



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

ANNUAL REPORT

2014

FOREWORD

Dear all,

It is my great honor to present before the Assembly of the Republic of Kosovo the Annual Report on the work and activities of the Energy Regulatory Office (ERO) carried out in 2014.

The Annual Report 2014 is structured in line with Article 9 of the Law on Energy Regulator, for submission to the Assembly of the Republic of Kosovo.

The Report contains detailed information about the activity of ERO, the regulation of energy sector, and provides a general overview of the sector including the most important events in the energy market, electricity tariff review, monitoring of licensed enterprises, monitoring of construction of new generation capacities, ERO financial report, as well as other data concerning the regulated activities in the energy sector in the Republic of Kosovo.

Kosovo has adopted its primary legislation on energy, which sets out the rights and obligations of the parties in the sector in order to ensure a sustainable, secure, reliable and quality electricity supply.

The energy sector in the Republic of Kosovo is under a restructuring and liberalization process. The Government of Kosovo, in order to facilitate this process, has initiated the supplementing-amending of the energy sector laws to align the latter with the European Union legislation, and the review and adoption by the Assembly of Kosovo is expected. ERO has been engaged in the working groups on supplementing-amending the energy sector laws.

In 2014, ERO continued to align the secondary legislation with the energy sector laws. In order to fulfill the obligations set forth by the applicable laws, it has issued and amended various rules, mainly on RES in order to reach the mandatory targets until 2020.

Energy sector reforms started since 2004 by the establishment of ERO. The reforming process further continued with unbundling of KEK, a vertical integrated company, whereby KOSTT (2006), currently operating as an independent transmission and market entity, was established. Further unbundling continued with KEK's Distribution and Supply, and thereafter with their privatization, transferring them eventually under the ownership of Limak-Çalik on 08 May 2013.

In 2014, the legal unbundling process of energy enterprises was successfully closed, whereupon the Kosovo Electricity Distribution and Supply (KEDS) System Operator was legally unbundled into two independent entities, with the Public Electricity Supplier being transferred from KEDS to the new legal entity - KESCO. Legal unbundling aims at eliminating indirect subsidies between the activities of distribution and public electricity supplier.

ERO, in 2014, developed the Report on Security of Supply Security, which was published pursuant to the requirements of the Law on Energy Regulator. Furthermore, ERO has developed the Triennial Assessment of the Competition in the Electricity Market in Kosovo, wherein it considered that there is no effective competition in electricity supply in Kosovo yet, as all customers are supplied by the only public electricity supplier at regulated tariffs and no other independent supplier operates.

ERO, during this year, has developed and prepared the Monitoring Report 2014, describing in details the findings of licensed enterprises. This report will be public for all stakeholders.

ERO continued with the procedure of licensing energy activities and the procedure on authorization for construction of new generation capacities from RES.

The Transmission System, thanks to the investments made, is in a good state, which resulted in decreased bottlenecks, improved quality of supply and decrease of technical losses in transmission.

The state of the distribution network remains poor due to insufficient investment, suffering huge technical and commercial electricity losses, disabling quality electricity supply for the customers.

Generation from local generators in 2014 was significantly lower than in 2013 due to the accident occurred in TPP Kosova A, on 08 June 2014.

In 2014, concrete actions were undertaken by government institutions in relation to the development of TPP "Kosova e Re" Project, and as a result, the bid for this project was opened and evaluated in December. TPP "Kosova e Re" will represent the main pillar of sustainable generation from lignite, securing basic energy for the system. ERO participated in the Project Steering Committee and Working Group.

In 2014, ERO carried out the Eighth Electricity Tariff Review (ETR8), as well as the extraordinary tariff review, as a result of the explosion in TPP Kosova A, at the request of the licensees.

Regarding the district heating sector, it should be noted that the heating supply in 2013/2014 season was insufficient in terms of meeting customer needs for heating. In general, the period of heating supply was shorter than the period of heating season, featured with frequent supply interruptions and a poor quality heating, due to financial difficulties to purchase fuel (heavy fuel oil).

A very important development in the central heating sector was the beginning of operation of the TPP Kosova B - DH Termokos Co-generation Project, affecting significantly in improving the heating supply of the city of Prishtina. Testing phase started on 28 November 2014, followed thereafter with a sustainable supply of thermal energy (heating) from TPP Kosova B. Connection to B2 unit could not be implemented in 2014 due to mismatching with the B2 unit overhaul schedule. Therefore, the connection is planned to be conducted in April 2015, whereby the Co-generation Project shall be completed.

In addition, another promising development in the central heating sector is related to the DH Gjakova Project on changing fuels and rehabilitation of the central heating system, in relation to which, as of July 2014, a Feasibility Study, and Social and Environmental Impact Assessment (SEIA) was developed.

It should be mentioned that ERO had ongoing cooperation and is actively involved in the above-mentioned projects in matters related, but not limited to regulatory aspects.

During 2014, ERO participated in international activities related to energy sector within the South East Europe Energy Community (SEE EC), in all working groups, as well as those of the Energy Community Regulatory Board (ECRB).

It must be noted also the participation of ERO representatives in the work of the Technical Group on Energy, established to support the Dialogue between the Republic of Kosovo and the Republic of Serbia on energy issues.

Respectfully,

Enver HALIMI _____

Chairperson of the ERO Board

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1 EXECUTIVE SUMMARY

Pursuant to Article 9 of the Law on Energy Regulator No. 03/L-185, the Energy Regulatory Office (ERO) has compiled the Annual Report on the situation of the Energy Sector in Kosovo and ERO activities in 2014. The Annual Report is submitted to the Assembly of the Republic of Kosovo no later than three months after the end of each calendar year and it shall be published in the official website of ERO.

First chapters of the report present the organization of ERO, organizational structure with brief description of activities of the ERO Board, Departments and Administration Unit. In addition, a section addressing the documents and decisions approved by the ERO Board in 2014 is included as well. In the following, this chapter describes technical assistance projects, capacity building of ERO and professional staff trainings aimed at capacity building.

The fifth chapter addresses ERO regulatory developments and activities related to licensing of energy companies and the process of issuing authorizations for construction of new generation capacities. Further, on, the monitoring process carried out by ERO in 2014 is described. This includes the monitoring based on reports prepared and submitted to ERO by licensed companies in accordance with the Energy Sector Reporting Manual. Monitoring is also carried out based on the Licensed Enterprises Monitoring Program, which was prepared by ERO, and is being implemented since early 2014. This section of the Annual Report includes also the monitoring of the security of supply as provided by the Report on Security of Supply issued and published in accordance with the Law on Energy Regulatory.

The sixth chapter of the report includes an analysis of the electricity sector and provides the relevant considerations related to the management of the electricity situation in 2014. This section describes the situation and characteristics of the transmission and distribution networks, generation, electricity flows and total consumption. It also describes the specifics of the electricity market such as: the load on the electrical energy system of Kosovo, loss of electricity, electricity supply, import and export of electricity and billing and collection. Further on, the report provides an assessment of the electricity supply and service quality.

The seventh chapter addresses electricity tariffs, describing the legal basis for their determination. This section of the report describes the tariff review process (regular and extraordinary), outlining the analysis of the tariff process during the regulatory year and the reporting period 2014.

Chapter eighth presents the Central Heating Sector, wherein, following the overview of the sector, main developments in 2014 are presented. This chapter contains information on: the technical characteristics of the district heating systems and the performance of district heating enterprises, the consumption of fuel and the price; generation, supply and system losses. This section discusses also the information on billing, collection and tariffs of district heating during 2013/2014 season.

Natural gas section is presented in the ninth chapter, in accordance with ERO authority deriving from the Law on Energy Regulator to regulate this sector. Due to lack of natural gas in Kosovo, the ninth chapter addresses future developing opportunities for this sector.

Tenth chapter describes ERO activity related to customer protection. A special importance was given to this matter, and in particular to resolving complaints and disputes of customers and licensees. This section of the report addresses also legal representation related to dispute cases in court proceedings.

Eleventh chapter of the report presents international activity of ERO, including the agreement on energy with Serbia.



The twelfth chapter presents the financial report, including the revenues, budget and budget expenditures. This chapter contains also the financial audited report for the previous year.

Abbreviations used in the report have been given at the end of the report.

2 LEGAL BASIS

In April 2002, Kosovo became a signatory of the Athens Memorandum of Understanding (MoU) on establishment of the Regional Energy Market, later called Energy Community (EC), and included the South East Europe, while in December 2003 it signed the revised version of the Athens MoU. Thereby, Kosovo became an equal partner and participant in the establishment of Energy Community, which is of primary importance for development of the energy sector in particular, and economic development in general, based on reserves of lignite and Kosovo's favorable position for exchange of energy in the region of Southeast Europe.

To meet the obligations of the Athens MoU, Kosovo in 2005 signed the Treaty establishing the Energy Community, which resulted in several state obligations. One of the subsequent Treaty obligations is (inter alia) application of the "*Acquis Communautaire*" on energy sector, particularly obliging application of the Energy Directives and Regulations of the European Union.

As a result of these obligations, in particular the provisions of Articles 23 and 25 of the EC Directives No: 2003/54 and 2003/55, in 2004 the Assembly of Kosovo adopted the Law on Energy Regulator, No: 2004/9. Based on this law, the independent regulatory authority – ERO was established, bearing the duties to regulate the energy sector including: electricity, central heating and natural gas. This law was amended in 2010 by the Assembly of Kosovo into the Law No. 03/L-185 on Energy Regulator that is still applicable.

Establishment and functioning of ERO as an independent agency of the Republic of Kosovo is guaranteed by the Constitution of the Republic of Kosovo, and it is responsible for economic regulation of the energy sector by issuing and monitoring energy activity licenses, granting authorizations for construction of new energy capacities, approving price and tariff methodologies for regulated activities, issuing secondary legislation (rules) on regulated activities in electricity and heating sector, monitoring effective unbundling of energy enterprises and performance of licensees, and complaint and dispute resolution, based on applicable laws and rules in the energy sector.

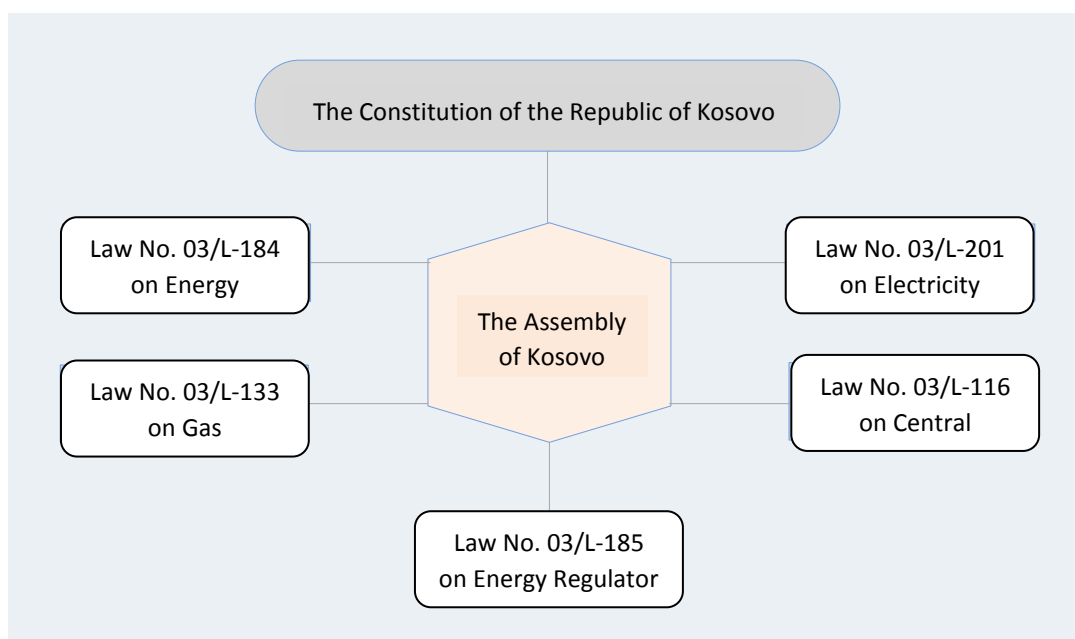


Fig. 2.1 Primary legislation on energy, adopted by the Assembly of Kosovo based on the requirements of the ECT.

The Treaty establishing the Energy Community was signed for a 10 years period and by an EC Ministerial Council Decision No. D/2013/03/MC it has been extended for another ten years as well.

In the mean time, EC Directives No. 2003/54 and No. 2003/55 have been replaced by the EC Directive No. 2009/72 (Electricity) and No. 2009/73 (Natural gas), whereas EC Regulation No. 1228/2003 has been replaced by Regulation No. 714/2009. Transposition of provisions of these EC Directives and Regulations is under process, and the latter shall be reflected in the Law on Energy, Law on Electricity, Law on Energy Regulatory and Law on Natural Gas, currently being at the final stage of the process, and ERO representatives have been active participants in drafting the above-mentioned laws.

Policy Guidelines by the Energy Community Secretariat on Independence of National Regulatory Authorities

On 28 January 2015, the Director of the Energy Community Secretariat issued a Policy Guideline on Independence of National Regulatory Authorities (NRA), provided partially below.

The Energy Community *acquis communautaire* establishes NRAs as independent institutions. In particular the Third Energy Package puts increased emphasis on the NRAs independence as main issue for reform.

According to Article 35 (4) lit a Directive 2009/72/EC and Article 39 (4) lit a Directive 2009/73/EC, the NRA must be legally distinct and functionally independent from any private or public entity, including the head of state, national, local or regional government, ministries, municipalities and political organizations or structures. This clearly rules out subordination of the NRA to any public institution as well as NRA establishment and / or liquidation by any public entity; establishment and liquidation of the NRA is an exclusive responsibility of the legislator and must therefore solely origin from legislation.

NRA staff and management shall act independently. This means that NRA staff and management shall not seek or take direct instructions from any public or private entity. At the same time this implies the prohibition for anyone to give such instructions.

