



**Republika e Kosovës**  
**Republika Kosova - Republic of Kosovo**

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



## **PRINCIPLES ON DETERMINATION OF DISTRIBUTION USE OF SYSTEM TARIFFS AND CONNECTION TAXES**

Pristina, January 2017



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The Board of Energy Regulatory Office, pursuant to authority given under Article 9, paragraph 1, subparagraph 1.7, Article 15, paragraph 1.5, Article 25, Article 26, paragraph 1, subparagraph 1.1, Article 47, paragraph 3, subparagraph 3.3 of Law on Energy Regulator (Law No. 05/L-085), in its session held on 18.01.2017, approved:

## **PRINCIPLES ON DETERMINATION OF DISTRIBUTION USE OF SYSTEM TARIFFS AND CONNECTION CHANGES**

### **PART I- GENERAL PROVISIONS**

#### **Article 1**

##### **Scope and Purpose**

1. Principles on which DSO shall compile “Methodology on Determination of Distribution Use of System Tariffs”
2. Principles on which DSO shall compile “Methodology on Determination of Taxes for Connection to Distribution System”.
3. Methodologies, stipulated in paragraph 1 and 2 of this Article, shall be submitted to ERO for approval, following their compilation.
4. Principles should be in accordance with General Conditions of Energy Supply and Rule on Determination of DSO Maximum Allowed Revenues, approved by ERO.

#### **Article 2**

##### **Definitions**

1. Terms used in this document have the following meaning:
  - 1.1 “Applicant” means a natural or legal person who requests the DSO to provide a new or modified connection to the Distribution System;
  - 1.2 “Deep” in relation to a connection means that the applicant will provide at his own cost or pay the direct costs of the assets required to connect to the nearest suitable point of connection on the existing distribution system plus any indirect costs arising from works associated with the reinforcement, extension or reconfiguration of the existing network and which have arisen as a direct consequence of making the connection;
  - 1.3 “Effective capacity” means the total capacity at any point in the network which is available for use by users without breaching technical limits of network operation. It may be classified by reference to any relevant technical criteria or applicable standards including, but not limited to, current carrying capacity, short-circuit capacity, voltage limits or stability limits;
  - 1.4 “LV” or “low voltage” means a voltage not exceeding 1000 Volts alternating current;



- 1.5 “HV” means a distribution voltage greater than 1000 Volts alternating current;
  - 1.6 “Shallow” in relation to a connection means that the applicant will provide at his own cost or pay the direct costs arising from the provision of the new connection to the nearest suitable point on the existing distribution system;
  - 1.7 “Standard Connection Charge” means a charge levied on an individual connection applicant that has been calculated to reflect the average cost of making comparable connections for that class of applicant
  - 1.8 “User” has the same meaning as in the Distribution Code.
  - 1.9. “DSO” means the Distribution System Operator;
- 2 Other terms used in this document, have the meaning as in Law on Energy Regulator, Law on Energy and Law on Electricity.

## PART II – COMMON PRINCIPLES

### Article 3

#### **Non-discrimination and Cost Reflectivity**

- 1 In developing the Methodologies for determination of tariffs and taxes, referred to in Article 2 above, the DSO should charge or offer to charge prices to any person for connection or use of system services that:
  - a) do not materially differ from those charged or offered to any other person making a request for a comparable service; and
  - b) reasonably reflect the contribution made by such person to the overall costs of providing the service requested.
- 2 Notwithstanding the general requirement for cost-reflectivity in the structure of taxes and tariffs, the DSO may set average or standardized taxes for connection or use of system services in respect of any specified class of users where:
  - a) users within the class, by virtue of their demand characteristics, are broadly similar in terms of the costs they impose on the DSO (taking into account relevant volumes, load factors, load shape, conditions of termination, location of premises being served, the date and duration of any use of system agreement and any other relevant information);
  - b) the provision of user-specific pricing within that class would lead to higher administrative cost to the DSO without any material compensating benefit to users in terms of transparency; and
  - c) such average pricing is unlikely to present any barrier to competition.



#### **Article 4**

##### **Simplicity and Transparency**

- 1 Tariffs and Taxes shall be simple, transparent and predictable.
- 2 Tariffs and Taxes shall reflect the need to optimize the use of the network and to reflect costs incurred on behalf of the system.
- 3 Tariffs and Taxes should take account of forthcoming developments in the structure of the power sector and permit more sophisticated arrangements to be introduced as the market develops.



