



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

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



**PRINCIPLES ON DETERMINATION OF TRANSMISSION AND MARKET USE OF SYSTEM TARIFFS  
AND CONNECTION TAXES**

Pristina, January 2017



Part I - General Provisions	3
Article 1 Scope and Purpose	3
Article 2 Definitions	3
Part II – Common Principles	5
Article 3 Non-discrimination and Cost Reflectivity	5
Article 4 Simplicity and Transparency	5
Part III – Methodology on Determination of Transmission Taxes	6
Article 5 Methodology on Determination of Transmission Taxes	6
Article 6 Basis for Determination of Taxes	6
Article 7 Sharing of Transmission Tariffs	6
Article 8 Setting of TSO/MO Tariffs	7
Article 9 Offer of Terms for Use of System Services	8
Part IV – Connection to System	9
Article 10 Methodology for Determination of Taxes	9
Article 11 Connection of Generation	10
Article 12 Connection Taxes	10
Article 13 Setting of Connection Taxes	11
Article 14 Offer of Terms for Connection	11
Part V- Transitional and Final Provisions	12
Article 15 Transitional Provisions	12
Article 16 Official Language	12
Article 17 Amendment	12
Article 18 Repeal	12
Article 19 Interpretation	12



The Board of Energy Regulatory Office (ERO), pursuant to authority given under Article 9, paragraph 1, sub-paragraph 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-084), provisions of Article 16, paragraph 1.16 of Law on Electricity (Law no. 05/L-085), in its session held on 18.01.2017, approved:

PRINCIPLES ON DETERMINATION OF TRANSMISSION AND MARKET USE OF SYSTEM  
TARIFFS AND CONNECTION TAXES

**PART I – GENERAL PROVISIONS**

**Article 1  
Scope and Purpose**

- 1 Principles on which TSO shall compile “Methodology on Determination of Transmission System Operator Tariffs”, TUOS Tariff Methodology.
- 2 Principles on which SO shall compile “Methodology on Determination of System Operator Tariffs”, SO Tariff Methodology.
- 3 Principles on which MO shall compile “Methodology on Determination of Market Operator Tariffs”, MO Tariff Methodology.
- 4 Principles on which TSO/MO shall compile “Methodology on Determination of Taxes for Connection to Transmission System”.
- 5 The methodologies stipulated in paragraph 1 and 2 of this Article shall be sent to ERO for approval, following their compilation.
- 6 These principles shall be in accordance with General Conditions of Energy Supply and Rule on Transmission System Operator and Market Operator Maximum Allowed Revenues, issued by ERO.

**Article 2  
Definitions**

- 1 The terms used in this document have the following meaning:
  - 1.1 “Applicant” means a natural or legal person who requests the TSO/MO to provide a new or modified connection to the Transmission 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 Transmission 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 “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 Transmission System

1.5 “User” has the same meaning as in the Grid Code;

1.6 “TUOS” means Transmission Use of System;

1.7 “SO” means System Operator;

1.8 MO” means Market Operator;

2. Other terms used in this document shall have the same meaning as prescribed in laws of energy sector.



## **PART II – COMMON PRINCIPLES**

### **Article 3**

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

1 In developing the Methodologies for determination of taxes, referred to in Article 2 above, the TSO/MO 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 requested service.

2 Methodologies on determination of connection tariffs and taxes for TSO/MO shall reflect the costs of each licensee. Following the application of respective tariffs and taxes, TSO/MO shall recover in respect of any class of users the total costs, including the costs of investments, that the TSO/MO has demonstrated as being reasonably attributed to that class.

### **Article 4**

#### **Simplicity and Transparency**

1 Tariffs and Taxes should be simple, transparent and predictable.

2 Tariffs and Taxes should reflect the need to optimize the use of the network and to reflect costs incurred for connection and use of system by specific users

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 – METHODOLOGIES FOR DETERMINATION OF TRANSMISSION TARIFFS**

### **(TUOS, SO, MO Methodologies)**

#### **Article 5**

#### **Methodologies for Determination of Transmission Tariffs**

1 Tariff determination methodologies should enable users of the system to make a reasonable estimate of applicable tariffs for Transmission System, System Operator and Market Operator Services and should include as appropriate,

- a) the basis on which tariffs will be calculated for different user classes,
- b) the basis on which any separate tariffs for capacity on Transmission circuits on the Transmission System will be made;
- c) a schedule of any tariffs that may be made for the provision and installation of any meters, including check meters, or any electrical plant at entry or exit 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 TSO 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 tariffs for use of system in terms of Article 5.1 a), the TSO should take into account the long 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 Methodologies for determination of use of system tariffs should take into account the long-term, marginal, avoided network costs arising from demand-side management measures.