According to Article 35 (5) lit a Directive 2009/72/EC and Article 39 (5) lit a Directive 2009/73/EC NRAs must have a separate annual budget within its implementation. This does in principle not exclude that the NRA's budget is part of the state budget to the extent there is a clear separate annual budget line for the NRA.

3 ABOUT THE ENERGY REGULATORY OFFICE

ERO exercises its powers, as a part of the institutions of the Republic of Kosovo, in accordance with the applicable legislation in Kosovo.

3.1 Organizational structure of ERO

Organizational structure of ERO consists of: The Board, five (5) departments and the administration unit.

Heads of Departments organize, control, plan, cooperate, and evaluate their staff and hold responsibility for activities and fulfillment of all tasks under their responsibility.

Staff members perform work, analysis and other tasks, anytime it is required, in accordance with internal regulations of ERO, and submit proposals to the Head of Departments that, thereafter, are submitted for approval to the Board.

3.2 Board of the Energy Regulatory Office

The Board of ERO is composed of five (5) members, including the Chairperson. The Board members are proposed by the Government and appointed by the Assembly of the Republic of Kosovo. The term of each Board members starts from the day of his/her appointment.

The Chairperson of the Board represents ERO before third parties, and reports to the Assembly of the Republic of Kosovo and its functional committees, upon their request.

The Chairperson of the Board, pursuant to the Law on Energy Regulator, annually submits the annual report to the Assembly of the Republic of Kosovo, no later than three (3) months after the end of calendar year.

During 2014, ERO Board functioned with three members, because the term of two members expired on 15 December 2013.

3.2.1 Competences of the Board of Energy Regulatory Office

The Board of ERO, in line with responsibilities vested by the Law, exercises the following activities:

- approves ERO regulatory and operational policies;
- organizes and supervises ERO's operation;
- supervises implementation of the budget and financial management of ERO and approves its financial reports and statements;
- organizes employment, appoints and supervises the work of staff employed by ERO;
- approves the levels of compensation and other conditions of employment, for the employees of ERO;
- makes decisions and issues rules and other bylaws prepared by the ERO.

The Board must hold at least ten (10) meetings per year, which are open to the public and are announced five (5) days ahead of the date of the meeting, by publishing the agenda in the ERO's official website.

The ERO Board addresses all issues under its authority, through decisions, taken in meetings open to the public. Board meetings are recorded in the minutes of meetings, whereas decisions are published.

3.3 Managing Director

Managing Director is responsible for implementation of all decisions of the ERO Board, and reports to the ERO Board:

- Supervises annual and periodic electricity and district heating tariff determination processes;
- Supervises the development process of Methodology on non-discriminatory access and transparent compensation on use of power networks in Kosovo;
- Supervises energy market designing processes in Kosovo, balanced market liberalization processes, drafting of policies on customer rights protection and customer complaints handling;
- Supervises drafting of policies in order to ensure application of cross-border trade mechanisms in accordance with Regional Electricity Market Rules;
- Supports the ERO Board in managing the employees of ERO;
- Puts before the ERO Board proposals on any necessary action related to ERO budget, in order to improve internal operation of ERO, including:
 - i. Budget planning and procurement needs;
 - ii. Proposal of actions to increase work efficiency;
- Advises the ERO Board on all other duties falling under the responsibility of ERO in line with the Law on Energy Regulator, etc.

3.4 Human Resources and Professional Development

ERO considers human resources as a key factor to fulfill the obligations set out by law, therefore constantly pays due attention to capacity building of employees.

In general, ERO employees have university education, serving as a basis for future development in specific areas of the energy sector.

Members of ERO staff already have a rich experience and knowledge in the energy sector including electricity, thermal energy and gas, qualities that have been acquired through work and trainings.

Development of the energy sector market presents the necessity for trainings and capacity building of human resources, therefore ERO has paid a special attention to training and capacity building of its employees, encouraging them to gain new or enhanced skills.

3.4.1 Number of employees in 2014 and needs for new employees

In accordance with the budget presented in 2014, the organizational structure consists of 33 positions. Currently, ERO employs 24 persons. The process of filling 4 vacant positions (Managing Director, Market Monitoring Analyst, Economy Officer, Legal Matters and Licensing Expert), is under proceeding.

As a result of budget cuts, ERO is continuously facing problems in terms of retaining quality employees who were trained intensively for a long time. Loss of well-trained employees, caused to ERO big difficulties in meeting its obligations, as new employees need to be trained and during this time ERO must rely on less experienced employees.

Such fluctuation of employees has continually caused problems to ERO, because leaving of a part of professional staff has created difficulties in employing staff with a certain level skills and experience.

3.5 ERO Capacity Building - Technical Assistance Projects

Due to the volume of work, and additional activities in the sector, as well as their complexity, in 2014 arose the need for the ERO to be assisted with technical consultancy. The consultancy projects are presented below:

- **The Project funded by The World Bank Group** (signed on 20 June 2013 and continued also during 2014), namely the International Finance Corporation (IFC) has assisted ERO in enhancing its existing regulatory framework in the renewable energy sources sector and in promotion of investments in this area. This assistance includes the support in drafting standardized power purchase agreements produced from RES, feed-in tariff for solar energy, as well as the support rule.
- **REPOWER-KOSOVA Project funded by USAID** (signed on 23 June 2014), having as its main goal the improvement of the ability of Kosovo to offer clean energy, sustainable and affordable supply, critically for economic increase, as well as general quality of life in Kosovo. Furthermore, the Project supports merging of energy markets between Kosovo and Albania, as well as the further unbundling of the Kosovo Energy Corporation. This Project's goal is to support key institutions in dealing with energy issues, as a continuous endeavor of Kosovo to modernize its existing electricity sector. The Project promotes an enhanced energy sector, contributing to increased stability in the country.

4 SCOPE OF THE ENERGY REGULATORY OFFICE

4.1 Organization of the Energy Regulatory Office

The Energy Regulatory Office (ERO), as an independent agency is obliged to regulate activities in the energy sector in Kosovo, including electricity, district heating and natural gas, in accordance with the Law on Energy Regulator and obligations arising from the Energy Community Treaty. These duties are covered by the ERO staff, distributed in Departments and the Administrative Unit.

4.2 Departments of ERO

- Departments are managed by Heads of Departments, who organize, control, plan, cooperate, and evaluate their staff and hold responsibility for activities and fulfillment of all tasks set forth under the responsibility of Departments. Head of Department is responsible for delegating daily works to the Department staff.
- Role of staff members of Departments is to perform tasks, anytime it is required based on legal requirements and, through the Heads of Departments, propose to the Board. In certain cases, staff members can be authorized by the Board to perform special tasks.
- Staff members have to work in close cooperation with the Head of Department and other professional staff. Staff members should have also the opportunity to attend trainings available to ERO, to enhance their professional skills and knowledge.

4.2.1 Legal and Licensing Department (LLD)

Legal and Licensing Department is responsible for drafting secondary legislation, reviewing licensing applications by energy enterprises, reviewing applications for granting of authorizations for construction of new capacities, drafting various letters, providing legal advices, etc. This Department also carries out supervision and monitoring of licensees' activities.

4.2.2 Energy Market Department (EMD)

Energy Market Department is responsible for market structure, monitoring the parties on the market, evaluating and analyzing data in the energy sector. The Department also monitors competition and behavior of market participants against principles of objectivity, transparency and non-discrimination.

4.2.3 Tariffs and Pricing Department (TPD)

Tariffs and Pricing Department is responsible for the review of tariff applications of licensed enterprises; it monitors operational and capital expenses through Tariff Reviews; undertakes all necessary measures to ensure that the tariffs are cost-reflective, reasonable, non-discriminatory, based on objective criteria and established in a transparent manner taking due consideration of affordability and customer protection.

4.2.4 Customer Protection Department (CPD)

Customer Protection Department is responsible for reviewing and resolving complaints and disputes between customers and energy enterprises, system operators and energy enterprises, and between two energy enterprises. In the course of exercising its duties and responsibilities, this Department cooperates with all institutions and organizations, which legitimately represent the customers.

4.2.5 Thermal Energy and Natural Gas Department (TENGD)

Thermal Energy and Natural Gas Department is responsible for the review and implementation of strategies, performance standards and other operational practices related to these sectors. This Department carries out the monitoring of licensed enterprises through the collection, analysis and evaluation of relevant data and information, and also it contributes to the development of reporting systems of district heating enterprises, focusing on technical-technological elements and the integration of incentives and targets for efficiency. It also cooperates with other Departments of ERO by providing technical support and expertise on issues related to thermal energy and natural gas.

4.2.6 Administration Unit (AU)

Administration Unit supports ERO's functioning, organizes efficient recruitment of ERO staff, coordinates ERO staff trainings, supply and maintenance of office equipment and assists in arranging the office by making it comfortable for work for all the ERO staff.

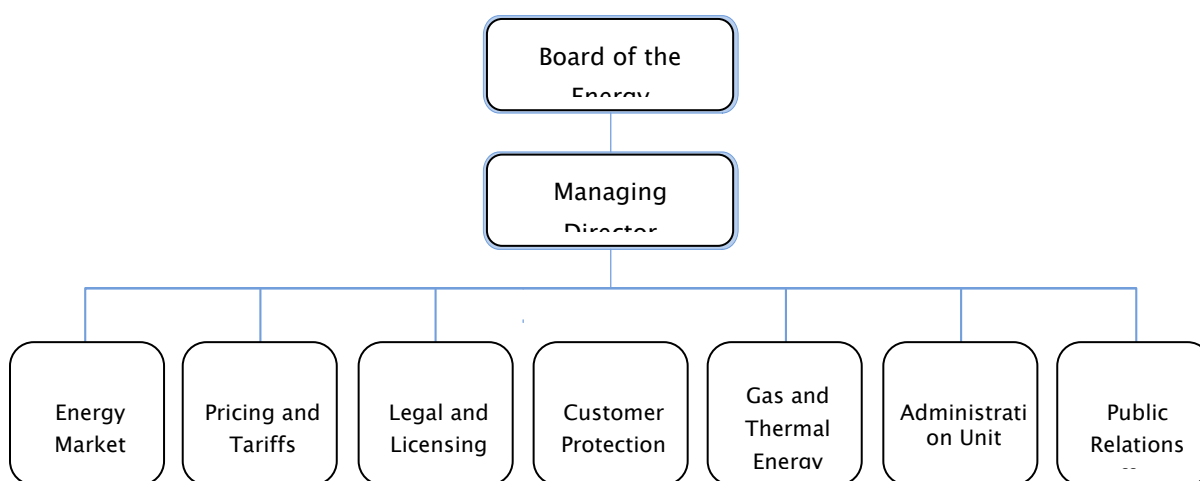


Fig 4.1 Organizational Chart of ERO – 2014

A brief description of the organizational structure with filled and vacant positions in 2014 is provided in the table below.

Tab. 4.1 Current positions as at the end of the 2014

Organizational Positions	Positions	Employment	Vacancies (Description)
ERO Board	5	3	Board Member
Public Relations Officer	1	-	Managing Director
Legal and Licensing Department (LLD)	1	1	
Head of the Department	4	3	Expert for Legal matters & Monitoring
Expert for Legal matters & monitoring			
Analyst for monitoring of licenses			
Legal & Licensing Officer			
Customer Protection Department (CPD)	3	3	
Head of the Department			
Analyst for fulfilment of standards			
Customer Care Officer			
Energy Market Department (EMD)	4	3	Economy Officer
Head of the Department			
Experts on Power Plants			
Analyst for Power Systems			
Analyst for Market Monitoring	4	3	Analyst for tariff structure
Analyst for Power Supply and Market Structure			
Pricing and Tariffs Department (PTD)			
Head of the Department			
Expert for Regulatory Matters and Tariffs	4	3	
Economy Officer			
Analyst for Tariff Structure			
Administrative Office (AO)	2	2	
Head of the Administrative Office			
Chief Financial Officer			
Procurement Manager			
Administration Officer	9	6	Board Assistant Translator for English Language Translator for Serbian Language
Data Management Officer			
Board Assistant			
Translator for English Language			
Translator for Serbian Language			
Driver/Maintenance Officer			
Thermal Energy and Natural Gas Department (TENGD)			
Head of the Department			
Analyst for Thermal Energy			
TOTAL	33	24	9

As it can be noted, at the end of 2014, there were 24 staff members, 7 vacant positions and two vacant positions in the ERO Board.

The positions filled during the reporting year are as follows: Regulatory and Tariff Matters Expert, Tariff Structure Analyst and Energy Supply and Market Structure Analyst.

4.3 Meetings, workshops and trainings

Taking into account that regulation of energy sector is a relatively new field, regional developments are quite rapid and it is necessary to follow in time. ERO pays special attention to participation in meetings, workshops and trainings. In addition to the contribution given in these meetings and workshops, it has an impact also in capacity building of ERO staff, as well as gaining experience from regional and international regulation practices, which is an imperative for professional development.

Providing equal development opportunities to employees is of a special importance. ERO employees are entitled to non-discriminatory treatment in the workplace, which protects their personal dignity and integrity.

During 2014, a series of regional meetings, workshops and trainings were held, which contributed to further capacity building of ERO employees on regulation of the energy sector in line with EU standards.

