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ENERGY REGULATORY AGENCY PODGORICA

GENERAL REMARKS OF NGO MANS ON THE DRAFT PLAN FOR DEVELOPMENT OF THE TRANSMISSION NETWORK OF MONTENEGRO 2019-2028, AND THE INVESTMENT PLAN FOR 2019, 2020 AND 2021 OF THE ELECTRIC POWER SYSTEM AD PODGORICA

- **Draft plan for development of the transmission network of Montenegro 2019-2028 is an incomplete and largely arbitrary document, since development of the transmission network is mostly based on the construction of certain facilities for production of electricity, whose implementation is uncertain**

The document states that, in accordance with development plan of production units submitted by the competent ministry, in the period from 2021 to 2028, it is expected that the First Block of the Thermal Power Plant in Pljevlja will be shut down, as well as the construction of Hydro Power Plants on Morača (Zlatica, Milunovići, Raslovići and Andrijevo), Komarnica Hydro Power Plant and the Second Block of the Thermal Power Plant in Pljevlja (225 MW).

The aforementioned does not correspond with the plans of the Electric Power Company of Montenegro (EPCG), which in early 2018 launched the selection of contractors for ecological rehabilitation of the existing First Block of the Thermal Power Plant in Pljevlja, while in the request for obtaining an integrated license for the work of the First Block of the Thermal Power Plant in Pljevlja announced that, after its ecological rehabilitation, it will work until 2043.

In addition, at the end of 2017, EPCG terminated the contract on the construction of the Second Block of the Thermal Power Plant in Pljevlja with the selected bidder, the Czech company Škoda Praha, because it failed to find the financier for the construction of the new thermal power plant. In this regard, it is unclear why it is projected as a ready thing to shut down the existing First Block and build the Second Block of the Thermal Power Plant in Pljevlja.

Also, when it comes to construction of four hydro power plants on Morača River (Zlatica, Milunovići, Raslovići and Andrijevo), the authors of the document did not provide information on the certainty of this project. This is particularly important as in 2010 the identical project for the construction of four hydro power plants on Morača was suspended, while in the later years, the Ministry of Economy announced that the project for the construction of a number of smaller hydro power plants on Morača was discussed, rather than the construction of four large hydro power plants.

Such ad hoc approach is unacceptable and questions the reality of the offered development of the transmission network, while even the authors themselves state that it is necessary to update the plan of entering of new production facilities into the system, as well as their planned capacity.

- **When analyzing the usefulness of construction of certain projects, the authors did not apply a consistent methodology or realistic parameters, which is why projections of benefits from projects are questionable**

The authors state that during the analysis of usefulness of the project construction, ENTSO-E CBA methodology was applied which, in European practice, is applied to regional projects, or internal projects that have an impact on the region. However, the authors have completely unreasonably applied this methodology to most of the transmission network development projects in Montenegro, although they have no regional character, while completely ignoring how small domestic market is.

In addition, in determining the usefulness of the projects, the authors completely unreasonably applied certain parameters that do not have any realistic bases at all. The most drastic example in this regard is the project for construction of TS 400/110 kV Lastva, 400 kV DV Lastva-Čevo and Čevo-Pljevlja, which is a part of the broader project of submarine interconnection between Montenegro and Italy, as well as related projects for the construction of 400 kV DV Pljevlja 2- Višegrad and Pljevlja 2-Bajina Bašta.

In regard to this, the authors assume that there is an interconnectivity link towards Serbia/Bosnia and Herzegovina and that it is an energy cluster, while the analysis implies a cable load of 1000 MW, although they admit that the current cable load towards Italy is of 600 MW, while the second pole of the cable is expected only after 2021.

On the basis of such unrealistic projections of the cable load of 1000 MW and market mergers, the authors predict a high benefit of 22 million during the first few years, while during most of its economic duration, the interconnection will provide a total social and economic benefit of €10 million. This approach is completely unacceptable, not only because it starts from the assumption of using a 1000 MW cable and it is set at 600 MW, but it is also extremely uncertain when the second pole of the cable will be installed, and whether it will be installed at all.