## **PART III- METHODOLOGY ON DETERMINATION OF DISTRIBUTION USE OF SYSTEM TARIFFS**

### **Article 5**

#### **Tariff Determination Methodology**

- 1 Tariff Determination Methodology should enable users of the system to make a reasonable estimate of applicable DUOS tariffs and should include,
  - a) the basis on which tariffs for use of the distribution system will be calculated;
  - b) the basis on which any separate tariffs for capacity on distribution circuits on the distribution system will be made;
  - c) a schedule of any taxes that may be made for the provision and installation of any meters, including check meters, or any electrical plant at entry or exist points which is ancillary to and necessary for the grant of use of system, and for the maintenance of such meters or plant;
  - d) the criteria on which any decision by the DSO to refuse access to the system shall be made, which criteria shall be objective and technically and economically justified.

### **Article 6**

#### **Basis of tariff determination**

- 1 In determining the use of system tariffs, in terms of Article 5.1, the DSO should take into account the medium term costs of maintaining a safe, secure and reliable system so as to enhance the predictability and stability and cost-reflectivity of prices in the long term.
- 2 In developing its Use of System Tariff Methodology the DSO should take into account the long-term, marginal, avoided network costs arising from distributed generation and demand-side management measures.



## **Article 7**

### **Sharing of Use of System Costs**

- 1 The methodology should respect the following policy principles:
  - a) DSO should recover its taxes by a weighting of 0% to generation and 100% to demand (through capacity tariff).
  - b) DSO shall cover the variable costs for use of system through energy tariffs;
  - c) Tariffs should be set so as to reflect the costs of providing and maintaining the distribution system available at different voltage levels
  - d) Users should not be expected to pay for the capital, operating, or maintenance costs related to assets which they do not use.
  - e) Tariffs shall reflect the costs which are incurred, or which are assessed to be incurred to the system from the user or the category of user at the peak time (highest demand) in the system.

## **Article 8**

### **Recoverable costs**

- 1 To the extent that such costs are reasonably attributable to a user (or in the case of average tariffs, to a class of users), use of system tariffs may be set to recover:
  - a) The capital and running cost of maintaining a safe, secure and reliable system in line with nationally applicable standards available for the transport of electricity from the user's point of entry to the user's point of exit, to the extent that those costs are not recovered through any other charge or tariff;
  - b) The costs of maintaining voltage and frequency within nationally applicable limits;
  - c) The justifiable costs of distribution losses (both technical and commercial) in the form of additional supply required to cover those distribution losses (as stipulated by the Regulator);
  - d) The cost of the provision, installation and maintenance of any relevant meters, to the extent that those costs are not recovered through any other charge or tariff; and
  - e) Any other cost which the Regulator may from time to time approve as recoverable through use of system tariffs as defined in Rule on DSO Maximum Allowed Revenues.

## **Article 9**

### **Offer of terms for use of system services**

On application made by any person, the DSO should offer to enter into an agreement for the provision of use of system services.



2 The offer in paragraph 1 should be made no later than thirty [30] calendar days from receipt of the application for connection to the low voltage network and ninety (90) calendar days for connection to the medium or high voltage network

3 The offer for making available the use of system services shall stipulate:

- a. The points of entry into the system,
- b. Available capacity
- c. All other possible required services, and
- d. Prices to be paid for such services

4 Any agreement or offer made by the DSO should be in compliance with the Laws of Kosovo, the Distribution Code, his Licence or any other Rule issued by the Regulator.





## PART IV – CONNECTION TO THE SYSTEM

### Article 10

#### Methodology on Determination of Connection Taxes

- 1 The Methodology on Determination of Taxes should be prepared in such a way as will enable users of the system to make a reasonable estimate of the applicable connection taxes.
- 2 The Methodology on Determination of Taxes should include,
  - a) a schedule which includes required materials for connections and their prices (including the costs of carrying out of works and the provision and installation of electric lines or plant or meters) of significant cost liable to be required for the purpose of connection (at entry or exit points) to the distribution system for which connection taxes may be payable and where practicable including indicative taxes against each item specified in the schedule or (where this is not practicable) the basis on which such taxes will be calculated;
  - b) the basis on which taxes will be calculated in respect of extension or reinforcement of the distribution system which the DSO reasonably believes to be necessary to provide a connection to an applicant without jeopardizing the stability or security of the system, or the quality of supply of existing users of the system;
  - c) the basis on which taxes will be calculated where the provision of electric lines or plant to be installed are of greater capacity than required for the needs of the applicant;
  - d) the basis on which taxes for the maintenance and repair of electric lines, plant or meters installed for the purposes of giving a connection will be calculated;
  - e) the basis on which taxes will be calculated in respect of de-energisation of a customer's connection, disconnection from the DSO's distribution system and the removal of electric lines, plant and meters following disconnection.
  - f) the criteria on which any decision by the DSO to refuse access to the system shall be made, which shall be objective and technically and economically justified.
- 3 For the avoidance of doubt, where assets have been paid for by customer contributions towards the cost of connection, the Regulatory Asset Base shall not include customers contributions.
- 4 The Methodology should include a list of information that will be required of applicants requesting connection to the Distribution System, including any sample forms which applicants will be required to complete. In case of complex connections, DSO may require information from the applicant.