Below you may find the meetings, workshops and trainings held during 2014:

- **04 February 2014** – Participation in the 29th meeting of the GPG ECRB – ECT, Vienna, Austria;
- **05 February 2014** - 21st EWG Meeting of the ECRB organized by the ECT, Vienna, Austria;
- **06 February 2014** - Workshop on Regional Electricity Balancing, organized by the ECT, Vienna, Austria;
- **12 February 2014** – Twenty seventh (27th) Meeting of the Customer and Retail Market Working Group within the ECRB, organized by the ECT, Vienna, Austria;
- **14 March 2014** – 2nd Vienna Forum on European Energy Laws, held in Vienna, Austria;
- **22 – 23 March 2014** - Workshop on drafting/finalizing the ERO Annual Report 2013, Durres, Albania;
- **25 March 2014** – Workshop on statistics, organized within the ECT, Vienna, Austria;
- **27 March 2014** – 8th Workshop: “Application of Rules on Energy Statistics”, organized by the ECRB, ECT, Vienna, Austria;
- **10 - 13 April 2014** - Training on Management and Finance, Budva, Montenegro;
- **15 April 2014** – 27th Meeting of ECRB at the Regulatory Authority of Greece, Athens, Greece;
- **20 - 21 May 2014** - Meeting of the EU Stabilisation Association Process Dialogue (SAPD) Sectoral Committee on Environment, Transport, Energy and Regional Development, Brussels, Belgium;
- **27 – 28 May 2014** – Participation in the 30th Meeting of the GWG ECRB – ECT, and the Workshop on security of supply, Vienna, Austria;
- **03 - 04 June 2014** – 32nd Meeting of the ECRB Electricity Working Group, organized by the ECT, Athens, Greece;
- **10 – 11 June 2014** - Workshop: „Renewable energy as a local source of supply in the Energy Community", held in the ECT, Vienna;
- **16 - 17 June 2014** – 28th Meeting of the Customer and Retail Market Working Group within the Energy Community Regulatory Board (ECRB), in the ECT, Vienna, Austria;

- **17 June 2014** – Seventh (7) Social Forum of the Energy Community, in the ECT, Vienna, Austria;
- **25 September 2014** – CEER Benchmarking Training (Comparative Studies), in Brussels, Belgium;
- **29 September 2014** - Workshop: “EU Energy Law & Policy Workshop”, organized by Florence School of Regulation, Oslo, Norway;
- **01 - 02 October 2014** - 29th Meeting of the Customer and Retail Market Working Group within the Energy Community Regulatory Board (ECRB), and Joint Workshop between ECRB-CEER, Brussels, Belgium;
- **07-08 October 2014** – Participation in the ECRB EWG Working Group Meeting in Vienna and in the Workshop on Security of Energy Supply, Vienna, Austria;
- **7-8 October 2014** – Participation in the 30th Meeting of the GWG ECRB – TCE and the 9th Gas Forum, Ljubljana, Slovenia;
- **08 October 2014** - 23rd EWG Meeting of the ECRB, organized by the ECT, Vienna, Austria;
- **08 October 2014** – Participation in the Forum: Energy Regulatory Critical and Development Issues for Regional Trade - Perspective from Europe and Eurasia, sponsored by the US Agency for International Development (USAID), organized by the National Association of Regulatory Utility Commissioners (NARUC), Istanbul, Turkey;
- **24 - 25 October 2014** – Training on Financial Statements and Audit, organized by European Center, in Budva, Montenegro;
- **05 November 2014** – Meeting between Kosovo and Serbia Delegations concerning the implementation of the Agreement on Energy, Brussels, Belgium;
- **11 November 2014** – Participation in the workshop: “Energy Statistics”, in the ECT, Vienna, Austria;
- **26 November 2014** – Meeting between Kosovo and Serbia Delegations concerning the implementation of the Agreement on Energy, Vienna, Austria;

5 LICENSING AND AUTHORIZATION FOR CONSTRUCTION OF NEW CAPACITIES

5.1 LICENSES

The Energy Regulatory Office licenses the energy activities in Kosovo. Up until the present time, ERO licensed the following activities: generation, distribution, transmission, supply, import/export of electricity, distribution and district heating supply, and activity of co-generation of electricity and heating.

In order for some activities in the sector to be carried out easily, without the need of being licensed, the applicable laws allow this for enterprises which wish to carry out this activity and which have no influence in the power system of Kosovo. Therefore, the activities which shall be free to obtain license are the following:

- Generation of electricity with capacity below 5 MW;
- Production of heat for self-consumption with capacity below 1 MW;
- Generation of electricity for self-consumption if generation plant or customer is not connected to the transmission or distribution system; and
- Deposits of natural gas if total deposit capacities do not exceed ten thousand cubic meters.

The activities for which enterprises have filed their applications with ERO for licensing purposes, which, following the fulfillment of conditions, have been licensed and operate in Kosovo, have been presented below:

- Generation of electricity;
- Operation of Transmission System;
- Operation of electricity distribution system;
- Market operation;
- Public electricity supply;
- Electricity Import and Export;
- District heating production
- District heating distribution;
- District heating public supply.
- Co-generation of electricity and heat.

During 2014, licensed enterprises related to above-mentioned activities continued the operation pursuant to licenses issued by ERO. It is worth mentioning that, out of the abovementioned activities, during 2014, ERO has, for the first time, licensed the activity of co-generation of electricity and heating (in fact, it has modified the license for electricity generation of TPP Kosova B, where the activity of co-generation of electricity and heating has been increased). This activity is a project which is being implemented in cooperation with TPP Kosova B with Termokos.

5.1.1 Transfer of licenses

The licenses issued by ERO, among other things, have a set deadline of validity, which operate until the expiry of this deadline for carrying out relevant activities for which they have been licensed. However, if an energy company licensed by ERO asks to transfer its license to another legal entity, ERO has the authority and responsibility to assess whether the conditions for such a transfer have

been met. ERO shall allow the transfer from one entity to another only if both of the entities have met the conditions foreseen by the applicable laws, namely, the current entity shall file a request for transferring the license and the new entity shall file a request and meet the conditions foreseen in the Application for licensing the energy activities in Kosovo. During 2014, ERO received a request for transferring the license and allowed the transfer of the license as follows:

Transfer of license for Public Supply from KEDS to KESCO - this transfer started upon the request of KEDS, of 07 October 2014, for transferring the License and assets of Electricity Public Supplier from KEDS (Distribution System Operator and Public Supplier) to KESCO (Public Supplier). On 28 October 2014, KESCO Company also filed a request for transfer from KEDS, as well as the application for licensing the activity of Electricity Public Supplier (with all proofs required by this Application for KESCO). By this action, KEDS has currently only the license of Distribution System Operator, while KESCO acts as a licensee for Public Supply.

KEDS, in its request, explained that, in compliance with Decision No. V_619_2014, whereby the Manual for unbundling KEDS/Distribution System Operator from KEDS/Public Supplier was approved, has initiated the procedures for unbundling the Distribution Division from Supply Division, which would be finished no later than 01 January 2015. KEDS has explained that the process of legal unbundling shall include the transfer of assets and existing obligations, operated by KEDS/Public Supplier to the new Supply company, namely, "KESCO" J. S. C./ Public Supplier.

ERO has analyzed the KEDS request for the transfer of licenses, as well as documents attached to the application of "KESCO" J.S.C. for recognition of the transfer, therefore on 23 December 2014, ERO Board approved the transfer of this license. The data on transferred licenses has been shown in more details in table 5.1 below:

Tab. 5.1 License transferred by Energy Regulatory Office during 2014

No.	Name of licensed enterprise	Description of licensed activity	License No.	Address, Headquarters of the Licensee	Validity of License	Transferred
1	Kosovo Electricity Distribution and Supply Company (KEDS - Supply Division)	Public Electricity Supply	ZRRE/Li/Tr_07/12	Nëna Terezë, 10000 Prishtina, Republic of Kosovo	01.03.2013 to 01.01.2015	from KEDS JSC
	"KOSOVO ELECTRICITY SUPPLY COMPANY" (KESCO) J.S.C	Public Electricity Supply	ZRRE/Tr_2014/Li_07/12	Nëna Terezë, 10000 Prishtina, Republic of Kosovo	01.01.2015 to 04.10.2036	to KESCO J.S.C

Duration of validity and conditions of licenses remain the same (from 04.10.2006 until 10.04.2036), and from the moment of transfer of a license, the licensee is obliged to immediately notify the ERO on any eventual changes or amendments to the documents or other data, delivered during the period of application for license. Although the transfer of license was made on 23 December 2014, the Licensee KEDS should have continued to carry out the obligations pursuant to the license until 01 January 2015, when the rights and obligations are to be transferred to KESCO. This is due to the fact that pursuant to the Rule on Licensing, if a Licensee requests to transfer the license to another entity, he is obliged to obtain the preliminary approval of ERO for such transfer. Until this approval is

obtained, the current licensee is obliged to continue to carry out the duties in compliance with the license until ERO approves the transfer.

5.1.2 Extension of licenses

Each company licensed by ERO, depending on the activity, few months prior to expiry of the license, is entitled to submit a written request for extension of the term of the license. ERO grants the extension of validity of the license for another relevant period of time to all those enterprises that meet the license conditions and obligations under applicable laws, as well as whether the company has submitted a written request within the legal time limit.

Since the validity of the license of the enterprise for electricity generation (KEK JSC – TPP Kosovo A) would expire in October 2014, the enterprise has timely filed a request for extension of its validity, requesting ERO that the licenses become valid as of 4 October 2014 until 4 October 2020. ERO has reviewed the request of Licensee KEK - TPP Kosova A and ERO Board, by decision V_652_2014, extended the license validity term until 4 October 2015, because the enterprise in question failed to insure from the Ministry of Environment and Spatial Planning the "Integrated Environment License", upon the application for license extension.

In the table below, data on the enterprise whose validity of licenses has been extended, have been presented:

Tab. 5.2 Licenses extended by the Energy Regulatory Office during 2014

No.	Name of enterprise	Description of licensed activity	License No.	Address, Headquarters of the Licensee	Validity of License
1	"Korporata Energjetike e Kosovës" (KEK) SH.A - Divizioni i Gjenerimit	Generation of electricity	ZRRE/Li_05/12_A	"Nëna Terezë" Nr 36, Prishtina, Republic of Kosovo	(issued in 2006) extension of license 04.10.2014 to 04.10.2015

5.1.3 Modification of licenses

Article 27 of the Law on the Energy Regulator foresees that ERO may issue a license for co-generation of electricity and heat, however, until 2014 it has received no request for licensing such activity. During 2014, ERO issued a license for co-generation of electricity and thermal energy. In fact, on 14 July 2014, KEK sent to ERO, a request and application for **modifying** the license for generation of electricity for TPP Kosova B, bearing license number ERO/Li_05/13_B, **into license for the co-generation of electricity and thermal energy**. Therefore, on 23 December 2014, ERO Board modified the license of KEK, Generation Division, TPP Kosova B, as follows:

Tab. 5.3 License modified by Energy Regulatory Office during 2014

No.	Name of licensed enterprise	Description of licensed activity	Licence No.	Address, Headquarters of the Licensee	Validity of License
1	KOSOVO ENERGY CORPORATION JSC (KEK) JSC - Generation Division TPP Kosova B	Generation of electricity	ZRRE/Li_05/13_A	"Nëna Terezhë" Nr 36, Prishtinë, Republic of Kosovo	04.10.2006 to 04.10.2026 _ (modified on 2012,2013 and 2014)
	KOSOVO ENERGY CORPORATION JSC (KEK) JSC - Generation Division TPP Kosova B	Electricity and thermal co-generation license	ZRRE/Libp_05/14_B	"Nëna Terezhë" Nr 36, Prishtinë, Republic of Kosovo	

Based on the above mentioned data, it is evident that the modification of the license has been made from the license for electricity generation to the electricity and thermal energy co-generation.

The Project of Electricity and Thermal Energy Co-generation has begun to be put into function and implemented in November 2014, while the *"Agreement for Heating Supply"*, between KEK and DH Termokos has been approved in December 2014.

According to KEK, the modification of the license for electricity generation of TPP Kosova B (bearing license number ERO/Li_05/13_B) in the License for electricity and thermal energy co-generation (bearing license number Nr/Libp_05/14_B) is made in order to legalize this useful activity for using the electricity. ERO, upon reviewing the request of KEK and submitting all the other relevant proofs required for the license modification, by its decision of 23 December 2014 (decision V_672_2014) allowed the modification of this license.

5.2 Legal unbundling of energy enterprises

Article 15, paragraph 2 of the Law on Electricity (Law No. 03/L-201), foresees that when the Distribution System Operator is part of any integrated electricity enterprise, it shall be independent of all the other activities which are not related to distribution, at least as regards the legal form, organization, or decision-making.

In addition, Article 46 of the Law on the Electricity Regulator (LER) foresees that: *"Energy enterprises carrying out transmission or distribution of electricity shall be independent in terms of their legal form, organization, and decision making in accordance with the Law on Electricity"*.

The legal unbundling set out by the abovementioned articles, among other things, aims to, and is viewed as necessary, to eliminate the indirect subventions through the activities of distribution and public supply.

As a result of the legal requirements mentioned above, ERO, during 2014 has developed *"Manual for Legal Unbundling of KEDS/Distribution System Operator from KEDS/Public Supplier"*, which, by decision V_619_2014, of 29 April 2014, was approved by ERO.

"Manual for Legal Unbundling of KEDS/Distribution System Operator from KEDS/Public Supplier" contains provisions related to the content of the Compliance Programme, which shall be compiled by the licensee – KEDS/DSO; process of review, approval, and monitoring of the Compliance Programme by ERO; and the Plan and time dynamics of actions that KEDS is to undertake.

The most important actions undertaken during this process include: registering of new legal entity with a new organization structure (KESCO); sharing of assets between Distribution System Operator

(DSO) and Electricity Public Supplier (EPS); sharing of staff between DSO and EPS; appointing the Managing Director of DSO and EPS; sharing of debts in consistency with their source between DSO and EPS; sharing the remaining legal obligations (court cases which have not been finalized yet, sale or service contracts, payment of remaining taxes and similar).

The legal unbundling process mentioned above ended on 23 December 2014 when ERO Board, by decision V_670_2014, approved the transfer of the license and assets of the Energy Public Supply by KEDS to the new entity KESCO.

5.3 Authorization – Construction of new capacities

During this reporting year, ERO has accurately respected the transparency foreseen pursuant to the authorization procedure, as well as the application of legal time limits for reviewing the applications for issuance of authorization for building the new generation capacities from the Renewable Energy Sources (RES) for enterprises which have applied for obtaining the authorization.

