



Prishtina, 20 August 2018

ERO Code: V_1019_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 (Law 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 12, Article 16 of the Rule on Determination of Maximum Allowed Revenues of the Distribution System Operator (DSO);
- The provisions of Article 4, Article 5, Article 8, Article 13, Article 17, Article 19 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 loss reduction target and allowed loss curve for the second regulatory period 2018 - 2022 on for the transmission network (TSO) and distribution network (DSO) that will start from the level of losses achieved in 2017.
- II. If the realized losses are lower than the allowed losses, all savings will remain with the licensee, if the entire cost for not achieving the target is not achieved, they shall be covered by the licensee.
- III. In setting the loss reduction target and allowed loss curve, the physical energy flows throughout the Republic of Kosovo shall be taken into account as denominators for calculating losses in transmission and distribution networks.
- IV. The loss reduction target and allowed loss curve does not apply to non-billed energy quantities in four (4) northern municipalities of the Republic of Kosovo.
- V. Allowed losses in transmission and distribution networks for the second regulatory period according to the enacting clause under point I of this decision are given in the following table:



Table 1 – Allowed network losses for the second regulatory period

Allowed Losses	Unit	2018	2019	2020	2021	2022
Allowing losses for TSO	%	1.78	1.78	1.78	1.78	1.78
Loss reduction target	%	-	-	-	-	-
Allowing losses for DSO	%	18.80	18.80	17.60	16.40	15.10
Loss reduction target	%	-	-	1.20	1.20	1.30

REASONING

In accordance with the responsibilities provided by the legislation mentioned in the introduction to this Decision, linked to the establishment of a loss reduction target and the allowed loss curve, ERO has developed a transparent process, where stakeholder consultation was included as well:

- On 15 May 2017, the Regulator initiated the second review of the regulatory period (April 2018 - 2022);
- On 04 July 2017, ERO issued the Consultative Report on loss reduction target, in the Transmission and Distribution Network;
- On 05 April 2018, ERO published Responses to comments submitted by stakeholders in relation to the consultative report on loss reduction target;
- In order to increase the quality of service to electricity consumers, TSO/MO and DSO licensees, the Board of ERO has set targets for reducing losses at reasonable levels that ensure a balance between consumer interests and licensees;
- The Board of ERO has taken into account the analysis of the consultative report on loss reduction target and comments submitted by stakeholders, case files, additional stakeholders documents and performance for the period 2013-2017;
- The loss reduction target and the allowed loss curve apply only to the part of the Republic of Kosovo in which the licensees have control. While the licensees do not have control in the northern part, the calculation of the tariffs of losses will be done with the energy flows without unbilled energy in the four northern municipalities of Kosovo, consequently, the losses in 2018 will be 19.95%, instead of 18.80%, this calculation approach can continue in other years.

VI. The decision shall be issued and published in the official languages of the Republic of Kosovo.

VII. 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.

VIII. Adjustments to the level of losses on an annual basis according to the targets of this decision will be done during the annual adjustment process.



IX. 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:

Arsim Janova, Acting
Chairman

Besim Sejfiqaj, Member

Selman Hoti, Member

Izet Rushiti, Member

The decision is sent to:

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