



Pristina, 27 November 2019
ERO Code: V_1193_2019

The Board of Energy Regulatory Office,

Based on:

- Provisions of Article 26, paragraph 1, Article 47 and Article 48 of the Law on Energy Regulator No. 05/L-084;
- Provisions of Article 19 of the Law on Energy No. 05/L-081;
- Provisions of Article 18 and Article 19 of the Law on Thermal Energy No. 05/L-052;
- Thermal Energy Pricing Rule; and
- Request of Public Enterprise – District Heating (DH) Gjakova JSC, dated on 14 October 2019,

Following the review of the request and based on the above-mentioned legal provisions, **in the session held on 27 November 2019, issued the following:**

DECISION

- I. APPROVAL** of thermal energy tariffs for final customers of the District Heating (DH) Gjakova JSC, for the heating season 2019/2020, as presented in the table “II.1” which will be implemented from the date of issuance of this Decision.

Reasoning

1. On 14 October 2019, Energy Regulatory Office (ERO) received the request from District Heating (DH) Gjakova JSC, through which it notifies ERO on the reasons which make it impossible to submit a completed application based on real forecasts, for review of thermal energy tariffs for the respective season. The justifications mentioned in the request are as follows:
 - DH Gjakova during the season 2019/2020 will continue to base the generation of thermal energy in the heavy fuel oil, which represents an unaffordable financial cost for the enterprise;
 - Taking this into account, as well as the difficult financial situation, the operation of DH Gjakova will depend hugely on the subsidies from the Budget of the Republic of Kosovo. Subsidies for year 2019 have already been ensured whereas they are looking forward to ensure a sufficient amount for 2020 as well.
 - Regarding the development projects, DH Gjakova is focused in the project for construction of the new heating plant and the cogeneration unit with biomass in an amount of 14 million Euros funded by EU; this project is in the final phase of obtaining the respective permits including the Final Authorization for Construction, which will be immediately followed with the commencement of construction works and installation works. The execution of this project will enable the provision of uninterrupted and qualitative supply in the future.



- However, until the execution of the project, DH Gjakova will continue to maintain the continuity of the operation and provide supply within the limited funds, so that it can gradually regain customers' confidence.
2. The ERO Board has acknowledged the facts presented in DH Gjakova's letter, but has nevertheless required that a comprehensive assessment of the financial and energy performance of DH Gjakova shall be undertaken, which will include the realizations for the past seasons and planning for the new season 2019/2020. Following this request, the respective professional staff of ERO carried out an analysis of the performance of the previous three seasons and requested from DH Gjakova the planning for season 2019/2020, in order to have a real evaluation of the situation as well as financial and energy performance of DH Gjakova, at the same time evaluating all the required components for a proper tariff review. In this regard, ERO has assessed the realization and planning of operational and capital costs, production and supply of thermal energy, as well as customer data, and has reached the following conclusions:
- The current financial situation and the high price of fuel – heavy fuel oil, condition a limited supply of heavy fuel oil and consequently limited production and supply of thermal energy; It should be emphasized that the purchase/supply of heavy fuel oil is entirely dependent on subsidies from the Kosovo Budget, ie the expected allocations of the 2020 budget, which has not been approved yet.
 - Also other operating and maintenance costs reflect limited financial possibilities to the extent that allow for basic operation and limited supply of thermal energy.
 - In this regard, the supply of thermal energy is limited to a three-month period (coldest months of the season, December - February), and the number of customers respectively the customers' heating area is halved.
 - The difficult financial situation also precludes any self-financing of new investments in DH Gjakova district heating system, which would reduce the network losses and heat generation plants, which are currently considered very large. Regarding this, it should be noted that, in respect of development projects, the entire activity is focused on the project for construction of the new heating plant and the cogeneration unit with biomass, funded by the EU.

The above-mentioned evaluations of the key components for tariff review argue that it is currently very difficult to make any realistic and sufficiently accurate forecast to undertake a proper tariff review, which would result in a correct determination of allowed revenues and tariffs for the 2019/2020 season.

3. The Board of ERO has taken into account the justifications presented in the request of DH Gjakova, as well as the evaluation of ERO on the situation and financial and energy performance of DH Gjakova and considered them as fair and well-grounded.
4. Taking into account the legal provisions stated in the introduction and based on the review of the request of DH Gjakova, as well as the evaluation of ERO on the financial and energy situation and performance of DH Gjakova, the ERO Board has decided as in the enacting clause to this Decision
- II. The Structure of thermal energy tariffs for DH Gjakova JSC for the heating season 2019/2020 is provided in the table II.1 below.



Table II.1: The Structure of thermal energy tariffs for DH Gjakova JSC – season 2019/2020

THERMAL ENERGY TARIFFS OF DH GJAKOVA – Season 2019/2020			
A: THERMAL ENERGY TARIFFS-METERED			
Tariff Components	Unit	Value	
Monthly Tariff for Thermal Capacity (fixed comp.)	[€/kW/month]	0.91	
Tariff for Supply/Consumption of Thermal Energy (var. comp.)	[€/MWh]	58.76	
B. THERMAL ENERGY TARIFFS- UNMETERED			
Tariff Components	Unit	Household Customers	Com&Ins Customers
Monthly Tariff for Thermal Capacity (fixed component)	[€/m ² per month]	0.09	0.12
Tariff for Supply /Consumption of Thermal Energy (var. comp))	[€/m ² per month]	0.88	1.27

- III. DH Gjakova shall publish the thermal energy tariff structure, as set in the table II.1 of this Decision, within five (5) working days following the publication of this Decision in the electronic website of ERO, in at least one of the daily newspapers with wide circulation in Kosovo.
- IV. Energy Regulatory Office (ERO) is entitled to audit the accounting registers and invoices of DH Gjakova, to verify the realization of these revenues and costs executed in the season 2019/2020.
- V. The Decision is issued in Albanian language and will be translated into Serbian and English. In case of any discrepancy between the versions, the Albanian version shall prevail.
- VI. The Decision shall enter into force on the date of approval by ERO Board and will be implemented by DH Gjakova starting from the date of entry into force of this Decision until the next tariff review. This Decision is published on the official website of ERO.

Legal advice: The party dissatisfied with this Decision may initiate an administrative dispute to the Competent Court, within thirty (30) days from the date of receipt of this Decision or the date of its publication in the ERO website, whichever occurs last.

ERO Board

Arsim Janova, Acting Chairman

Besim Sejfiqaj, Member

Selman Hoti, Member



Izet Rushiti, Member

This Decision is sent to:

- **The party; and**
- **ERO Archive**