In addition, in compliance with the applicable legislation, every applicant has been, in order to obtain the authorization, subjected to the analysis of correctness and correct fulfillment of documentation. This includes the legal, administrative, financial, technical, and environmental documentation, obtaining of relevant permits of water use, right to use land, technical solution and environment consent issued by the relevant institutions, in compliance with the activity wherefore the subjects have requested preliminary or final authorization for construction.

5.3.1 Issuance of preliminary authorization

ERO has reviewed the applications received for obtaining preliminary authorization for the construction of new generation capacity and ensured that such applications are reviewed in an objective, transparent and non-discriminatory manner. In reviewing these applications, ERO has taken into account the objective and relevant criteria that must be ensured by the applicant under Rule on authorization for construction of new generation capacities.

For applicants who have met the requirements and criteria set forth in the procedure for rendering a decision on a notification for preliminary authorization, the Board of ERO issued three (3) preliminary authorizations. See table 5.4 below.

Tab. 5.4 Enterprises granted with Notification on Preliminary Authorization

No.	Name of enterprise	Description of activity	Installed capacity	Location	Date of issuance of Decision
1	"KelKos-Energy Peja" SH.P.K.	Construction of generator for generation of electricity from WATER	60.4 MW	Peja River, HPP Kuqishta I +II 4.5 MW, HPP Drelaj I. 4.6 MW, HPP Drelaj II. 4.4 MW, HPP Shtupeq 6.5 MW dhe EGU Rugova 40.5 MW, MA Peja, Republic of Kosovo	V_618_2014 29 April 2014
2	"Energy First –One" SH.P.K.	Construction of generator for generation of electricity from WIND	34.25 MW	Wind Park "Bajgora" MA Mitrovica, Republic of Kosovo	V_666_2014 21 November 2014
3	Eko – Energji" SH.P.K.	Construction of generator for generation of electricity from WATER	0.6 kW	Morava River HPP Binça MA Vitija, Republic of Kosovo	V_671_2014 24 December 2014

Decisions on Notification on Preliminary Authorization have set out that the applicants have proved their compliance for building new generation facilities. Such decisions do not entitle the possessors

of the preliminary authorization to continue to construct the new generation facilities before they render a decision on the Final Authorization. Decisions on Preliminary Authorizations oblige the applicants to file, within the time limit of two (2) years, starting from the date of issuance of the preliminary authorization, a written request for issuing the final authorization on construction. This time limit has been reduced to one (1) year after the approval of changes to the Regulation on Authorization Procedure, approved by ERO Board on 11 November 2014.

Compared to 2013, when ERO had issued fourteen (14) decisions on notification for preliminary authorization, during 2014, three (3) decisions were rendered on the notification on preliminary authorization for the generation capacity of approximately 95.25 MW, planned for construction.

5.3.2 Issuance of final authorization

ERO continued to review applications for obtaining final authorization and received applications along with complete documentation for turning the decision on notification for preliminary authorization into final authorization.

The enterprises granted with the Final Authorization for building new Generation capacities are show below (see Table 5.5 below).

Tab. 5.5 Enterprises granted with Final Authorization

No.	Name of enterprise	Description of activity	Installed capacity	Location	Date of issuance of Decision
1	Led Light Tehnology Kosova SH.P.K.	Construction of Photovoltaics Panels	102 kW	Gjurgjevik/Malishevë, MA Klina, Republic of Kosovo	V_653_2014 03 October 2014
2	"Matkos Group" SH.P.K.	Construction of generator for generation of electricity from WATER	4.6 MW	Lepenc River, HPP Vica, MA Shtërpce, Republic of Kosovo	V_660_2014 11 November 2014

Compared to 2013, when ERO had issued three (3) final authorization for building a total capacity of approximately 15.75 MW, during this year, two (2) final authorization were issued for constructing a total capacity of approximately 4.7 MW, which are expected to be realized in a two (2)- year period.

5.3.3 Termination of final authorization

ERO has also reviewed the decisions on termination of preliminary authorization, as a consequence of incomplete documentation of the applicant. The enterprises, the preliminary authorization of which (see the table 5.6 below) was terminated, are shown below.

Tab. 5.6 Enterprise to which the preliminary authorization was terminated

No.	Name of enterprise	Description of activity	Installed capacity	Location	Date of issuance of Decision
1	"Wind Power" SH.A.	Construction of generator for generation of electricity from WIND	900 kW	Novobërdë, Jesenovik, MA Novobërda, Republic of Kosovo	V_661_2014 11 November 2014

Termination of the term of validity of the preliminary authorization was made upon the request of the enterprise in question, wherein the reasons for withdrawal were explained, since changes were made to the original project, and the enterprise is preparing a new application in order to apply to ERO, in accordance with the procedures for authorization.

5.3.4 Rejection of issuance of Final Authorization

ERO reviewed applications, the preliminary authorization of which was rejected due to incomplete documentation and lack of relevant evidence. The enterprises, the issuance of preliminary authorization (see table 5.7 below) of which was rejected, are shown below.

Tab. 5.7 Enterprises to which the issuance of preliminary authorization was rejected

No.	Name of enterprise	Description of activity	Installed capacity	Location	Date of issuance of Final Authorization
1	"Eurokos JH" SH.P.K.	Construction of generator for generation of electricity from WATER	6.582 MW	Brod and Restelica River HPP Brod I.1062 kW Brodi III 3120 kW dhe Restelica I & II, 2400 kW MA Dragash Republic of Kosovo	V_654_2014 03 October 2014

ERO Board rejected the issuance of final authorization to "Eurokos JH" J.S.C. company, because the company in question failed to complete the application, not insuring the proofs related to the use of right to water access, issued by relevant institutions.

5.3.5 Postponement of Preliminary Authorization term

ERO reviewed also the request for postponing the term of validity of preliminary authorizations, in order to extend the term for completing the application, so that the request for turning the preliminary authorization into final authorization would be filed. The company which term of preliminary authorization was extended for another six (6) months for the completion of the application for issuing a final authorization, is shown below (see Table 5.8).

Tab. 5.8 Company, the term of Preliminary Authorization of which was extended

No.	Name of enterprise	Description of activity	Installed capacity	Location	Date of issuance of Decision
1	"Treangle General Contractors -Inc" Branch Kosova	Construction of generator for generation of electricity from WATER	11.7 MW	Erenik River (HPP Mal –, Erenik 6.8 MW, HPP Jasiq 2.5 MW dhe HPP Erenik 2.4 MW, MA Junik Republic of Kosovo	V_669_2014 23 December 2014

5.3.6 Applications under review by ERO

ERO has also received applications for being granted with an authorization for building new generation capacities, which are in the stage of the completion of applications. The list of applications, which are under the process of review, is shown below (see Table 5.9).

Tab. 5.9 Enterprises under the process of review for being granted with a decision on preliminary authorization

No.	Name of enterprise	Description of activity	Installed capacity	Location	Date of issuance of Decision
1	"Benesa" SH.P.K	Construction of generator for generation of electricity from WATER	2.075 kW	"Lumbardhë i Deçanit" River, HPP Lloçan, MA Deçan, Republic of Kosovo	18 September 2014
2	"Lumëbardhi i Prizrenit" SH.P.K.	Construction of generator for generation of electricity from WATER	2.34 kW	River Lumbardhë i Prizrenit, HPP Manastirica, MA Prizren, Republic of Kosovo	23 September 2014
3	"Birra Peja" SH.P.K.	Construction of generator for generation of electricity from Solar/Photovoltaic Panels	3 MW	Madanaj – Rrypaj, CZ Kusar, MA Gjakova, Republic of Kosovo	04 November 2014
4	"2 Korriku" SH.P.K.	Construction of generator for generation of electricity from WATER	1.3 MW	Lepenc River, HPP Soponica, MA Kaçanik, Republic of Kosovo	11 November 2014
5	"Onix SPA" L.L.C.	Construction of generator for generation of electricity from Solar/Photovoltaic Panels	0.5 MW	Banja e Pejës, CZ Istog, Republic of Kosovo	09 December 2014
6	"Solar Green Energy" SH.P.K.	Construction of generator for generation of electricity from Solar/Photovoltaic Panels	3 MW	Novosellë, MA Kamenica, Republic of Kosovo	16 December 2014
7	Frigo Food Kosovë" SH.P.K.	Construction of generator for generation of electricity from Solar/Photovoltaic Panels	3 MW	Madanaj, CZ Kusar, MA Gjakova, Republic of Kosovo	26 December 2014

ERO will continue to review and assess applications for authorization on construction of new generation capacities, while complying with all legal procedures and criteria on fulfillment of targets of RES, set out by the applicable instructions.

Until the end of 2014, ERO has dealt with a considerable number of applications for investments in energy generation from RES, with six (6) of them being granted with final authorizations, which are shown in the table below.

Tab. 5.10 Final authorizations

RES Type	No. of applications	Capacity in MW
Hydro Power Plants	4	38.13
Wind	1	1.35
Solar	1	0.10
Total	6	39.58

In the following table, 22 applications are shown by the kind of RES, for which preliminary authorizations have been issued.

Tab. 5.11 Preliminary authorizations

RES Type	No. of applications	Capacity in MW
Hydro Power Plants	13	151.98
Wind	5	145.75
Solar	4	9.60
Total	22	307.33

11 applications, which are shown in table 5.12, are also under the process of preliminary authorization

Tab. 5.12 Applications under the preliminary authorization process

RES Type	No. of applications	Capacity in MW
Hydro Power Plants	7	12.03
Wind	2	72.25
Solar	2	0.66
Total	11	84.94

5.3.7 RES Renewable Energy Sources

By Decision No. D/2012/04/MC-EnC of the Ministerial Council of the Energy Community of South East Europe (SEE EC), the mandatory target for RES until 2020 was defined for Kosovo. Based on this obligation, 25 % of final energy consumption shall be from RES.

In order to fulfill this obligation, the Ministry of Economic Development, on 31 January 2013, issued Administrative Instruction no. 01/2013 wherein it set the yearly and long-term targets of Energy from RES. Instruction no. 01/2013 replaces Administration Instruction no. 06/2007 on Indicative Targets on the generation of electric and thermal energy from the RES.

In order to achieve the targets for generation of electricity from RES, set forth by the Instruction mentioned above, and in accordance with the legal mandate given by the energy legislation in force, this year, ERO issued: *Rule on Support Scheme (On support of generation of electricity from Renewable Energy Sources) and Methodology on Calculation of Feed-In Tariffs for Photovoltaic Solar Energy*.

ERO Board, based on the documents mentioned above, rendered Decision V_673_2014, on 23 December 2014, wherein it defined the feed-in tariffs of the electricity generated from RES. According to this decision, the electricity generated from water (hydro central <10 MW) costs 63.3€/MWh, electricity generated from wind costs 85.0€/MWh, energy generated from solid biomass costs 71.3€/MWh, and electricity produced by solar/photovoltaic panels costs 136.4€/MWh.

ERO has also set the term of sale of electricity generated from RES, and the term for electricity generated by photovoltaic panels will have a duration of 12 years whereas the one from other sources (hydro energy, wind energy, and solid biomass) will have a term of a duration of 10 years, with prices (feed-in tariffs) applied and was accepted in the supporting scheme.

5.4 Monitoring of licensed enterprises and construction of new generation capacities

ERO, during this year, has monitored the licensees and the enterprises granted with the authorization for the construction of generation capacities for electricity generation.

5.4.1 Monitoring based on the Reporting Manual for the Energy Sector

This manual is part of the secondary legislation for energy sector. The manual describes in detail the manner of the reporting for energy enterprises to ERO. In order for the manual to be as clear and effective as possible, ERO amended this document on 12 March 2014 (Decision V_607_2014). The document was also handed over to the licensees for comments and the valid comments of parties have been taken into consideration.

According to the Reporting Manual for the Energy Sector, the enterprises must submit quarterly and annual reports to ERO on their activities. In addition, the enterprises must submit their reports to ERO within the deadlines foreseen in this manual on any violation of any article or provision of the license. For some of the license articles having a more special importance, that is, the violation of the license conditions which might have a serious impact on government policies and customers, or in the cost for compensation, the licensed enterprises must immediately notify ERO. In case such a notification is not made on time, ERO is entitled to impose administrative measures or fines in accordance with the Rule on Administrative Measures and Fines.

During 2014, notifications and reports, in compliance with this manual, were handed to ERO from all the energy enterprises. It is worth mentioning that district heating enterprise "District Heating Gjakova", which had not sent some report during 2013, during 2014 submitted to ERO all the quarterly and yearly reports related to the compliance with the license terms.

5.4.2 Licensed Enterprises Monitoring Program

The monitoring program has been developed by ERO in the end of 2013 and started to be implemented during 2014. This program has been created in order to simplify the monitoring process of energy enterprises, and according to it, the enterprises shall report upon the request of ERO, on quarterly and annually basis and, in certain cases, as necessary. Besides receiving the required reports from the licensees, through its own teams, ERO will, as necessary, monitor on site each of the licensed companies. Monitoring can be done with or without prior notice.

During 2014, ERO staff members requested various documents from the licensees, which are foreseen by the applicable legislation, specifically documents/reports/information which have been described in their licenses. In addition, the staff (ERO relevant departments) have prepared each quarter Monitoring Reports for the licensed enterprises.

In addition, ERO has prepared a '**Monitoring Report for 2014**', following the instructions of "Monitoring Program for Licensed Enterprises", which will be publically available to parties. In this report, the findings related to the enterprises licensed by ERO have been described in details.

5.4.3 Derogation of some license provisions

Being unable to implement certain provisions of the applicable licenses and codes of licensees, some licensees have requested ERO to derogate (postpone) the fulfillment of certain provisions for a certain period. Taking into consideration the circumstances, ERO permitted or dismissed the requested derogations. All derogations are published on the website of the ERO.

