



Pristina, 27 April 2017  
ERO Code: V\_916\_2017

**The Board of Energy Regulatory Office,**

**Based on**

- Provisions of Article 15, paragraph 1, sub-paragraph 1.5, paragraphs 3 and 4, Article 25, Article 26, paragraph 1, sub-paragraph 1.2 and Article 51 of Law on Energy Regulator ( Law no. 05/L-084);
- Provisions of Article 3, paragraph 1, sub-paragraphs 51 and 72, Article 5, Article 33, paragraph 4, sub-paragraph 4.1, Article 37, Article 38 and Article 62, paragraph 7 of Law on Electricity ( Law no. 05/L-085);
- Rule on Universal Service Supplier Revenues;
- Provisions of Article 17 of Electricity Supply License, issued to "KOSOVO ELECTRICITY SUPPLY COMPANY (KESC JSC.), with license number ERO/Tr\_2014/Li\_07/17, dated on 27.04.2017;
- Decision of the Board of the Regulator regarding the criteria for measurement of competition, dated on 30 March 2011;
- Evaluation of energy market competition through Herfindahl-Hirschman (HHI), dated on 29.12.2016;
- Provisions of Article 3, paragraph 2 of the Guideline on Liberalization of Electricity Market in Kosovo, dated on 17.01.2017;

**in its session held on 27 April 2017 issued the following:**

## **DECISION ON IMPOSING THE PUBLIC SERVICE OBLIGATION**

- I. Public Service Obligation is imposed to the Electricity Supply Licensee "KOSOVO ELECTRICITY SUPPLY COMPANY (KESC) JSC., (hereinafter " KESCO") for supply of customers who are entitled the universal service.**
- II. The following customers are entitled the universal service of supply:**
  - a. all household customers;
  - b. non-household customers with annual turnover of no more than ten (10) million Euros (10,000,000) and no more than fifty (50) employees;
  - c. Customers connected to 110kV, 35kV and 10 kV voltage level for a transitional phase until they find a supplier in the market, by 31 March 2018 at the latest, except customers who are entitled the supply under universal service criteria.

- III. Customers connected to 0.4 kV shall be subject to market criteria and prices for electricity supply, following the compilation of the list by ERO, which shall identify the customers who do not meet the criteria stipulated by law, for electricity supply by Universal Service.
- IV. All final customers are entitled the electricity supply at a competitive market, starting from 1 April 2017.
- V. The Regulator shall regulate electricity prices of customers who are entitled the supply within universal service, which cover the justifiable costs of electricity supply.
- VI. The level of costs and prices for supply of electricity shall be reviewed in annual basis, in accordance with Rule on Universal Service Supplier Revenues.
- VII. In accordance with this Decision, the supplier charged with Public Service Obligation is obliged to:
  - a. supply electricity as a public service, in accordance with the criteria stipulated in this Decision, the license as well as other respective legislation;
  - b. inform customers (purchasers) on their rights and criteria of supply within universal service;
  - c. supply electricity of a certain quality, in accordance with Rule on Standards of Service and Supply Quality;
  - d. invoice electricity delivered in accordance with reasonable prices, set by the Regulator;
  - e. publish tariffs on its website, at least fifteen (15) days prior to commencement of application.
- VIII. In accordance with this Decision, the obligation imposed to KESCO is set for a period of three (3) years and shall be implemented starting from 01.04.2017 until 31.03.2020.
- IX. This Decision shall be an integral part of the Electricity Supply License, issued to "KESCO".

## **REASONING**

1. ON 29 December 2016, the Regulator carried out the Evaluation of competition in the electricity market in Kosovo, through Herfindahl-Hirschman (HHI) on the share of suppliers in the market.
2. The outcomes from the Evaluation of competition show that there is a huge concentration of only one supplier in the retail electricity market in Kosovo.
3. Due to the lack of effective competition, with the purpose of enabling a sustainable supply, protect customers and prevent the abuse of dominant position of electricity supply, the Regulator sets Public Service Obligations for provision of electricity Universal Service.
4. Public Service Obligation is imposed to KESCO, as in the enacting clause of this decision, based on the operational and economical ability of providing the supply, higher concentration in the retail energy market and lack of other active suppliers in the electricity market.
5. The Regulator has licensed three suppliers for retail supply of electricity, two of which are not active in the market yet. One of the barriers of their operation in the market is also the non-recognition of Kosovo Transmission System Operator and Market Operator TSO/MO as a regulative area and membership in ENTSO-E.

6. Due to lack of competition in Kosovo electricity retail market, the customers of 110kV, 35kV and 10kV voltage level shall be supplied by the Universal Service Supplier for a transitional phase, until 31 March 2018. Whereas, customers connected to the 0.4kV voltage level who do not meet the criteria foreseen by law for supply of electricity by Universal Service shall be subject to market criteria and prices for supply of electricity, following the compilation of the list by the Regulator.
7. With the aim of encouraging competition, the Regulator shall gradually push to the market all customers who do not meet the criteria set for supply with universal service, pursuant to Law on Electricity.
- X. The Decision is issued in official languages of the Republic of Kosovo.
- XI. The Decision will enter into force on the date of approval by the Board and will be published on the official website of ERO.

**The Board of the Regulator:**

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Krenar Bujupi, Acting-Chairman

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Arsim Janova, Member

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Besim Sejfijaj, Member

**This Decision is sent to**  
KESCO  
Regulator's Archive