the status of compliance with all regulations concerning the protection of the environment and the implementation thereof,
8. Statement that the applicant intends to comply with the market rules,
9. Statement of existing issued licenses or requests for applications submitted to the FERC or RERS, as well as any other regulatory authority outside BiH, and
10. Any other information that the SERC considers, at any stage of the proceedings, as necessary to make a decision,
11. Proof of the solvency of the applicant,
12. Evidence on share equity of the applicant with the overview of owners or shareholders with a share exceeding 5%,
13. Statement of commercial bank or another organization on readiness to provide financial guarantees or the performance guarantees on the amount of planned or contracted transaction (suitability of guarantor and quality of guarantees shall be evaluated by the SERC).

DOCUMENTS ACCOMPANYING THE APPLICATION FOR LICENSE FOR TRADE AND SUPPLY OF ELECTRICAL ENERGY ON THE TERRITORY OF BOSNIA AND HERZEGOVINA

In addition to the aforementioned joint documents, the application for a license for trade and supply of electrical energy on the territory of Bosnia and Herzegovina should also be accompanied with the following documents:

1. Proof of legal basis for the use of office space,
2. Description of the necessary computer equipment to perform the activity, and
3. Intended annual volume of electrical energy supply/trade.

DOCUMENTS ACCOMPANYING THE APPLICATION FOR LICENSE FOR SUPPLY OF ELECTRICAL ENERGY TO NON-ELIGIBLE CUSTOMERS

In addition to the aforementioned common documents, the application for a license for supply of electrical energy to non-eligible customers should also be accompanied with the following documents:

1. Description of information and communication technologies used to perform the activity,
2. Intended annual volume of electrical energy supply,
3. Number and structure of electrical energy buyers,
4. Map of the area where the activity takes place, and
5. Forms and regulations used to perform the activity.

DOCUMENTS ACCOMPANYING THE APPLICATION FOR DISTRIBUTION OF ELECTRICAL ENERGY

In addition to the aforementioned joint documents, the application for a license for distribution of electrical energy should also be accompanied with the following documents:

1. List of electrical energy facilities with basic technical parameters,
2. Map of the electrical energy network,
3. Number and structure of users of distribution network classified by voltage levels and categories of consumption,
4. Records and decisions of the competent inspections in the last three years,
5. Points of electrical energy from the transmission network or exchange with neighbouring distribution areas,
6. Historical review of the consumption of distribution areas with the projection for the next period, and
7. Characteristic load diagram in the delivery points of electrical energy.

DOCUMENTS ACCOMPANYING THE APPLICATION FOR LICENSE FOR PRODUCTION OF ELECTRICAL ENERGY

In addition to the aforementioned common documents, the application for a license for production of electrical energy should also be accompanied with the following documents:

1. Map showing the location of the plant used for production of electrical energy,
2. Environmental permits,
3. Concession agreement if the facility is constructed under this principle,
4. Contract on the connection to the distribution or transmission network, and
5. Technical data on manufacturing units, facility and installation, as well as the legal basis for the use of the same.

CRITERIA FOR LICENSING

General criteria for making a decision on issuing a license, in accordance with the Law, among others are based on:

- safety of transmission network, installations and associated equipment,
- protection of public health and safety,
- environmental protection,
- use of the land and location,
- use of the public property,
- energy efficiency,
- criteria that are particularly relevant to the applicant, such as technical, economic and financial capacity, and
- ability and willingness to fulfil all obligations referring to public service.

In addition to general criteria for issuance of a license, an applicant for a specific type of licenses should meet the specific criteria for that particular license.

Specific criteria for the issuance of license for electrical energy transmission:

- use of electrical energy networks of appropriate characteristics for safe and reliable transmission of electrical energy,
- possession and implementation of the plan for regular maintenance of its facilities, and
- proven financial and technical ability for dismantling and/or removal of all facilities in accordance with the technical requirements related to the environment, after the expiry of the license, and in the cases specified in the license.