5.4.4 Monitoring at the site of construction of generation capacities

In March 2014, ERO representatives carried out an inspection in "Kelkos-Energy" J. S. C. company, and monitored the works being carried out for construction of HPP Belaja, 9.2 MW and HPP Deçan

8.4 MW in the Municipality of Deçan, pursuant to the decision V_402_2012 on authorization for construction of generation capacities, of 15 June 2012, issued by ERO board. Based on this inspection, it was found that the works are being performed in compliance with the plans, starting from intake pipeline, pipeline route across the river bed, whereas the HPPs and transformers are almost close to finalization and upon technical approval, they are expected to be launched to function. Some photos taken during the site inspection have been shown below:



Fig. 5.1 Pictures made during works for construction of HPP Belaja 9.8 MW and HPP Deçan 8.4 MW

In July 2014, ERO representatives carried out the next site inspection in “HIDRO LINE” J.S.C. company, Albaniku 3, in MA Mitrovica, for monitoring the works for construction of generation capacities from water in HPP Albaniku 3, having a capacity of 4.237 kW, in the place called “Dolac”, MA Dolac, in the place called “Thanishte/Ovqar”, authorized pursuant to Decision V_569_2014, of 24 October 2014, issued by ERO Board. It was found that the works are being performed as planned, starting by building the road, pipeline route from the intake place to HPP building. In addition, according to the site inspection assessments, it is considered that it is expected to be realized within the time limits defined pursuant to the ERO decision. Some photos taken during the site inspection are shown below:



Fig. 5.2 Pictures of works during the construction of HPP "Albaniku 3", having a capacity of 4.237 kW - Mitrovica

In December 2014, ERO representatives carried out the last site inspection for this year in "Eurokos JH" J.S.C. company in MA Dragash, for monitoring the works for construction of generation capacities from water, in HPP "Brodi II" (Mlik) having an installed capacity of 3.89 MW, in Brod river and HPP "Restelica I" and HPP "Restelica II" (Krusheva) which are located in Restelica river in one premise of the hydro power plant, having an installed capacity of 2.28 MW, authorized by Decision V_572_2013, of 24 October 2013, issued by ERO Board. It is found that works are in the stage of preparing the road and route wherein the pipelines coming from the intake to the premises of HPPs will be installed. Some photos taken from the site inspection are shown below.





Fig. 5.3 Pictures of works during the construction of HPP “Brodi II”, HPP “Restelica I” and HPP “Restelica II” - Dragash

ERO will continue to monitor the companies in relation to the application of authorizations for construction of new generation capacities, respecting all the procedures and legal criteria defined by the applicable legislation.

6 ACTIVITIES IN THE ELECTRICITY SECTOR

6.1 Electricity market

Energy sector in the European Union has undergone great reforms and restructuring, especially in the market structure. European Commission as part of its project on establishing a single common electricity market has undertaken an initiative to support South East European countries (SEE) in harmonizing their national energy policies and development of a common regulatory framework in order to attract investments in the electricity sector, improve the supply security, and, by doing so, support the economical growth.

In this regard, there is also an institutional reform, for sharing responsibilities between the responsible energy ministries such as for drafting policies and strategies, and regulatory authorities which regulate the energy sector in economic terms. Therefore, the division of institutional responsibilities allowed the reformation of operational part, starting with the unbundling of the vertically integrated companies, by separating sections considered as natural monopolies from the competitive ones.

The figure below provides an illustration explaining the market, divided into regulated activities (regulated prices) and those non-regulated (competitive activities). Generation and supply are considered as unregulated activities, whilst transmission and distribution network constitutes a regulated market element and are considered natural monopolies.

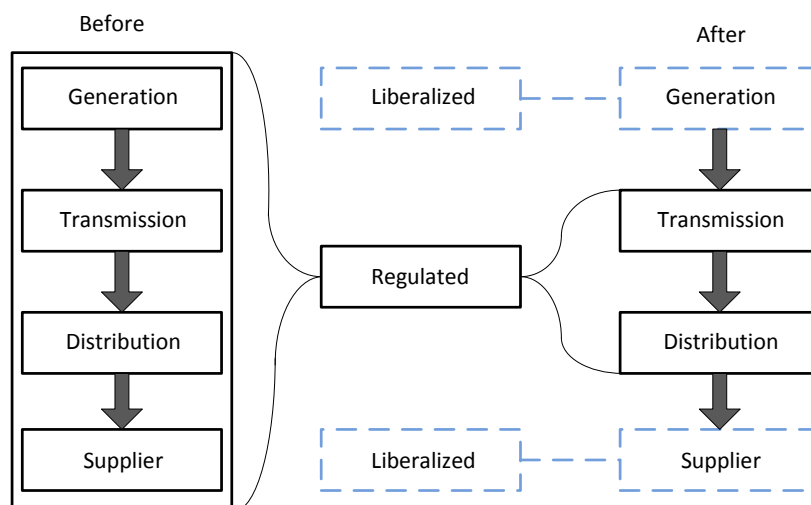


Fig. 6.1 Electricity sector before and after liberalization

The reform of electricity sector has a positive impact also for investors and traders, and impacts on achieving cost-reflective prices. This reform is required due to a more secure and quality supply with electricity to customers, especially when we consider small regulatory areas which often may face problems with balancing (electricity lack or excess) and support services for system operations.

On 25 October 2005, Kosovo signed the Treaty for Establishing the Energy Community and, by doing so; it became an equal member in the Energy Community. This is of a primary importance for the economic development of Kosovo, enabling the exploitation of great reserves of lignite and favoring position for exchanging energy in the SEE region.

Kosovo adopted the primary energy legislation which sets forth the rights and obligations of the parties in the sector to ensure sustainable, safe, reliable, and quality supply with electricity.

The commencement of reforming process in energy sector dates back in 2004 when ERO was established. The process has continued with the vertically integrated unbundling of KEK, and the establishment of Transmission System and Market Operator - KOSTT (2006), which currently operates as separate entity. The further unbundling has continued by sharing the distribution and supply by KEK. After unbundling, the distribution and supply have been privatized in May 2013 by transferring it to the property of Limak-Çalik consortium. In the end of 2014, the legal unbundling of the distribution and supply has been completed, which resulted in the establishment of two companies- KEDS and KESCO.

In the following chart have been shown the organization of the electricity sector before the unbundling when there was a vertically integrated company and the current organization where companies having different activities function separately.

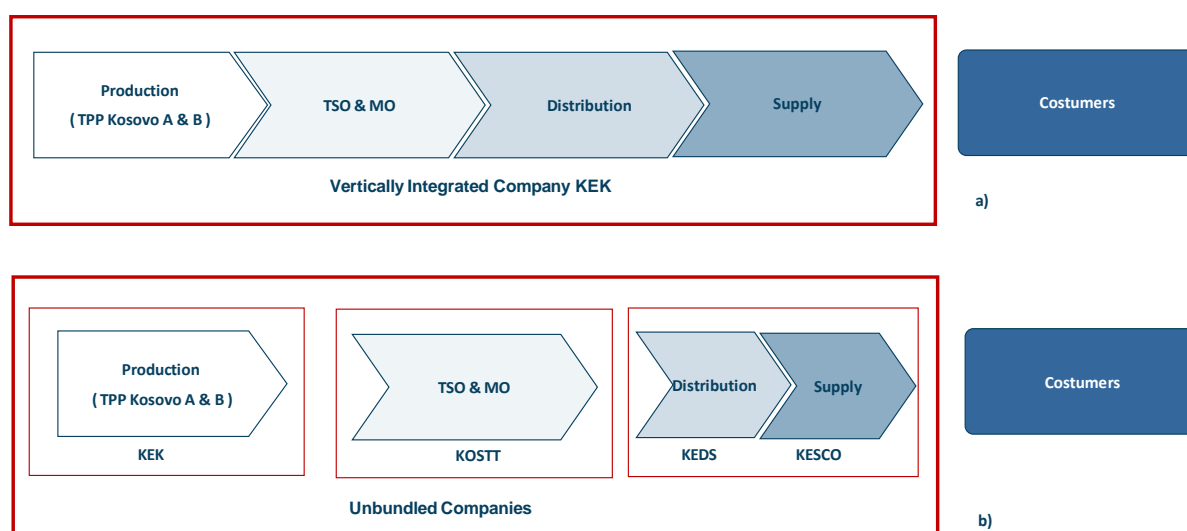


Fig 6.2- a) Vertically integrated company, KEK, b) Vertically unbundling companies

Market reform aims at creating a proper competition, both in terms of generation and supply. This enables the customers to be entitled to the right to choose the electricity supplier.

Pursuant to the Law on Electricity, as of 1st of January 2015, all customers shall have the right to be qualified to select a supplier, and get supplied with unregulated tariffs. Although this right exists, qualified customers have no interest in using the right to choose the supplier. This lack of interest is explained by the lack of effective competition in the market and due to the fact that the customers who are charged with regulated prices have lower prices than the price that may be found in the free market. In contrast to this fact existing in Kosovo and some other regional countries, the example from Croatia illustrates the opposite, where, after the market was opened, the companies immediately started to attract customers to supply them. However, the regulated and non-regulated prices in the free market in Croatia at that time were leveled.

6.1.1 Electricity market design in Kosovo

According to the electricity market design, Kosovo has a bilateral market wherein the licensed participants buy and sell energy in order to enable a balanced energy system. This market is accompanied with a balancing mechanism wherein KOSTT receives offers for purchase and sale of energy from the licensed, in order to manage the differences of the flows which are not covered by bilateral contracts.

In order to support a competing and liquid market, ERO should consider:

- supply and demand (supply that exceeds the demand);
- non-discriminatory third party approach (TPA) to network and reflective costs;
- real signals (reaction of generation and consumption towards price signals);
- sufficient number of purchasers and seller, having a concentration which is not large;
- real treatment of subventions.

Despite the attempts to open the market and urge the competition, no immediate change in this direction may be expected. The dependency on imports, lack of sufficient generation capacities to fulfill the growing demand, insufficient flexibility of generation unit, and the high level of non-technical losses, represent a serious obstacle to the opening of market and development of competition.

6.2 Technical aspects of the energy sector

Despite the considerable installed generation capacities in Kosovo, the operation capacity is decreased due to amortization, therefore, in most cases; the generation units do not fulfill the supply needs of customers. One should add here the non-flexibility of generation units to adjust to consumption demand, especially during the on-peak hours when the electricity demand is increased. Therefore, the urging need for investments in generation capacities comes into existence and, in addition, the market liberation should be urged in order to increase the competition.

During 2014, there was a concrete movement for developing the project of TPP Kosova e Re and, as a result of these activities, in December, the offer for this project was opened and assessed. TPP "Kosova e Re" will present the main pillar of sustainable generation from lignite, securing basic energy for the system. ERO participated in the Project Steering Committee and Working Group.

Renewable Energy Sources (RES) represent a particular interest in the energy sector. European Directives and obligations stemming from ECT define the requirements related to RES. These sources should take an important place in foreseeing the investments in the energy sector. In addition, the laws in energy sector in Kosovo support the investments in generation capacities from RES. The criteria for investments in RES should take into account the targets set by MED, level of affordability of customers, system stability, and their impact on system balance.

6.2.1 Lignite Production and Consumption

Lignite constitutes the main reserve as primary source of electricity in the Republic of Kosovo. The share of lignite as primary source is approximately 97 % of the generation capacities and general electricity generation. The hydro power plants- Kosova A and Kosova B, are supplied by South Western Mining Sibovc, Bardhi and Mirashi.

Tab. 6.1 Lignite production and consumption

Lignite Production / consumption 2014 t*1000	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Lignite production	783	703	658	558	673	408	462	452	452	753	698	604	7,204
Lignite TPP consumption	730	790	817	484	663	538	466	450	431	584	486	679	7,118
Lignite market consumption	14	15	16	10	21	10	16	17	19	21	21	16	196

Table 6.1 shows the lignite production and consumption by months, for 2014.

Lignite production in 2014 is 7.2 million tons, while the consumption is 7.1 million tons. Lignite production and consumption in 2014 is lower compared to 2013.

The rate of production, consumption, and lignite quantity sold in market during 2013 and 2014 is shown in the following chart.

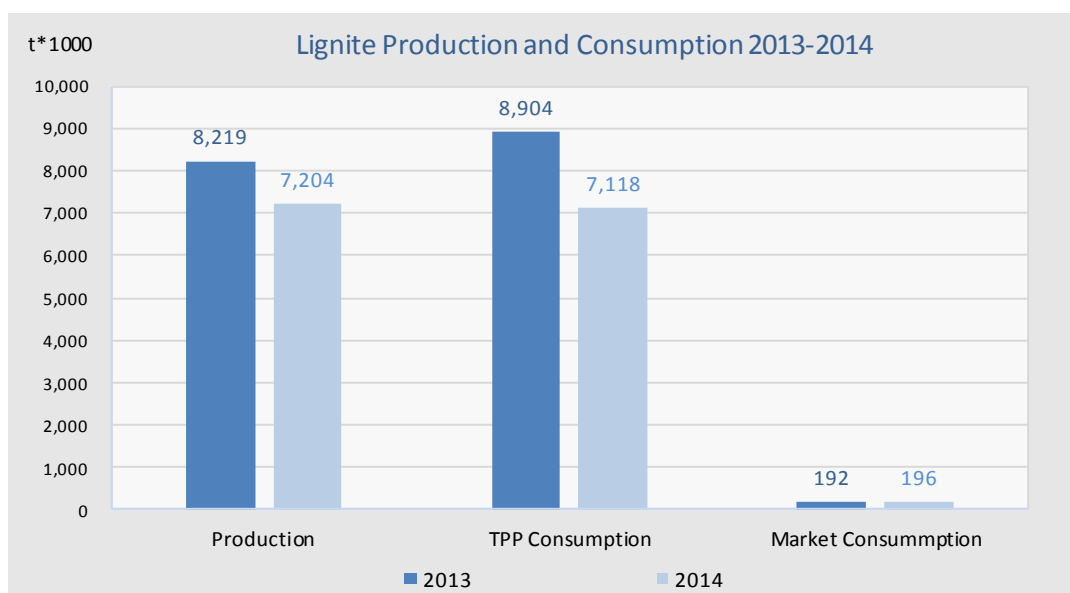


Fig. 6.3 Production and consumption of lignite during 2013 and 2014

6.2.2 Electricity Generation

Generation capacities

Electricity generation capacities are mainly thermal and composed of two thermal power plants: TPP Kosova A and TPP Kosova B. The other part of generated electricity comes from HPP Ujmani and other distributing HPPs, with approximately 3 %.