5 The approved Methodology should be published, prior to its coming into force, on the DSO's website made freely downloadable to prospective applicants and should make a paper copy available at no cost to any applicant who does not have access to electronic media.

### **Article 11**

#### **Connection of Generation**

1 Applicants for the connection of new generation, or increases in the connection capacity for existing generation, should pay shallow connection taxes. These costs shall be set so as to recover the direct costs of the provision of the connection to the nearest suitable point on the distribution system, including any metering and step-up transformers necessary to enable the connection along with the cost of any reinforcement and reconfiguration of distribution system.

2 In accordance with Connection Taxes Methodology, DSO is allowed to require a charge for recovering the costs related to evaluation of the request submitted by the generators for connection to the distribution system, which shall be approved by the Regulator.

### **Article 12**

#### **Connection Taxes**

1 Standard connection taxes should be set for new LV customers to cover the average costs of the service termination and metering. An applicant should be eligible to pay the standardized charge where the customer metering point will be not more than 50 metres from the nearest suitable connection point on the distribution system.

DSO Connection Taxes shall be stipulated based on:

- 1.1 deep connection cost recovery, where: (standard taxes), where:
  - a. metering point of a LV customer is not further than 50 metres from the closest most suitable point for connection to the distribution system,
  - b. a new load or an increase in load exceeds 3% of the existing Effective Capacity at the point of connection to the Distribution network, and
  - c. The connection is not foreseen in Distribution Development Plan
- 1.2 shallow connection cost recovery (non-standard taxes), where:
  - b. a new load or an increase in load does not exceed 3% of the existing Effective Capacity at the point on connection on the Distribution network, or
  - c. the connection is foreseen in DSO Development Plan.



### **Article 13**

#### **Setting of Connection Taxes**

- 1 The DSO submits its Methodology on Determination of Connection Taxes to the Regulator for approval in line with Rule on DSO Maximum Allowed Revenues and these Principles.
- 2 As soon as practicable after approval of the Methodology, the DSO should submit a statement of its taxes for connection calculated in line with the Methodology to the Regulator for approval.
- 3 The DSO should submit a statement of its taxes to the Regulator for approval (whether or not any revision to those taxes is proposed) at least once a year.
- 4 Taxes shall not become effective until approved by the Regulator. The Regulator shall approve taxes or give reasons for not approving them within 60 days of the date of submission of such taxes to the Regulator.

### **Article 14**

#### **Offer of terms for connection**

- 1 When the DSO has received a formal connection application containing all information required under the approved Methodology on Determination of Taxes, it should provide a formal offer to connect the applicant within the time limits specified in Rule on General Conditions of Energy Supply. The DSO should, at the request of a person interested in a new or modified connection, provide an indicative and non-binding quotation to assist that person to budget the likely financial costs of his project.
- 2 The formal offer should contain the date by which the connection works will be completed.
- 3 Where the DSO and the applicant so agree, the formal offer may include terms for the payment of interest for failure of either party to complete its part of any necessary works or to provide any necessary consents and which leads to delays and costs for the other party
- 4 Any indicative quote prepared in line with paragraph 1 above should not require the DSO:
  - a) to complete any site studies or system studies, or
  - b) to obtain any supplier's quotation for the necessary lines, plant or equipment likely to be required to enable the connection to be made, or to obtain any rights of way
  - c) and the DSO should not be required to carry out the steps envisaged in a) or b) above until a formal connection application has been received.
- 4 Any agreement or offer made by the DSO should be in compliance with the Laws of Kosovo, the Distribution Code, his Licence or any other Rule issued by the Regulator.



## PART V - TRANSITIONAL AND FINAL PROVISIONS

### **Article 15**

#### **Transitional Provisions**

1. Within 30 days following the entry into force of this document, the licensee is obliged to submit for approval by the Regulator, the Methodology on Determination of Distribution Use of System Tariffs.
2. Within 60 days from the entry into force of this document, the licensee is obliged to submit the Methodology on Determination of Taxes for Connection to the Distribution System for approval by the Regulator.

### **Article 16**

#### **Official language**

These principles are issued in Albanian language and shall be translated in Serbian and English language. In case of any discrepancy between the versions, the Albanian version shall prevail.

### **Article 17**

#### **Amendments**

ERO is entitled to change or modify any provision of this principles, following the public consultation process.

### **Article 18**

#### **Repeal**

This document repeals “Distribution Charging Principles” approved by the Board of Energy Regulatory Board in 2012.

### **Article 19**

#### **Interpretation**

If there is uncertainty about the provisions of these Principles, the Board will issue clarification.

### **Article 20**

#### **Entry into force**

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



ERO Board:

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Krenar Bujupi, Acting-Chairman

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Arsim Janova, Member

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Besim Sejfiqaj, Member