

The EBRD is considering providing a senior corporate loan to MEPSO, the state-owned electricity transmission system operator in FYR Macedonia.

The proceeds of the loan will contribute to the following components of MEPSO's medium term development plan:

Reconstruction of 110 kV transmission lines: around 200 km of existing 110 kV lines have been identified for reconstruction in the same place as existing towers and corridors. The concrete poles, over 40 years old, are in very bad condition and require urgent replacement. A lot of outages due to pole rupture have occurred during the last years. The reconstruction will include polygonal towers and complete replacement of the conductive wires, protective wires, isolators and suspension equipment.. In parts of the network double circuit towers will be erected based on forecast load growth over a 10 year period. The lines will be strung as single circuit. The second circuit could be added in the future if demand increases as currently forecasted.

Remote monitoring and operation of substations: MEPSO will build a management centre for remote video surveillance and control from its dispatching centre in Skopje. The aim is to move towards remotely-supervised substations and not to rely on the personnel of the distribution network that owns the substations. Remote supervision and control will allow access and quicker operation of HV equipment, reducing or even eliminating errors that may lead to outages and making the company more efficient. In addition, the video surveillance systems will increase the physical security of the substations and management buildings.

Completion of the optical ground wire network: MEPSO is building its own telecommunication infrastructure for telecommunication interconnection of its power system installations. The aim is to complete the OPGW ring throughout MEPSO's transmission network according to the ENTSO-E requirements. The Project will finance replacement of existing ground wires along 200km of the existing network.

Rehabilitation of existing substations: MEPSO has identified primary and secondary high voltage equipment over 30 years old that needs to be replaced. Spare parts for obsolete pieces of equipment are no longer available.

The loan will

- (i) improve the stability and reliability of the power system;
- (ii) reduce technical losses;
- (iii) improve the TSO's ability to manage a liberalised market system; and
- (iv) mark an important step in the commercialisation of MEPSO through the first use of a

corporate loan.

#### Transition Impact

The EBRD loan will be the first non-sovereign guaranteed loan to a public energy company in FYR Macedonia. The use of a corporate loan will provide a demonstration effect to both domestic and foreign financiers of ways and instruments to finance activities. It will spread behaviour and attitudes that enhance the legitimacy and functioning of the market economy. The project will also begin MEPSO's transformation towards remotely supervised and controlled substations. This will lead to the reduction or even elimination of outages, increased physical security of the assets, and productivity improvements. This aspect of the project will provide a demonstration effect of products and processes that are new to the economy.

#### The Client

MEPSO, the 100% state-owned electricity transmission system operator of FYR Macedonia, was incorporated as an independent TSO in 2005, when the old vertically integrated state-owned utility ESM was unbundled into 3 major companies.

MEPSO's business activity is:

transmission of electricity;

management of the electric power system by dispatching electricity throughout the country, as well as balancing the power system; and

organisation and management of the Macedonian electricity market. MEPSO is responsible for transmission from the Macedonian border to large industrial customers or to the low voltage grid of EVN AD Macedonia, the privatised national distribution operator.

#### EBRD Finance

Category B, with potential environmental and social impacts readily identified and mitigated. Environmental and social due diligence is underway, and will be completed with the assistance of an independent consultant.

Preliminary information suggests there is limited potential for environmental impacts caused by the Project since most or all activities will involve reconstruction or replacement of existing assets and will not disturb new ground. It appears that most environmental impacts would be associated with construction activities and could be avoided or adequately controlled by the application of best practices to control erosion, noise, and other disturbances. This will be evaluated during due diligence.

Since the line was constructed in the 1960s, occupied houses and other buildings have encroached on the 110kV transmission line corridor. Along several kilometres of the line to be replaced by the Project, houses are closer to the energized lines than allowed by

Macedonian norms, which require five meters of horizontal clearance and six meters vertically. Due diligence will determine whether there are legal or safety reasons that would justify adjusting the corridor or taking other steps to protect the buffer zone. If determined to be necessary, actions will be required to ensure no one is exposed to health risks by exposure to electromagnetic radiation or safety risks from fallen lines.

A Stakeholder Engagement Plan will guide MEPSO's disclosure of relevant Project information and subsequent engagement with stakeholders, and an Environmental and Social Action Plan will be developed to ensure the Project will be completed in compliance with the Bank's Performance Requirements.

This Summary will be updated when due diligence is complete, before the Project is considered for approval.

source: ebrd.com