During the last years, there are not big changes in the installed generation capacities. The increase of HPP Dinakce capacity constitutes a change. It is expected that some small HPPs will soon start to operation, as private investments in RES.

The installed generation capacities are given in the following table, by type and year of commencement of operation.

Tab. 6.2 Generation capacities in Kosovo power system

Generation unit	Capacity of Units (MW)			Set in operation
	Installed	Net	Min/max	
A1	65	Non-operational		1962
A2	125	Non-operational		1964
A3	200	182	100-130	1970
A4	200	182	100-130	1971
A5	210	187	100-135	1975
TPP Kosova A	800	551		
B1	339	310	180-260	1983
B2	339	310	180-260	1984
TPP Kosova B	678	620		
HPP Ujmani	35.00	32.00		1983
HPP Lumbardhi	8.08	8.00		(1957) 2006
HPP Dikanci	3.34	3.18		(1957) 2010
HPP Radavci	0.90	0.84		(1934) 2010
HPP Burimi	0.86	0.80		(1948) 2011
Total HPP	48.18	44.82		
Wind Power	1.35	1.35		2010
Total	1,527.53	1,217.17		

Generation

The electricity generation in 2014 is 4,894 GWh whereas in 2013, it was 5,862 GWh, which means that the generation in 2014 is 17 % lower than the generation in 2013. A great part of the impact of decrease of generation comes as a result of the accident in TPP Kosova A. This is shown in Table 6.3.

Tab. 6.3 Electricity generation during 2014

Generation units (MWh)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
A3	103,508	89,804	11,236	77,761	107,003	19,212	85,345	105,358	103,176	108,151	100,988	72,929
A4	97,450	60,028	91,496	31,873	106,372	16,781	0	0	0	0	0	0
A5	10,539	36,468	109,544	92,862	0	3	0	0	0	0	0	0
Self-consumption - TPP A	26,284	23,573	26,862	26,228	24,683	4,903	10,546	12,869	12,871	13,645	12,943	10,051
TPP Kosova A	185,213	162,727	185,415	176,268	188,692	31,094	74,798	92,488	90,306	94,506	88,045	62,878
B1	195,682	183,325	187,841	121,901	200,106	192,856	14,066	0	1,003	207,178	87,783	205,967
B2	208,920	185,565	203,965	65,846	75,290	179,205	193,521	194,541	192,548	151,693	197,695	200,137
Self-consumption - TPP B	36,845	33,514	36,179	19,018	25,239	33,940	19,717	18,254	17,603	32,427	27,163	36,618
TPP Kosova B	367,757	335,376	355,626	168,730	250,156	338,121	187,870	176,287	175,948	326,444	258,315	369,486
HPP Ujmani	5,078	4,322	4,064	8,899	18,224	8,307	5,597	5,803	8,268	8,849	5,221	18,885
HPP Distribution	2,311	1,913	1,869	5,448	8,763	6,883	2,680	1,727	4,727	3,709	3,511	6,308
Total Hydro	7,389	6,236	5,933	14,347	26,988	15,191	8,277	7,531	12,995	12,558	8,732	25,193
Total production	560,359	504,339	546,974	359,345	465,836	384,406	270,945	276,306	279,249	433,507	355,092	457,556

The own expenditures of electricity of thermal power plants constitute approximately 11 % of the total generation. When calculating the individual expenditures, there are often misunderstandings, since a part of them (for both TPP Kosova A and TPP Kosova B generators) are directly realized, while the other part falls under the transmission system and returns to the thermal power plant, when it is used for own costs.

Share in percentage of generations in general generation in 2014 is shown in the following chart.

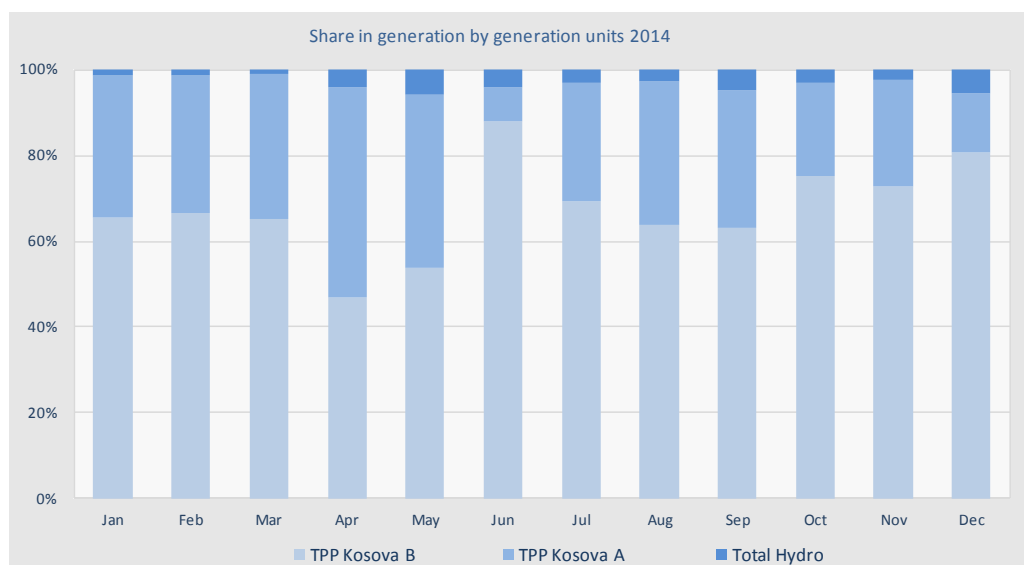


Fig. 6.4 Share of generators in general generation in 2014

One of the indicators of functioning of generation unit is also the number of planned and unplanned outages from the system, and failures, which, in 2014, have been relatively high.

- In TPP Kosova B, the situation was as follows:
 - Unit B1 during this year had a total of 13 outages (5 planned outages, 4 unplanned outages, and 4 failures).
 - Unit B2 had a total of 9 outages (2 planned outages, 4 unplanned outages, and 3 failures).
- In TPP Kosova A the situation was as follows:
 - Unit A3 had a total of 5 outages (2 planned outages, 3 unplanned outages, and 2 failures).
 - Unit A4 had a total of 11 outages (3 planned outages, 3 unplanned outages, and 5 failures), and
 - Unit A5 had a total of 5 outages (2 planned outages, 2 unplanned outages, and 1 failure).

After the accident (6 June) in TPP Kosova A, Units A4 and A5 have not operated during the rest of 2014, while Unit A3 has operated with a very good performance, almost without any interruption until the end of the year. It was planned that Units A4 and A5 would start to operate in the end of November/December 2014, however this was not achieved until the end of 2014.

The generation chart during 2004-2014 has been shown below, where a continuous growth until 2013 is evident, which partially is a result of the investments in the generation unit and their more effective maintenance.

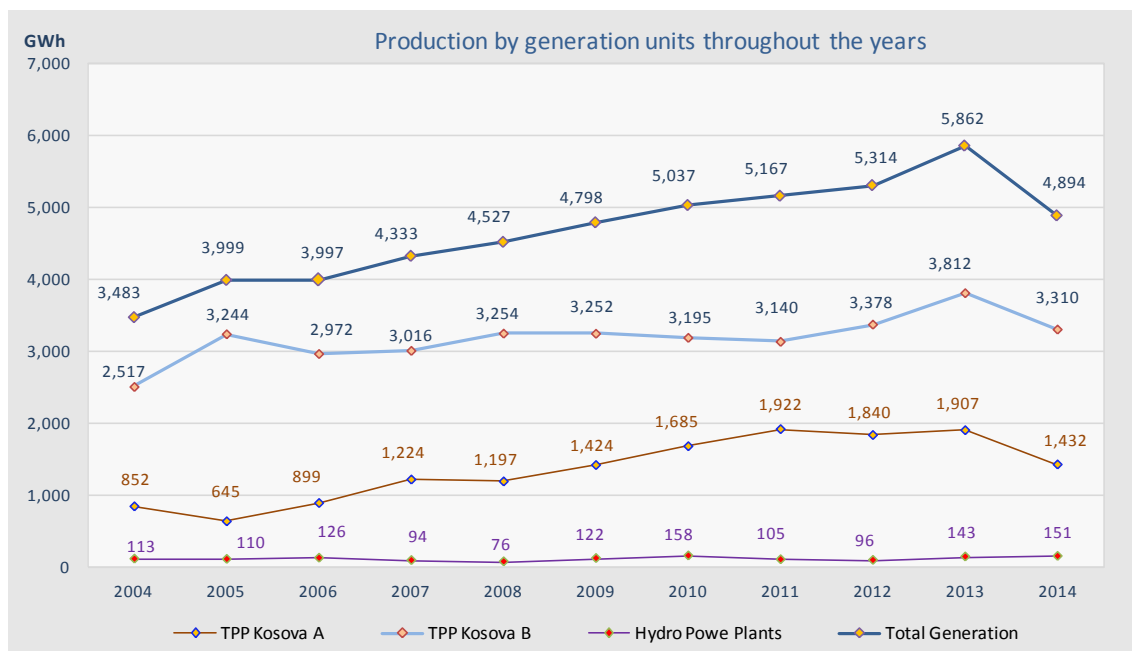


Fig. 6.5 Electricity generation in 2004-2014

6.3 Transmission System

Electricity transmission is of a special importance in ensuring the supply and progress of the entire power system. Kosovo Transmission System represents important regional nodes and is strongly connected with the power system of the region and Europe.

There are 400 kV voltage level interconnectivity lines with neighboring countries except Albania, with which only the 220 kV voltage level line exists. The construction of 400 kV SS Kosova B – SS Kashar (Tirana) interconnection line began in 2014.



Fig. 6.6 Picture of SS Kosova B

The transformation capacities and transmission network lines, by voltage level, are shown in the following tables.

Tab. 6.4 Basic data for transmission network substations

Transformation (kV/kV)	Owner	SS No.	TR No.	Power (MVA)
400/220	KOSTT	1	3	1,200
400/110	KOSTT	2	2	600
220/110	KOSTT	3	9	1,350
220/35	Alferon	1	2	320
220/35/10(20)	KOSTT	1	1	40
220/10(20)	KOSTT	-	1	40
110/35/10(20)	KOSTT	1	4	158
110/35/6.3	Trepça	1	2	126
110/6.3	Trepça	-	2	63
110/35	Ujmani	1	1	20
110/6.3	Sharri	1	2	40
110/10(20)	KOSTT	15	19	678
110/35	KOSTT	8	20	693
110/10	KOSTT	3	8	252

Tab. 6.5 Basic data on transmission network lines

Voltage (kV)	Owner	Length (km)
400	KOSTT	188.49
220	KOSTT	231.83
110	KOSTT	802.70

6.3.1 Electricity flows in interconnection lines

After the investments made in the recent years in the transmission network, it may be considered that the transmission network is in a good operation state. Thanks to this, the losses have been obviously decreased during the recent years and, in addition to these investments, the accurate measures and better management have also influenced.

In order to maintain a desirable level of supply, however, further reduction of losses and also improvement in security and quality of services, investments are required in certain network parts, both in new capacities and maintenance and upgrading of the existing capacities.

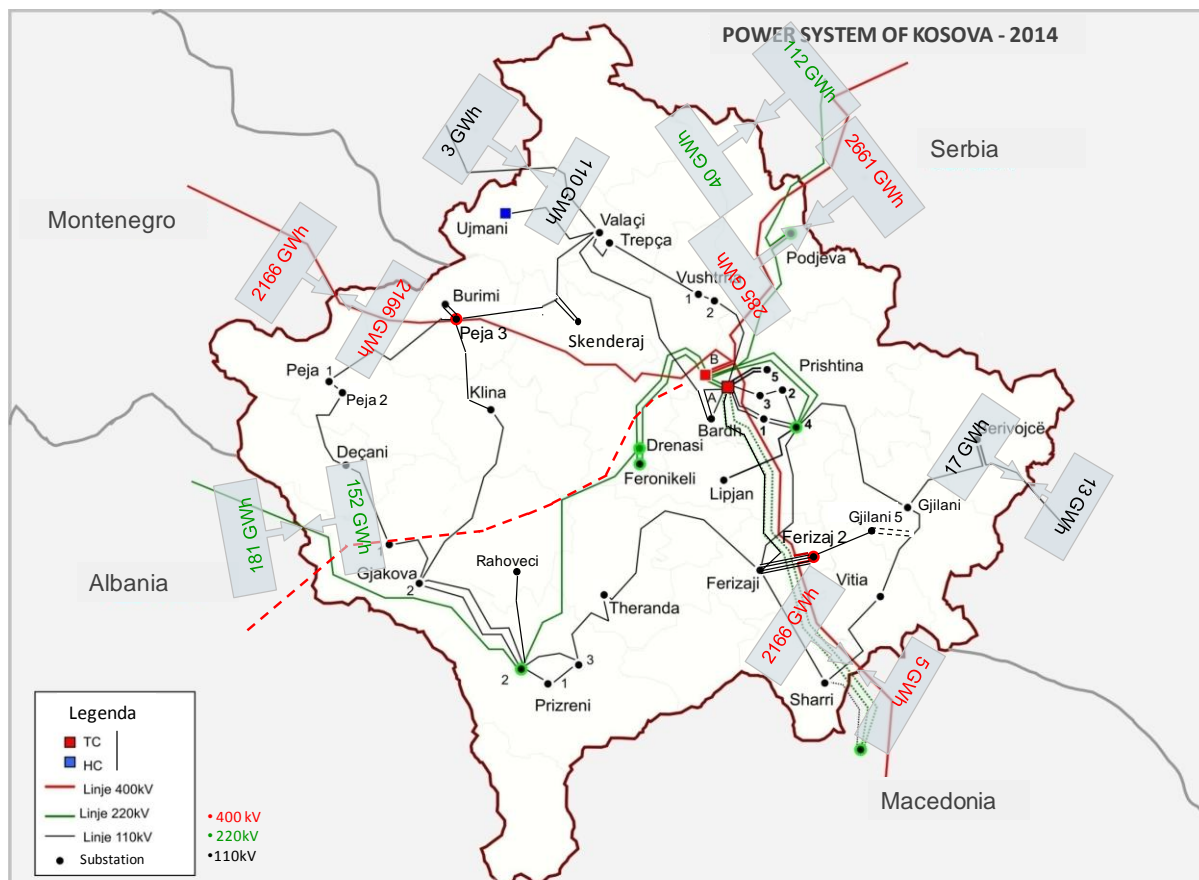


Fig. 6.7 Electricity flows in interconnection lines

Kosovo transmission network is connected to the regional and European network of transmission. The transit of electricity through Kosovo network is very high compared to the consumption, which demands an additional maintenance and increases the losses in the network. Due to the impossibility of KOSTT to participate in the mechanism for the compensation of costs caused by the transition (ITC mechanism), up to the present time, these costs have been covered by customers through regulated tariffs.