Specific criteria for the issuance of license for the activity of the independent system operator:

- Specific criterion for issuance of license for the activity of the independent system operator refers to the ability of adequately performing the functions of the independent system operator in accordance with the law.

Specific criteria for the issuance of license for international trade of electrical energy:

- proven ability to provide appropriate financial and performance guarantees for the execution of its business activities,
- that the applicant has given a statement on compliance with the market rule,
- that the applicant has given a statement on acceptance of standardized requirements of the license use,
- that the share capital has been subscribed and paid in the amount of at least one million BAM, and
- that the applicant proved to have achieved the conditions for obtaining the appropriate license from the FERC or the RERS before starting the business of international trade on the basis of license obtained from the SERC.

Specific criteria for the issuance of license for international trade of electrical energy for its own use:

- proven ability to provide appropriate financial and performance guarantees for the execution of its business activities, and
- a statement given by the applicant on compliance with the market rules.

Specific criteria for the issuance of license for trade and supply of electrical energy in the territory of Bosnia and Herzegovina:

- proven ability to provide appropriate financial and performance guarantees for the execution of its business activities,
- that the applicant has given a statement on compliance with the market rules,
- that the share capital has been subscribed and paid in the amount of at least one million BAM, and
- that the activity of the applicant is not related to the activity of electrical energy distribution.

Specific criteria for the issuance of license for electrical energy supply to non-eligible customers:

- that the applicant has established an efficient system of communication with customers, and
- that the applicant has established an efficient system of accounting, billing and payment collection for the used electrical energy.

Specific criteria for the issuance of license for distribution of electrical energy:

- that the applicant is the owner or lawful possessor of the distribution network in the area of its activity,
- that the same meets the requirements for the safe operation of distribution facilities and plants,
- that the same complies with all the rules relating to the protection of the environment,
- that the same is the owner or lawful possessor of measuring devices at all points of supply and delivery of electrical energy,
- that the same owns adequate human and material resources for the maintenance of the used distribution network, and
- that the same established an efficient and reliable procedure for meter reading and forwarding of data on electrical energy consumption to the supplier.

Specific criteria for the issuance of license for electrical energy production:

- that the applicant is the owner or lawful possessor of the electrical plant or installation for production of electrical energy,
- that the same meets the requirements for the safe operation of the plant and installation,
- that the same possesses the necessary permits required by these Rules and the Law,
- that the same concluded a contract on connection to the distribution or transmission network, and
- that the same has been approved to use the production facility.

CONTENT AND CONDITIONS FOR LICENSE USE

The license must contain the following information:

- activity for which the license is issued,
- registration number of the license,
- date of issuance of the license,
- name and address of the licensee,
- tax number of the licensee, and
- time period for which the license is valid.

The conditions for the use of licenses include, but are not limited to:

- requirement that the licensee permanently works on the conditions defined in the general and specific criteria for a license as defined in this book of rules,
- possibility to open the process of redefining the license during the period of its validity, at the request of the licensee or if initiated by the SERC in order to change the conditions of the license due to significant changes in the law or factual circumstances,
- obligation to constantly prove financial capacity and stability,
- provisions on the responsibility to comply with regulations pertaining to international trade, monitor changes of international technical requirements related to trade in electrical energy and harmonize operations with these changes,
- provisions on the quality of services,
- request for the establishment of Code of Conduct and obligation to comply with the same,

- obligations related to the accounting standards,
- obligation to protect consumers, to ensure fair and equal treatment, high quality services, competition and prevent anti-competitive activity,
- obligation to comply with the grid code and market rules,
- principles of control and monitoring performance of the licensed activities of the SERC,
- obligation to regularly submit data to the SERC, in the manner and format prescribed by the SERC,
- obligation to submit data on special request of the SERC,
- obligation to provide public services to ensure continuous supply of electrical energy for skilled and unskilled (tariff) customers,
- obligation to report to the SERC on disputes pending before the competent courts in connection with the licensed activity,
- method of dispute resolution, and
- any other condition or requirement that the SERC deems as important, in order to meet the objectives of the laws and regulations of the SERC.

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