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



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Foreword by ERO Board Chairman



Arsim Janova
Acting Chairman of ERO Board

Energy Regulatory Office (ERO) has released its thirteenth (13th) bulletin to announce the most meaningful developments which have taken place during the first half of this year in the energy sector in the country.

With a high devotion, the ERO staff was engaged in amending and completing the secondary legislation in order to harmonize it with new energy laws adopted by the Assembly of Kosovo last year. Through the public consultation processes, ERO has issued and amended more than 20 basic rules, which regulate the energy sector, including the issuance of Guideline on Liberalization of Electricity Market in Kosovo. Through this Guideline, ERO notified all sector participants on the new criteria related to functioning of energy market, according to which the regulation of electricity generation price ended on 31 March 2017. As a result of these changes, starting from 1 April 2017, the wholesale prices and the prices of supply to high voltage customers shall not be determined by the Regulator but shall be subject to free market rules.

Also, ERO amended all the licenses, therefore adjusting them with the new laws and new rules as well as continued to issue new licenses. It is important to emphasize the granting of electricity supply licenses to two new operators. All these activities set a stable regulatory basis for a proper functioning of the free electricity market.

As a regulator and also carrying out the role of monitoring the functioning of electricity market in the country, ERO has conducted an evaluation of competition in the electricity market in Kosovo and identified that there are currently three [3] suppliers who are licensed to supply the whole retail electricity market but so far, two of these suppliers are not fully active, therefore KESCO continues to have 100% of market share. Due to the lack of effective competition, with the purpose of protecting the customers and preventing the abuse of dominant position of electricity supply, the Board decided to impose the Public Service Obligation to the only functional operator KESCO, regarding the supply of customers who are entitled the universal supply.

With the purpose of adjusting the customers with the new rules of the free market and in order to make the tariffs more simple for customers as well as enable them to compare their consumption more easily, in order to also compare the prices that they will be provided by different suppliers who are expected to enter the market, ERO Board approved the amendment of Electricity Tariff Structure, which entered into force starting from 1 April 2017. This structure represents a change from the average tariff prices of the previous regulatory year but was derived as an average value from the overall value of Maximum Allowed Revenues from the last year for the whole cost of the system.

The whole process of amending the secondary legislation and opening of the market has been carried out in full transparency and was also developed in close consultation with the Energy Community Secretariat. Through these consultations, ERO was ensured that it is establishing a regulatory basis in full accordance with European Union directives.

Also, during this 6 months period, ERO continued with the process of monitoring the licensees, with the purpose of evaluating the level of fulfillment of obligations which are derived by the respective licenses and regulatory framework. Also, as a result of this monitoring, the Board of the Regulator imposed a fine to the Distribution System Operator for non-compliance with license terms.

ERO is devoted to continue to fulfill its legal functions professionally, by ensuring all customers, market operators and potential investors that the laws and rules of energy sector are implemented by all parties and by establishing a functional market based on principles of free competition in line with European Union Treaties and Directives.

First steps towards electricity market opening

The Board of Energy Regulatory Office (ERO), in its first session in 2017, held on 18 and 19 of January, approved the Guideline on Liberalization of Electricity Market in Kosovo. This Guideline comes as a result of legal changes and as a need of adjusting the secondary legislation with new energy laws, adopted by the Assembly of Kosovo in July 2016, which are in accordance with Third Energy Package of European Union Directives and set the functioning of a free market in the energy sector.

The Guideline, except that it serves as a guide for all the actions that shall be undertaken by the participants towards the functioning of free electricity market, also defines the manner, criteria and timing of electricity market opening in Kosovo, at electricity generation and supply level. The setting of the criteria by the Guideline shall serve as a support for amending and supplementing the secondary legislation, which is currently being carried out by ERO.

With the new tariff reviews that entered into force on 1 April of this year, ERO determined only the revenues of Transmission and Distribution.

Whereas, electricity generation and supply are subject to free market and the Regulator shall have a supervisory role, by ensuring that all market participants implement free market rules and do not bond any agreements that could be harmful to the customers. With this purpose, ERO, therefore licensed two other suppliers except KESCO JSC: HEP JSC. and GSA JSC.

Despite the fact that there is a legal basis for each company that wants to operate on the electricity supply market, the evaluation of competition prepared by ERO concluded that there exists a high concentration of one supplier in the retail electricity market in Kosovo, therefore, for a transitional phases, ERO has imposed the Public Service Obligation for electricity suppliers with the purpose of protecting the customers and the safety of supply.



