



Republika e Kosovës
Republika Kosova - Republic of Kosovo

ZYRA E RREGULLATORIT PËR ENERGJI
REGULATORNI URED ZA ENERGIJU
ENERGY REGULATORY OFFICE



GUIDELINE ON LIBERALIZATION OF ELECTRICITY MARKET IN KOSOVO

Pristina, 18 January 2017



The Board of Energy Regulatory Office, pursuant to authority given under Article 9, paragraph 1, subparagraph 1.7, Article 15, paragraph 1, subparagraphs 1.14, 1.15, paragraph 7, subparagraph 7.1, Article 25, Article 26, Article 30, paragraphs 1, 2, subparagraph 2.9, Article 38, paragraph 2, Article 47, paragraph 3, subparagraph 3.9 of Law on Energy Regulator (Law no. 05/L-084);

Provisions of Article 4, Article 5, Article 12, paragraph 1, Article 14, paragraph 1, Article 15, paragraph 6, Articles 18,19,22,23 and 24 of Law on Energy (Law no. 05/L-081);

Provisions of Article 5, paragraphs 1,2,3,4,5 subparagraphs 5.1, 5.2, 5.3 and 5.4, paragraphs 6, 7, 8, 9, 10, 11, 12, 13, Article 6, paragraphs 1 and 2, Article 7, paragraph 1, subparagraphs 1.1, 1.2, 1.3, 1.4, 1.12, 1.13, paragraphs 3 and 4, Article 8, paragraphs 1, 3, 4, 7, 8, 9 and 10, Articles 22,23, paragraphs 1, 2, 6 and 8 of Law on Electricity (Law no. 05/L-085), in its session held on 18 January 2017 issued the following:

GUIDELINE ON LIBERALIZATION OF ELECTRICITY MARKET IN KOSOVO

Article 1

General Provisions

1. This Guideline determines the manner, criteria and timing of electricity market liberalization in Kosovo, at electricity generation and supply level.
2. Determination of criteria referred to in paragraph 1 of this Guideline shall serve to support the amendment and supplement of secondary legislation, which falls under the responsibility of Energy Regulatory Office (ERO).

Article 2

Preconditions for Market Liberalization

1. Electricity market liberalization shall take place gradually, by using all possibilities to adjust the amendment of laws with the situation of energy sector in Kosovo;
2. Preconditions for liberalization of electricity market in Kosovo are:
 - 2.1. Notice by ERO regarding the handling of electricity generation in accordance with new laws;
 - 2.2. Amendment, supplement and compilation of all rules, principles and methodologies, in accordance with applicable laws of energy sector in Kosovo;



- 2.3. Other issues which are out of ERO's control, related to market liberalization.

Article 3

Development of Competition

1. ERO, in consultation with Kosovo Competition Authority and State Aid Office, shall carry out investigations with respect to the functioning of electricity market and shall publish the Regulator's Report as soon as possible, following the date of issuance of this Guideline.
2. In case the report concludes that there is no efficient competition in the electricity market, ERO, in cooperation with other relevant stakeholders, shall set Public Service Obligations, with the aim of protecting customers and quality of supply.

Article 4

Electricity Generation

1. Electricity generators are obliged to provide their capacity in a transparent, non-discriminatory and market-based manner to all customers in wholesale and retail markets, including the ones with Public Service Obligations.
2. The licensee for generation of electricity in Kosovo (in this case Kosovo Energy Corporation - KEK JSC.) shall nominate its generating capacity in the wholesale electricity market, under competition criteria stipulated by law;
3. Regulation of generation prices shall terminate by 31 March 2017 at the latest, and KEK JSC shall deliver all generated energy at unregulated prices.
4. ERO shall update the accumulated depreciation on KEK's Regulatory Asset Base, where a decision shall be taken regarding the manner of returning to customers the share of depreciation received by KEK for unaccomplished investments of regulatory period 2013-2017;
5. Compensation of customers from KEK shall be executed within a reasonable period, where KEK shall proportionally pay for each MWh of electricity provided to internal suppliers. Calculations shall be ensured by ERO within the shortest possible time.

Article 5

Electricity Generation from Renewable Energy Sources (RES) and Cogeneration

1. ERO shall ensure a mechanism for sale of electricity generated from RES, under regulated criteria, as follows:



- 1.1 dispatching shall be conducted with priority, by using the mechanism of Certificates of Origin;
- 1.2 Electricity generated from RES and admitted to the Support Scheme shall be sold with feed-in tariffs, approved by ERO Board;
2. The fund for compensating the difference between the market price and feed-in tariffs shall be established at Transmission level and managed by Market Operator;
3. The value of the fund shall be foreseen for each following year and will be allocated as a special tariff €/MWh;
4. RES Generators shall be subject to balancing and other general criteria, pursuant to rules issued by ERO.