The distribution of energy from generation, transmission, distribution to customers, as well as the distribution towards the regional networks including the transit, has been shown in chart 6.8.

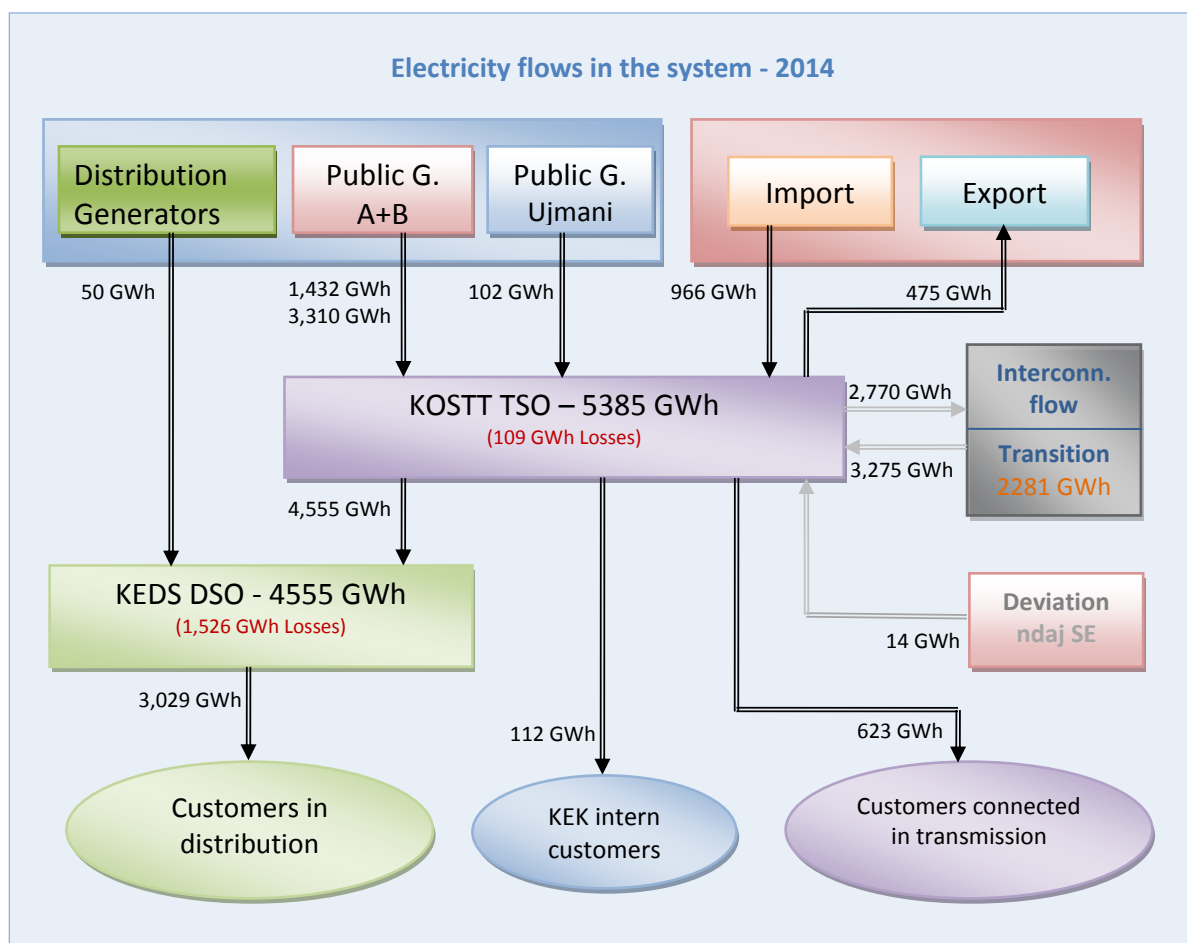


Fig. 6.8 Electricity flows in the system

After the latest developments in 2014 during the talks with Serbia, which are continuing with regard to certain issues, many of these problems are expected to be eliminated. KOSTT is also on the right track to being accepted as regulatory area/block by ENTSO-E. For this purpose, the talks with ENTSO-E are being held and this is expected to be realized during 2015.

6.3.2 Investments in transmission system

We may categorize the investments in transmission system as follows:

- Projects which started in earlier years and were completed in 2014;
- Projects which started in earlier years and continued in 2014;
- Projects which started in 2014 and will continue further on.

Projects started in earlier years and were completed in 2014

- Rehabilitation of HV plant in SS Ferizaj 1 and SS Gjilan;
- Installation of two new fields of 110kV lines in SS Prizreni 2;
- KOSTT domain- DSO;
- Supply and installation of protective optical cable in Kosovo – Montenegro interconnectivity line (started in 2014);
- Installation of OPGW protective optical cable in 220kV SS Podujeva – SS Krushevc line;
- License and enhanced modules for Omikron 156CMC and 256CMC, etc.

Projects which started in earlier years and continued in 2014 and further on

- Consulting Services project and construction of line 400 kV Kosovo – Albania and HV and LFC Field;
- Reallocation of line 110 kV. no. 1806, SS Gjakova 1- SS Gjakova 2, and replacement of equipment of 110kv HV in SS Gjakova 1;
- Rehabilitation of High Voltage equipment in Prizreni 3;
- Rehabilitation of High Voltage equipment in Gjakova 2;
- Renovation of control rooms in substations (SS Vushtria 1, SS Gjakova 2, and other SS), etc.

Projects which started in 2013 and will continue further on:

- Revitalization of substations SS 110/35 kV 35 kV side;
- Installation of second transformer in SS Skenderaj;
- Installation of third transformer in SS Prishtina 2;
- Installation of measuring groups in new border between KOSTT and KEK/DSO;
- Installation of second transformer in SS Burimi;
- Supply with and installation of relay protection in auto-transforming areas SS Kosova B;
- Inclusion of all changes in existing substations and incorporation of new substations in SCADA/EMS in Dispatching Center and the Emergency Dispatching Center, etc.

6.3.3 Load in the Kosovo Power System

The secure functioning of transmission network may be assessed by the transmission capacity and by analyzing the flaws of energy, especially maximum values of the consumption. For this analysis, five (5) maximum loads, realized in various weeks of the year, are taken. The following table shows the values realized during peak hours in 2014.

Tab. 6.6 Peak values at different weeks of 2014

Peak load (MW)	Hour	Date
1,154	19	31.12.2014
1,077	20	30.12.2014
1,044	18	29.12.2014
1,036	21	26.01.2014
1,028	20	27.01.2014

The highest load in Kosovo Power System, 1154 MWh/h, was recorded on 31 December 2014. The peak value recorded in 2014 was higher than the one in 2013.

The consumption experiences differences in daily and seasonal period and monitoring these changes cause problems for the balancing of the system. Due to this, especially in the case of the Kosovo power system, the analysis of daily chart of consumption, shown for every hour of the day, is important. In order to create a more clear representation of the changes in consumption during the entire year, a chart containing the average yearly values for each hour should be created.

The following diagram shows the consumption and generation, which demonstrate that during the night hours Kosovo has excess of energy while during the day period, especially during the evening hours, the consumption has a significant increase.

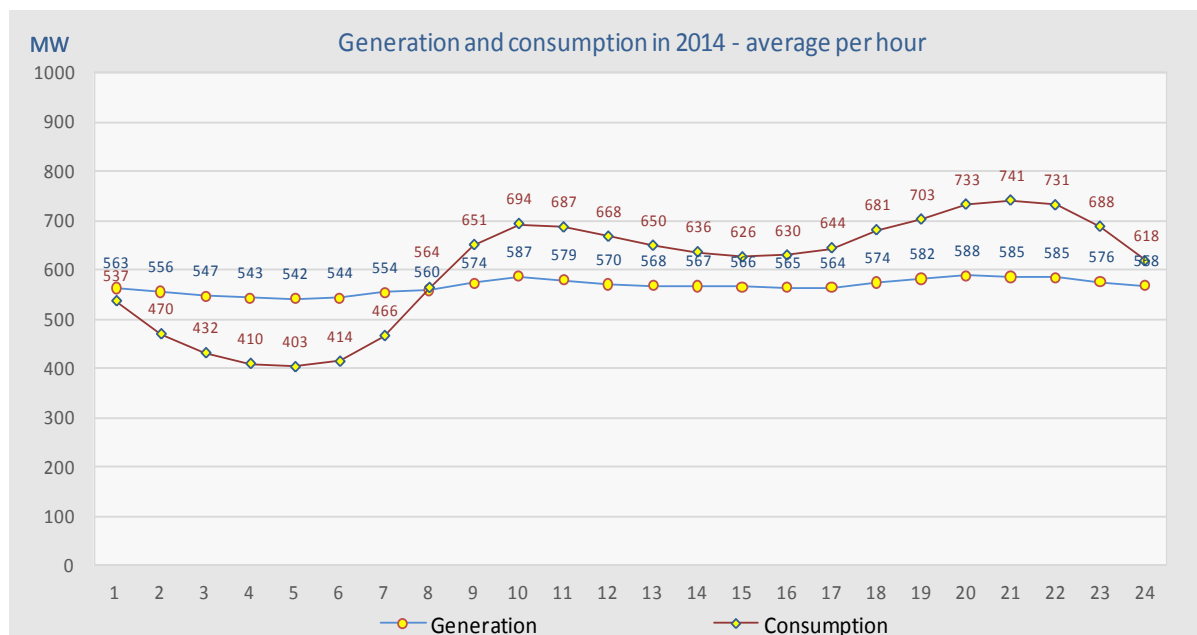


Fig. 6.9 Daily chart representing the yearly average per 24 hours in 2014

Difference between the average of daily maximums and minimums of consumption during the months of 2014 is shown in the following chart. Such differences represent a serious obstacle for monitoring the consumption diagram and keeping the deviation of the system within the allowed limit, especially when considering the non-flexibility of the lignite-based generation units.

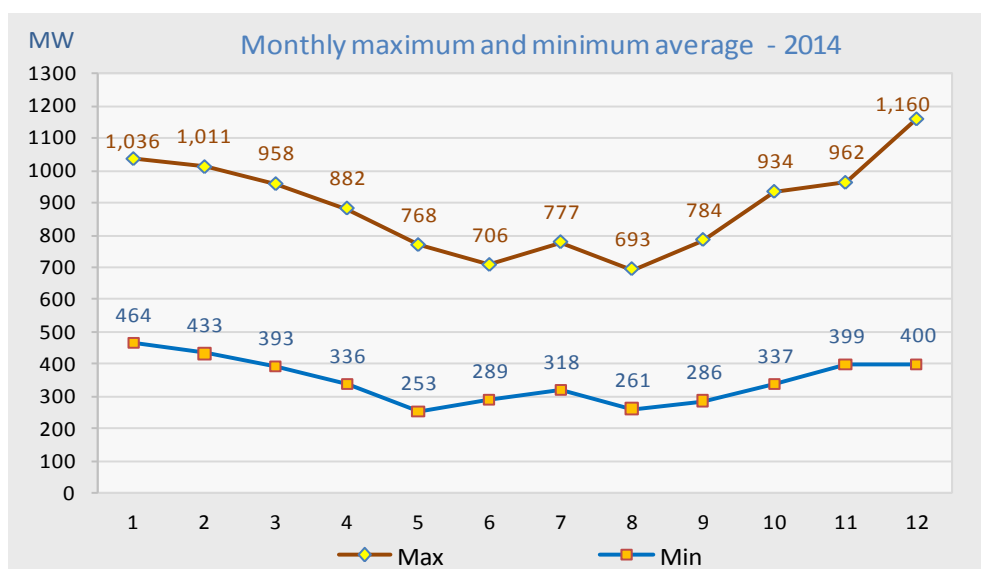


Fig. 6.10 Monthly average of daily maximum and minimum loads in 2014

Due to the lack of sufficient local generation and difficulties for ensuring the import, sometimes there is a need to reduce the electricity. The load-shedding changes from year to year, and in 2014 the load-shedding was at a level of 87,478 MWh.

Tab. 6.7 Load-shedding during 2008 – 2014

Year	2008	2009	2010	2011	2012	2013	2014
Load-shedding MWh	778,449	431,410	205,073	333,233	153,707	53,352	87,478

6.3.4 Overall demand and electricity losses in transmission

The overall of electricity demand in 2014 is 5,399 GWh, and represents a decrease of the demand by 2.2 % compared to 2013, when it was 5,574 GWh. The demand, compared with projections in electricity¹ balance 2014, is 3.15 % lower.

The overall demand realized in 2014 in relation to the projected demand is shown in Table 6.8.

Tab. 6.8 Overall demand and losses in transmission, realized and categorized based on 2014 balance.