—Public Event on Liberalization of Electricity Market in Kosovo

The Board also reviewed the Report on Evaluation of Competition in the Electricity Market in Kosovo. The Report identified that there are currently three[3] licensed suppliers to supply the whole retail electricity market, but so far two of these suppliers are not fully active, therefore KESCO still has 100% of market share.

Due to the lack of effective competition, with the purpose of protecting the customers and preventing the abuse of dominant position of electricity supply, the Board decided that ERO shall set Public Service Obligations to the suppliers for provision of Universal Service of electricity.

With this purpose, the Regulator set the required and proportional measures of Public Service Obligations, aiming to encourage the effective competition and also to ensure a regular functioning of electricity market.

To ensure the provision of supply service within the Universal Service, ERO, through a special act, imposed Public Service Obligations to Kosovo Electricity Supply Company- KESCO, in accordance with the criteria set in Article 5 of Law on Electricity, by obliging it to provide electricity supply to customers who are entitled the supply within the universal service.

Amendment of Electricity Tariff Structure

In March 2017, ERO Board initiated the amendment of electricity tariff structure.

Following the Public Consultation Process, the New Tariff Structure was approved by ERO Board and entered into force on 1 April 2017.

The Decision on changing the tariff structure aims to simplify the tariffs in order to make them more understandable for all customers and adjust the sector to the new circumstances derived from legal requirements for market liberalization. Through this simplification, ERO aims to enable the customers to control their consumption more easily and also make it possible to compare the prices provided to them by different suppliers who are expected to enter the market.

Due to the amendment of Tariff Structure, all final customers shall have an unchanged price in the seasonal aspect for each consumed kWh. Except this, household customers shall no longer pay according to the tariff blocks based on consumption level.

With the new tariff structure, daily tariffs of **7 cents for kWh** for high tariff and **3 cents for low tariff** shall be applied to all final customers. In this manner, there shall be an incentive for costumers to remove a part of their consumption from the peak time (day) to the time when the demand in the system is lower (night). Starting from 1 April until 30 September, the tariff during the day shall be high tariff which will be applied between 08:00h-23:00h, whereas during the night the low tariff will be applied, starting from 23:00h-08:00h. Whereas starting from 1 October until 31 March, the high tariff will start at 07:00h-22:00h and the tariff during the night will take place from 22:00h-07:00h.

It is worth emphasizing that the prices of the new tariff structure represent the average tariff prices of the previous year (Regulatory Year 2016)

The process of amending the structure was carried out in full transparency, involving all interested parties.



Public Hearing - Presentation of the Proposal on New Tariff Structure

As part of discussions for the electricity Tariff Structure Proposal, ERO representatives, with the request of the Committee for Economic Development, Infrastructure, Trade and Industry, presented the Tariff Structure Proposal and the impact that this structure will have on all customer categories.

During the meeting, Committee members requested from ERO representatives to present some samples of customers bills from different consumption groups, in order to inform them in details of the impact that the changes in the proposed tariff structure will have on these groups.



Presentation of Structure Proposal to the Committee for Economic Development, Infrastructure, Trade and Industry

With this purpose, ERO also held an open public hearing with all interested parties, where comments were received and also there were discussions related to the impact of the new tariff structure.

ERO also received comments from interested parties through mail and all these comments were part of the review from the Board.

ERO decided to review the current tariff structure with the purpose of simplifying future tariffs in order to make them more understandable for all customers and to make the required adjustments with the new circumstances in the sector following the legal requirements for market liberalization. Through this simplification, ERO aims to enable the customers an easier comparison of prices provided by different suppliers who are expected to enter electricity market in the country.



Transposition of Third Package

Kosovo, as a signatory of the Energy Community Treaty (ECT), is committed to apply the European Union (EU) legislation. During the last summer, the Third Package of Energy Laws was issued by the Assembly of Kosovo, which is in full accordance with the European Union directives. ERO, within legal time limits amended the secondary legislation that regulates the energy sector in order to adjust them to these laws and other respective EU directives.

This whole process was developed in consultation with the Energy Community Secretariat in Vienna and all other stakeholders.