Article 6 Handling of Electricity Losses

1. In the course of determining the revenues and charges for electricity distribution and transmission, ERO allows a reasonable level of technical and commercial losses.
2. Electricity losses shall be purchased by Transmission System Operator and Distribution System Operator, at electricity competitive market.
3. Losses in the north of Kosovo shall be incorporated in Transmission charges, until the barriers are removed.

Article 7 Handling of Electricity Retail Supply

1. ERO has established conditions to encourage interested suppliers to enter Kosovo's electricity market.
2. ERO shall establish mechanisms to supply final customers categories , according to stipulation in energy sector laws, including:
 - 2.1. Guaranteed Supply (Supplier of last Resort);
 - 2.2. Universal Service;
 - 2.3. Deregulation of prices for customer categories that do not meet the criteria to be supplied with Universal Service;
3. ERO shall finish the procedures for establishment of a mechanism for Supplier of last Resort, which includes:
 - 3.1. Compilation of methodology for determination of prices, which may be charged by Supplier of last Resort for guaranteed supply, where the price shall be higher



- compared to electricity retail market prices, so that customers are not encouraged to be supplied by this supplier for a long time;
- 3.2. Determination of tendering criteria for assignment of Supplier of last Resort;
 - 3.3. Completion of tendering procedures and in case it fails, ERO shall nominate the Supplier of last Resort.
4. ERO, by 31 March 2017 at the latest, shall establish mechanisms for Universal Service supply, which includes,:
- 4.1. Compilation of methodology for determination of reasonable prices of Universal Service;
 - 4.2. Compilation of criteria which shall be fulfilled by the Supplier for provision of Universal Service;
 - 4.3. Selection of the supplier with Public Service Obligations (PSO) which shall provide Universal Service to customers who meet the criteria stipulated in Law on Electricity (household and non-household customers, having an annual circulation of no more than ten (10) million Euros and no more than fifty (50) employees).

Article 8

Price Deregulation for Final Customers

1. Price deregulation for final customers shall be carried out gradually, by using the most suitable approach to the current situation, as follows:
 - 1.1. Industrial customers connected to transmission level 220kV shall be subject to criteria and prices of electricity supply market, by the date of issuance of this Guideline at the latest;
 - 1.2. Industrial customers connected to transmission level 110kV shall be subject to criteria and prices of electricity supply market, by 31 March 2017 at the latest;
 - 1.3. Commercial customers of voltage levels 35kV, 10kV shall be subject to criteria and prices of electricity supply market, by 31 March 2018 at the latest;
 - 1.4. Commercial customers of voltage level 0.4kV shall be subject to criteria and prices of electricity supply market, following the compilation of the list by ERO which shall identify customers who do not fulfil the criteria stipulated by law for electricity supply by Universal Service.
 - 1.5. All final customers shall be entitled to electricity supply at competitive market, following the approval of this Guideline.

Article 9

Protection of Customers in Need

1. ERO shall actively cooperate with all relevant institutions for establishment of a mechanism for protection of customers in need.



2. In order to avoid cross-subsidies between different customer categories, the source of the fund to support customers in need should not derive from the energy sector but another financing manner should be found.

Article 10

Communication with Third Parties

1. ERO shall ensure that the entire market liberalization process is carried out in a transparent and non-discriminatory manner.
2. Amendment, supplement and compilation of all rules and principles shall be made in consultation with the public and all other stakeholders.
3. Communication with Energy Community Secretariat shall be executed on the basis of information and consultation, especially with respect to:
 - 3.1 Determination of Public Service Obligation for generators, including the reason, duration and impact of these measures in electricity market competition (in case such an obligation is applied for generators);
 - 3.2 Determination of Public Service Obligation for Universal Service Supplier;
 - 3.3 Measures undertaken regarding the support of customers in need; and
 - 3.4 Any rule, principle or methodology, when the Board considers the consultation as reasonable;
4. ERO shall notify in advance, within a reasonable period of time, the customers who shall be subject to deregulated criteria of the market.
5. Customers who are entitled the Universal Service shall be notified in time on the criteria and rights of Universal Service as well as impacts of this change in their electricity bill.

TRANSITIONAL AND FINAL PROVISIONS

Article 11

Transitional provisions

ERO shall amend and supplement the secondary legislation and shall issue any required document related to issues described in this Guideline and other issues related to market liberalization.

Article 12

Official language



This Guideline is issued in Albanian and will be translated in Serbian and English language. In the event of any discrepancy between the version, the Albanian version shall prevail.

Article 13
Amendment

1. ERO is entitled to amend or modify this Guideline, at any time.
2. Procedures for amendment or modification of this Guideline shall be the same as for its approval.

Article 14
Interpretation

In case there are uncertainties concerning the provisions of this Rule, the Board shall issue explanatory information.

Article 15
Entry into force

This Guideline shall enter into force on the date of approval by ERO Board and will be published on ERO's official website.

ERO Board:

Krenar Bujupi, Acting Chairman

Arsim Janova, Member

Besim Sejfiqaj, Member