- **It is alarming that development of the transmission network over the next five-year period is dominantly linked to the construction of facilities for electricity production or tourism projects, most of which are private investors, while on the other hand the state of the transmission network is unenviable and largely outdated**

The document points to a part of the problem that exists in the transmission network. Thus, it is stated that the largest part of the network consists of 110 kV power lines, which are at the same time most loaded, regardless of the time of day or year. It is further stressed that it is necessary to reduce the losses in the transmission network, which are especially evident in the engagement of the Perućica Hydro Power Plant with over 200 MW, while high losses are also caused by the low load of 400 and 220 kV of the transmission network. The problem is also more reliable supply of the coastal part of Montenegro, especially Herceg Novi and Ulcinj, connected only with one and not two lines to the transmission network, which is why the situation is critical especially in the summer. Budva is a critical place for the supply of the coastline as well, and it is generally stated that all transmission lines of 110 kV in the coastline are old and need to be changed.

In this regard, in the period from 2018-2022, the electric power system of Montenegro projects investments of around €112 million, of which €79.8 million, or 70%, will be invested in development of the transmission

network, which is necessary for implementation of a number of private projects. Thus, for several projects related to the submarine interconnection between Italy and Montenegro, € 37.8 million is planned, with the aim of providing safe and undisturbed transit of electricity from the Balkans to Italy. Furthermore, € 21.9 million has been projected for development of the transmission network for connection of the private tourist settlement Luštica, although the authors do not mention any of its specific benefits for the general public. Also, around €6 million have been allocated for the construction of the Brezna substation, which should enable the two-way supply of Žabljak, as well as the dominant connection to Krnovo Wind Power Plant, which is run by a private investor, and newly-planned small or large hydro power plants in this area. The situation is similar with plans for the construction of the Virpazar-Ulcinj transmission line, which should enable a more stable operation of the future Mogura Wind Power Plant, which is also built by a private investor, as well as with the construction of the Vilusi-Herceg Novi transmission line, which needs to unload the network in Herceg Novi and Tivat, and is also necessary for projected new small hydro power plants. Finally, the same is with the substation in Žabljak, which is a project that should enable the connection of new complexes of tourist centres.

It is impermissible for development of the transmission network to be designed according to priorities of private projects, instead of being in line with the real state of the transmission network. Also, it is unacceptable that in the document the authors do not pay attention at how much such a large number of investments will affect the price of energy that will be paid by the end consumers.

- **Questionable energy consumption forecast by 2028 shown in the document**

The authors state that the total consumption of electricity is significantly determined by the consumption of the three existing direct consumers: Aluminum Plant Podgorica, Željezara Nikšić and electrical installations. In this regard, it is unclear why the authors project a consumption of 84 MW for the Aluminum Plant Podgorica, although they have previously found that it was 63 MW in all previous years.

It is also unclear why the authors estimate that the future real consumption of the tourist resort Luštica Bay will be approximately equal to the consumption of the Porto Montenegro complex (summer peak less than 5 MW), but nevertheless, as a parameter for the connection of this location in its first phase, the consumption of 30 MW is taken, while in the next 40 MW. And then on the basis of such unrealistic parameters they assess the socio-economic benefit of the project.

- **Projections on the real needs of the system reserve in the Electric Transmission System of Montenegro are arbitrary and with the aim of only satisfying the legal form**

The authors of the document state that for 2017, a reserve is required in the primary regulation of 3 MW, while in the secondary 25 MW. It is further indicated that the transmission network operator will be obliged to increase the leased production capacities that participate in the system reserve in the coming years, which means a significant increase in the costs (increase of tariffs), which is why it is important to estimate the required and sufficient number of reserves in the system.

Despite these statements, the document provides unclear data on future projections of increasing of electricity production and reserves that need to be provided, and even the work of the Second Block of the Thermal Power Plant in Pljevlja, planned for 2020, is mentioned, so the impression is that imprecise and arbitrary projections are given only in order to satisfy a mere legal form.