Rules amended with the Third Legislation Package

Rule on Supplier of Last Resort

Rule on Determination of Prices and Revenues for Universal Service Supplier

Principles on Determination of Transmission and Market Use of System Tariffs and Connection Taxes

Principles on Determination of Distribution Use of System Tariffs and Connection Taxes

Supplier Switching Rule

Thermal Energy Pricing Rule

Rule on Support Scheme

Rule on Authorization Procedure for Construction of New Generation Capacities

Rule on Generation Prices (Generation Pricing Rule)

Rule on Maximum Allowed Revenues for Distribution System Operator (DSO Pricing Rule)

Rule on Maximum Allowed Revenues for Transmission System Operator and Market Operator (Rule on TSO/MO Revenues)

Guideline on Liberalization of Electricity Market in Kosovo

Regulatory Accounting Guidelines

Rule on Taxes

Rule on Confidential Information

Rule on Administrative Measures and Fines

Rule on Licensing of Energy Activities in Kosovo

Rule on General Conditions of Energy Supply

Rule on Resolution of Complaints and Disputes in Energy Sector

Rule on Disconnection and Reconnection of Customers in Energy Sector in Kosovo

Rule on Certification of Transmission System Operators

Rule on Evaluation of Capital Projects in the Transmission and Distribution Network in Electricity Sector.

Modification of Licenses

During this period, the Regulator modified the following licenses:

Electricity Generation License

KOSOVO ENERGY CORPORATION (KEK JSC.) TPP KOSOVA A
"KELKOS ENERGY" LLC
HYDRO ECONOMIC ENTERPRISE "IBËR LEPENC" LLC

Electricity and Thermal Energy Cogeneration License

KOSOVO ENERGY CORPORATION (KEK JSC.) TPP KOSOVA B

Electricity Market Operator License

TRANSMISSION, SYSTEM AND MARKET OPERATOR (KOSTT) JSC.

Distribution System Operator License

KOSOVO ELECTRICITY DISTRIBUTION AND SUPPLY COMPANY- JSC.

Electricity Market Operator License

TRANSMISSION, SYSTEM AND MARKET OPERATOR (KOSTT) JSC.

Electricity Supply License

"KOSOVO ELECTRICITY SUPPLY COMPANY" (KESC) J.S.C

Electricity Wholesale Supply (Trade) Licenses

"EnergO Supplier" LLC.

"PETROL TRADE SLOVENIJA" L.L.C.

"FUTURE ENERGY TRADING" LLC.

"GSA ENERGI" LLC.

"PAN INTERTRADE" LLC.

"EDS International KS" L.L.C

"AXPO KOSOVO" L.L.C.

"ENERGY FINANCING TEAM" L.L.C.

"EVN TRADING" L.L.C.

"MCM COMMODITIES" LLC.

"DANSKE COMMODITIES KOSOVO" LLC.

Thermal Energy Generation Licenses

Public Enterprise "Termokos" JSC.

"District Heating" JSC.

Thermal Energy Distribution Licenses

Public Enterprise "Termokos" JSC.

"District Heating" JSC.

Thermal Energy Supply Licenses

Public Enterprise "Termokos" JSC.

"District Heating" JSC.

Decisions of ERO Board for the period 1 January - 31 June 2017

Decisions on Licensing of electricity wholesale supply (trade) activity in Kosovo:

- V_894_20017 – to "Interenergo d.o.o-Kosova" LLC
- V_911_2017 – to "MTSP KOSOVO L.L.C"

Decisions on Maximum Allowed Revenues, Prices and Tariffs

- V_903_2017 – on tariffs of universal service customers of KESCO
- V_907_2017– on Maximum Allowed Revenues (MAR)-KOSTT
- V_908_20017 – on Maximum Allowed Revenues (MAR)-KEDS
- V_909_2017 –on adjustments of Capital Investments for KEK JSC.
- V_912_2017 - on approval of Transmission Connection Charging Methodology
- V_913_2017 – on Transmission Use of System Tariffs
- V_914_2017 – on Distribution Use of System Tariffs

Decisions on Notification for Preliminary Authorizations

- V_895_2017 – to "Hidro Forca" LLC. HPP "Strazha", Kaçanik.
- V_896_2017 – to "Security Team Kabashi K" LLC. HPP "Erenik", Junik.
- V_897_2017 – to "Monten" LLC., HPP "Llapi 1", Podujevë.
- V_898_2017 – to "Monten" LLC., HPP "Llapi 2", Podujevë.
- V_899_2017 – to "Hidrocom" LLC. k., HPP "Kaquadoll", Podujevë.
- V_900_2017 – to "PRISHTINA - ENERGY" LLC., Electricity generation from wind "Wind Park-Koznica" Novobërdë.
- V_917_2017 – to "Puna" LLC., HPP "Radesha 1", Dragash.
- V_918_2017 to "Puna" LLC., HPP "Radesha 2", Dragash.

