



Prishtina, 20 August 2018  
ERO Code: V\_1018\_2018

**The Board of the Energy Regulatory Office,**

Based on:

- The provisions of Article 9, paragraph 1, subparagraph 1.7, Article 15 paragraph 1 subparagraph 1.5, Article 26 paragraph 1, subparagraph 1.2, Article 46 paragraph 1 subparagraph 1.1 and Article 48 paragraph 1, 2 and 3 of the Law on Energy Regulator No. 05/L-084);
- The provisions of Article 16, paragraph 1, Article 28, paragraph 1 of the Law on Electricity (Law No. 05/L-085);
- The provisions of Article 18, paragraph 1 of the Law on Energy (Law No. 05/L-081);
- The provisions of Article 4, Article 5, Article 8, Article 11, Article 16 of the Rule on Determination of Maximum Allowed Revenues for Distribution System Operator (DSO);
- The provisions of Article 4, Article 5, Article 8, Article 11, Article 17, Article 19, Article 21 of the Rule on Determination of the Maximum Allowed Revenues of the Transmission System and Market Operator (TSO/MO);

**in the session held on 20 August 2018** issued this:

## DECISION

- I. **APPROVING** - The Weighted Average Cost of Capital (WACC), which will be 8.3% real, respectively 10.2% nominal (including the assumed inflation of 1.9%, which, during annual updates, will be calculated as set out in the Rules for determination of revenues) for the second regulatory period 2018-2022, with the assumption that gearing is 40%.
- II. The Weighted Average Cost of Capital (WACC), as defined in point I of this enacting clause, is the same for the Transmission System and Market Operator (TSO/MO) and the Distribution System Operator (DSO).



## REASONING

- ✚ The Energy Regulatory Office (ERO), the Regulator, in accordance with the responsibilities provided by the legislation mentioned in the introduction to this Decision, linked to the establishment of the Weighted Average Cost of Capital, has developed a transparent process, where consultations with stakeholders were included as well:
- On 15 May 2017, initiated the second review of the regulatory period (April 2018-2022);
  - On 04 July 2017, ERO issued a Consultative Report on the Weighted Average Cost of Capital (WACC);
  - On 05 April 2018, ERO published Responses to the questions raised by stakeholders, regarding the consultative report on the Weighted Average Cost of Capital (WACC);
  - After analysing the Consultative Report on the Weighted Average Cost of Capital (WACC) and after analysing the additional comments submitted by stakeholders, and case files, ERO has assessed them and has decided as in the enacting clause of this decision;
  - ERO allowed reasonable WACC to licensees to cover their investment financing costs and to ensure reasonable return on their own capital;
  - The allowed level of WACC will provide quality investment, thus improving the level of service for electricity consumers;
  - The WACC level of the second regulatory period of 8.3%, compared to the first regulatory period of 12%, came due to the change of many determinants of WACC in recent years, such as: financial and economic stability, improvement of the environment of doing business in Kosovo, the significant decrease in interest rates on investment loans, improved access to finance etc.
- III. The decision shall be issued and published in the official languages of the Republic of Kosovo.
- IV. The decision shall enter into force on the date of its approval by the Board of ERO, and it will be published on the official ERO website.
- V. The Transmission System and Market Operator and the Distribution System Operator are obliged to implement this decision for the second regulatory period 2018-2022.



**Legal advice:** The party unsatisfied with this Decision may initiate an administrative conflict before the competent court within thirty (30) days from the date the Decision is received or published in the website of ERO, whichever occurs last.

**Board of ERO:**

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Arsim Janova, Acting  
Chairman

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Besim Sejfijaj, Member

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Selman Hoti, Member

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Izet Rushiti, Member

**The decision is sent to:**

- Kosovo Electricity Distribution and Supply (KEDS) Company
- Transmission System and Market Operator (KOSTT) and
- ERO Archive