#### **Article 7**

#### **Sharing of Transmission Tariffs**

1 The TSO should recover its TUOS tariffs by a weighting of 0% to generation and 100% to demand.

2 TSO should recover its tariffs market operator and system operator services by a sharing coefficient towards generation and supply, depending on their share on the amount of energy in transmission:

- a. When this allocation results in an average annual price higher than 0.5 €/MWh of transmission tariff paid by the generator, then the allocation in MO and SO tariffs*



*shall be updated in such a manner that the average tariff paid by the generator does not exceed the amount of 0.5 €/MWh.*

3 The tariff for the renewable energy fund shall be proportionally covered by suppliers according to their share in the electricity market.

3 Tariffs should be set so as to differentiate the costs of providing and maintaining the Transmission System available at different voltage levels.

### **Article 8 Setting of TSO/MO Tariffs**

1 Use of system tariffs and system and market operation tariffs shall 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;
- b) the costs of maintaining voltage and frequency within nationally applicable limits as detailed in the Grid Code;
- c) the justifiable cost of Transmission losses in the form of additional supplies required to cover those Transmission losses (as set by the Regulator);
- d) the cost of the provision, installation and maintenance of any relevant metering, to the extent that those costs are not recovered through any other charge; and
- e) any other cost which the Regulator may from time to time approve as recoverable through use of system tariffs as defined in the TSO Pricing Rule.

2 Users should not be expected to pay for the capital, operating or maintenance costs of assets at voltage levels which they do not use.

### **Article 9 Offer of Terms for Use of System Services**

1 On the request submitted by any customer, the TSO 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 [28] days from receipt of the application.

3 The offer to make available use of system services should specify:

- a) the points of entry into the system;
- b) available capacity;
- c) all other possible required services; and
- d) prices for such services.



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

## **PART IV – CONNECTION TO SYSTEM**

### **Article 10**

#### **Methodology for determination of connection tariffs**

1 The Tariff determination methodology 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 for Determination of Taxes should include,

a) a schedule listing those items (including the costs for carrying out of works and the provision and installation of electric lines or plants or meters) of significant cost liable to be required for the purpose of connection (at entry or exit points) to the Transmission 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 transmission system which the TSO reasonably believes to be necessary to provide a connection to an applicant without jeopardizing the stability or security 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 user's connection, disconnection from the TSO's Transmission 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 the information that will be required of applicants requesting connection to the Transmission System, including any sample forms which applicants will be required to complete. In the case of complex connections the TSO may request additional 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 transmission system, including any metering and step-up transformers necessary to enable the connection, along with the cost of reinforcement and reconfiguration of transmission system.

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

## **Article 12**

### **Connection Taxes**

The TSO's taxes for connection should be set on the basis of

- a) deep connection cost recovery, where:
  - i. a new charge or an increase in charge exceeds 3% of the existing effective capacity at the point on connection on the Transmission network, and
  - ii. the connection is not foreseen in the Transmission Development Plan, and
  - iii. the indirect costs of works associated with the reinforcement, extension or reconfiguration of the existing network and which have arisen as a direct consequence of making the connection exceeds ten times the expected TSO/MO revenue from the relevant connected load, or
- b) shallow connection cost recovery, where:
  - i. a new load or an increase in load does not exceed 3% of the existing effective capacity at the point on connection on the Transmission network, or
  - ii. the connection is foreseen in the Transmission Development Plan, or
  - iii. the indirect costs of works associated with the reinforcement, extension or reconfiguration of the existing network and which have arisen as a direct consequence of making the connection does not exceed ten times the expected TSO/MO revenue from the relevant connected load.



### **Article 13**

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

1 The TSO submits its Methodology for Determination of Connection Taxes to the Regulator for approval in line with Rule on Transmission System Operator and Market Operator Maximum Allowed Revenues and these Principles.

2 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 Where the TSO has received a formal connection application containing all information required under the approved Methodology for Connection to Transmission System, it should provide a formal offer to connect the applicant within the time periods specified in Rule on General Conditions of Supply.

2 The formal offer should contain the date by which the connection works will be completed.

3 Where the TSO 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 agreement or offer made by the TSO should be in compliance with the Laws of Kosovo, the Transmission Code, his Licence or any other Rule issued by the Regulator.



## **PART V - TRANSITIONAL AND FINAL PROVISIONS**

### **Article 15 Transitional Provisions**

1. Within thirty (30) days following the entry into force of this document, the licensee is obliged to submit the Regulator for approval the Methodology on Determination of Transmission System Operator and Market Operator Tariffs.
2. Within sixty (60) days following the entry into force of this document, the licensee is obliged to submit to the Regulator for approval the Connection Taxes Methodology.

### **Article 16 Official Language**

These Principles are issued in the Albanian language and shall be translated into Serbian and English language. In the event of discrepancies between versions, the Albanian version shall prevail.

### **Article 17 Amendment**

ERO retains the right to change or modify any provision of these Principles following a public consultation review process.

### **Article 18 Repeal**

These principles repeal “Principles on Determination of Tariffs for Transmission Use of System and Connection Taxes” approved by the Board of Energy Regulatory Office in 2012.

### **Article 19 Interpretation**

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

Board of ERO:

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Krenar Bujupi, Acting-Chairman

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Arsim Janova, Member

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Besim Sejfiqaj, Member