Decisions on extension of validity time limit of Decision on Notification for Preliminary Authorization:

- V_883_2017 – to "Çeta – General Invest Group" LLC..
- V_884_2017 – to "AFA Energy" LLC.
- V_885_2017 – to "AFA Energy" LLC.
- V_893_2017 – to NPN "Renelual Tahiri" LLC.

Decisions on issuance of Final Authorization

- V_880_2017 – to "2 Korriku" LLC. (HPP "Soponica")
- V_881_2017 – to "Eurokos JH LLC. (HPP "Brod").
- V_882_2017 – to "Eurokos JH LLC. (HPP "ZK Gllloboqic").
- V_889_2017 – to "Hidro Line" LLC. (HPP "Albaniku").
- V_890_2017 – to "Hidro Line" LLC. (HPP "Albaniku 4").
- V_891_2017 – to NPN "Renelual Tahiri" LLC. (HPP).
- V_906_2017 – to N.T.SH. Elting.

Decisions on Modification of Final Authorizations

- V_892_2017 – to "EKO -ENERGJI" LLC., for the hydro power plant in Morava e Binçës River, HPP " Binça".
- V_919_2017 to "Hidroenergji" LLC., for the hydro power plant in Lepenc River

Different Decisions

- V_904_2017 –on Transmission Development Plan 2017-2026
- V_905_2017 –on the fine imposed to KEDS related to outages during October-November 2016.
- V_916_2017 –on setting the Public Service Obligation to the electricity supply licensee.



TSO Certification Process

ERO initiated the Transmission System Operator (TSO)-KOSTT Certification Process.

The certification of TSO is required with the purpose of ensuring that TSO carries its processes independently of any other business in the energy sector and consequently to ensure that TSO provides a free and non-discriminatory access to the transmission network for all market participants, therefore ensuring a free functioning of the electricity market in the country.

The Certification is a process according to which ERO confirms that there is a sufficient division of control on the TSO on one hand and production and/or supply on the other hand and that the control of the energy enterprise is in compliance with respective unbundling provisions.

With this purpose, on 16 June 2017, representatives of Transmission System and Market Operator- KOSTT JSC presented to ERO the application for KOSTT certification.

ERO requested that the application shall be supplemented with some additional information which are required for defining the ownership of some TSO assets as well as other issues on this process.

Given that it is a requirement derived from EU directives, the Certification process is also being followed and coordinated with Energy Community Secretariat and upon completion, the Board will issue a final decision.

Operators Monitoring Processes

According to Article 54 of Law on Energy Regulator, Energy Regulatory Office is entitled the supervision of implementation of acts, decisions and guidelines issued by ERO.

With this purpose, ERO continuously develops monitoring processes in order to ensure that the licensed operators are operating in accordance with the criteria of their licenses and the laws and rules regulating the energy sector in the country.

An extraordinary monitoring process was developed to monitor the provision of services to customers and energy supply outages by the Distribution System Operator (DSO). This process started on 10 August 2016, when the ERO Board established the Working Group for monitoring KEDS and KESCO in the area that covers the provision of services to customers.

Following the completion of the monitoring process, a report was submitted to ERO Board by the Monitoring Committee and based on that, the Board notified the Operator on the findings and required clarifications regarding them. Following the receipt of the response from the Distribution Operator, the Board, on its Vth meeting, held on 31 March 2017, concluded that the Distribution System Operator could not prove that the findings from the monitoring carried out by ERO are not accurate and decided to impose a fine in an amount of forty five thousand Euros (45.000), based on Rule on Administrative Measures and Fines,

As part of regular monitoring processes, ERO, in July of this year initiated the new monitoring processes which involve all licensed operators providing energy services. Following the completion of the monitoring, ERO delivers the reports for comments and publishes them on its electronic website www.ero-ks.org.



Pristina, 16 June 2017 - Presentation of Application for KOSTT Certification

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