2014	Gross Cons. Realized	Gross Cons. Balance	Real/Bal	Transmission losses realization		Transmission losses balance	
	MW h	MW h	%	MW h	%	MW h	%
Jan	570,679	606,389	94.11	11,474	2.01	11,892	1.96
Feb	468,200	531,909	88.02	9,418	2.01	10,557	1.98
Mar	482,477	519,454	92.88	10,635	2.20	11,394	2.19
Apr	424,482	435,625	97.44	8,500	2.00	8,489	1.95
May	396,943	384,156	103.33	7,476	1.88	7,753	2.02
Jun	370,830	376,293	98.55	7,546	2.03	9,670	2.57
Jul	392,959	404,090	97.25	7,616	1.94	7,871	1.95
Aug	390,407	399,590	97.70	8,278	2.12	7,565	1.89
Sep	378,336	391,889	96.54	7,677	2.03	7,596	1.94
Oct	453,509	445,427	101.81	8,858	1.95	9,674	2.17
Nov	491,082	501,089	98.00	9,735	1.98	10,377	2.07
Dec	578,952	578,334	100.11	11,619	2.01	11,661	2.02
Total	5,398,855	5,574,247	96.85	108,832	2.02	114,501	2.05

During 2000-2010, the consumption has had a continuous increase, whereas since 2010, we have a stabilization of the consumption, while during the last three years we even have a slight decrease.

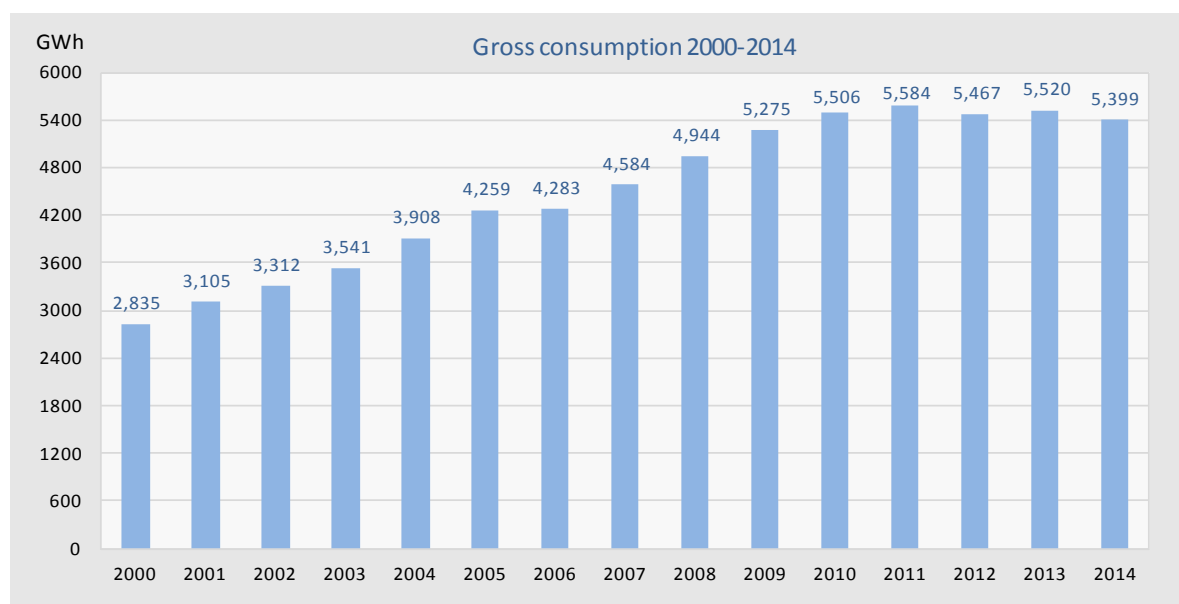


Fig. 6.11 Overall demand in Kosovo power system 2000-2014

¹ The electricity balance of 2014, approved by MED in December 2013, was taken as basis, because the balance version after the accident in TPP Kosova A for some months is meaningless (the same as realization).

Electricity demand in transmission system, as per spenders for 2014, is shown in Table 6.9.

Tab. 6.9 Consumption as per spenders and electricity losses

Energy demand at Transmission	Total
	MW h
Gross consumption at distribution*	4,554,790
Trepça+Sharrçemi	85,977
Ferronikeli	536,943
KEK internal consumption	112,314
Transmission losses	108,832
Total consumption	5,398,855

(*)Electricity received in distribution from Transmission + Generation from distributive HPP

The figure below graphically shows monthly demand by categories and losses in transmission and distribution.

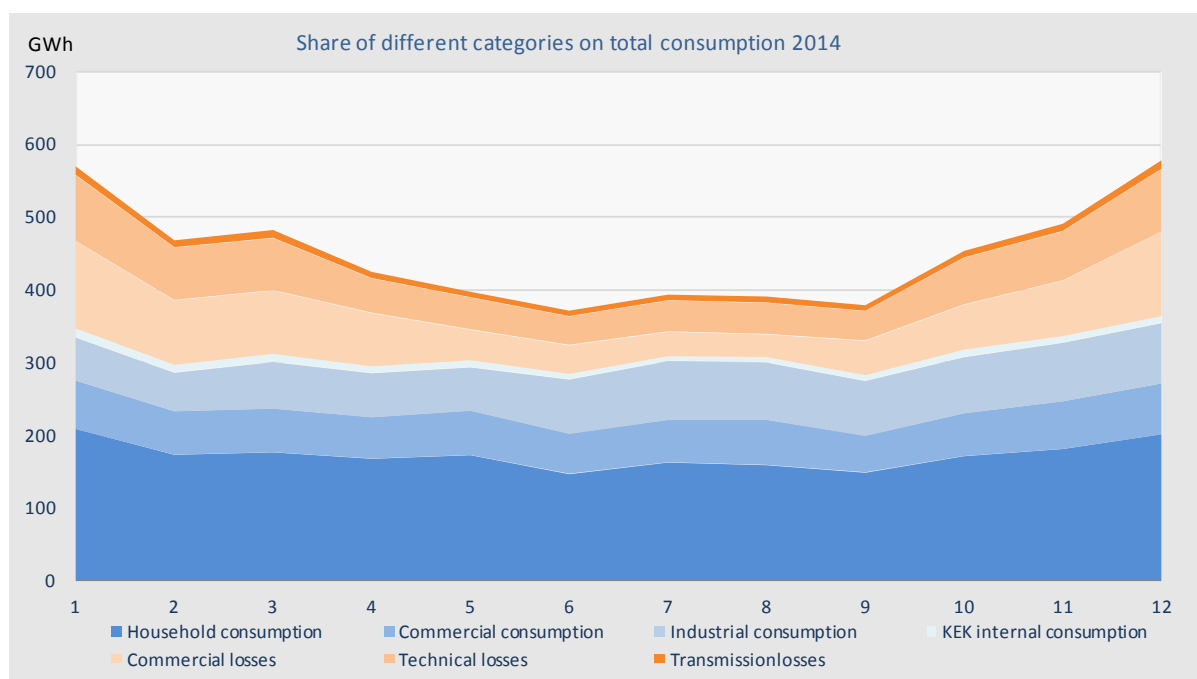


Fig. 6.12 Share of various categories in overall demand 2014

Figure 6.12 shows the change of demand per season. In some categories, this difference is not obvious, while in some other categories, such as the household and commercial consumption, losses are higher during the winter season, as shown in the figure, and this is mainly due to the use of electricity for heating during winter.

6.3.5 Transmission Losses

After the transmission was separated from KEK, the losses were very big. Losses in transmission system in Kosovo, during the recent years, have an acceptable level, thanks to the investments made by KOSTT in the transmission system.

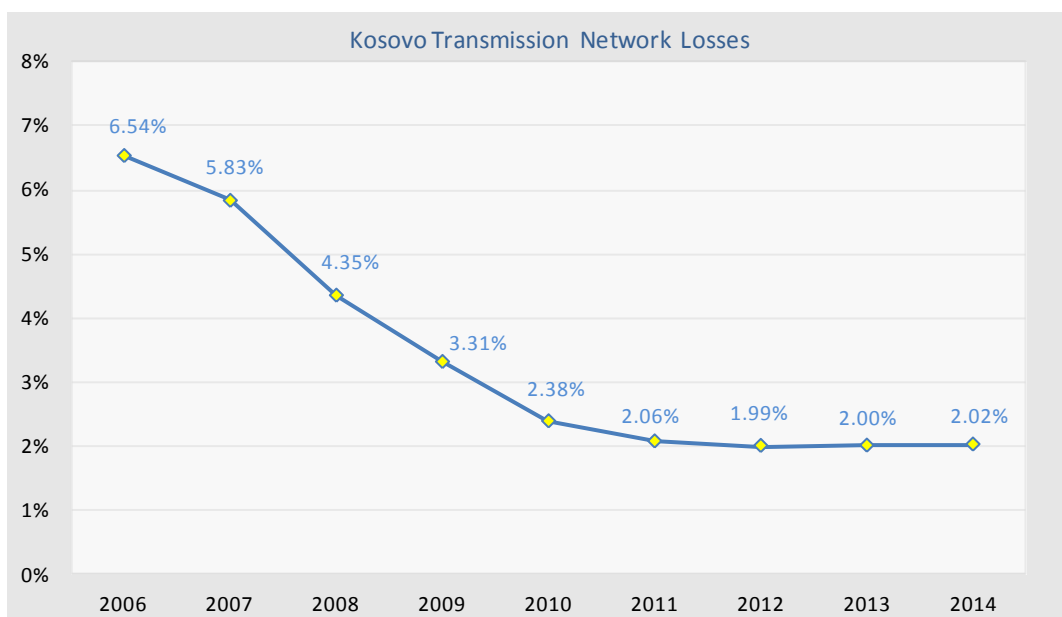


Fig. 6.13 Losses in transmission network 2006-2014

Losses in Kosovo transmission network are approximately at the same level as the losses in transmission systems in the region and Europe, and it is even better than some of the regional countries. In addition to investments, this is justified also by the fact that the distance of lines connecting the consumption with generation in Kosovo is short, which influences in lower losses during the transmission of electricity, and the management of the network for eliminating bottlenecks.

6.4 Distribution System

Distribution network includes the supply of customers at the level of medium and low voltage. Over the years, the distribution network has marked improvement in the supply of customers and the service quality. However, despite the investments made, it is not capable of providing supply and required level of quality to customers. In order to reach an acceptable level of supply and service quality, additional investments are needed both at the level of medium voltage and the level of low voltage.

The distribution network includes substations 35/x kV and lower, and lines 35 kV and lower. The basic data of substations and lines in the distribution system is shown, according to levels of voltage and length, in the tables below.

Tab. 6.10 Substations and transformers according to voltage level in DSO

Transformation (kV/kV)	Owner	SS No.	TR No.	Power (MVA)
35/10	KEDS	46	95	626.00
35/0.4	KEDS	12	15	39.00
10(20)/0.4	KEDS	2,400	2,455	875.04
10/0.4	KEDS	5,524	5,357	1,681.00
6/0.4	KEDS	53	54	15.00

Tab. 6.11 Basic data for DSO lines

Voltage (kV)	Owner	Aerial network (km)	Cable network (km)	Total (km)
35	KEDS	596.00	29.00	625.00
10(20)	KEDS	935.62	354.92	1,290.54
10	KEDS	4,967.00	777.00	5,744.00
6	KEDS	45.00	5.00	50.00
0.4	KEDS	11,242.00	423.00	11,665.00

6.4.1 Investments in distribution system

Main investments in distribution systems are the following:

- Construction of substations 35/10 kV SS Junik, SS Besi and SS Mushtisht;
- Strengthening 10 kV and 0.4 kV networks in all districts;
- Expansion of replacement of meter reading equipment;
- Increase of capacity in substations Pirana, Xërxa, Ferizaj I, Mazgit, Shtime, Gjakova I, Zhur, Badovc, Gjilan III, Palaj, and Lladova;
- Increase of capacity and improvement of security at 35 kV-, 10 kV-, and 0.4 kV-level voltage lines and transformers.
- Various machineries for detection and maintenance, and various vehicles;
- Capacity building in joint projects with KOSTT from 35 kV to 110 kV;
- Software including the master plan development.

6.4.2 Consumption in distribution

DSO is organized into seven districts: Prishtina, Mitrovica, Peja, Gjakova, Prizreni, Ferizaj, and Gjilani.



Fig. 6.14 Expansion of Kosovo distribution system in districts

Consumption of electricity in distribution for 2014 was 4,554.8 GWh, whilst 4,789.6 GWh in 2013, representing a decrease of approximately 5 %.

The highest consumption was made in Prishtina district with 30.9 % of overall consumption in distribution, while the lowest consumption is in Gjilan district with 8.8 %, followed by Gjakova with 9.2 % of overall consumption. The table below shows the data for the consumption of districts in consumption, according to years.

Tab. 6.12 Consumption in distribution according to districts 2010-2014

Consumption in Districts	Load in districts 2010	Load in districts 2011	Load in districts 2012	Load in districts 2013	Load in districts 2014	Share in consumption (2014)
	MWh	MWh	MWh	MWh	MWh	
Prishtina	1,392,420	1,441,698	1,470,929	1,478,578	1,398,867	30.7%
Mitrovica	619,483	651,824	658,058	667,050	644,590	14.2%
Peja	521,655	511,296	519,410	533,364	506,284	11.1%
Gjakova	417,169	581,765	450,205	452,342	420,651	9.2%
Prizren	638,532	407,254	650,883	652,059	617,184	13.6%
Ferizaj	575,067	645,616	599,504	595,655	567,854	12.5%
Gjilan	394,710	442,797	419,394	415,170	399,361	8.8%
Total at Distribution	4,559,037	4,682,250	4,768,383	4,794,220	4,554,791	100%

For the consumption in distribution system, as in the overall demand, the consumption has had an increasing growth since 2000, shown in the following chart. From 2010 to 2013, one notes a tendency of stabilization of the overall demand for electricity in the distribution system, while in 2014 we notice a decrease of consumption by approximately 5 %.

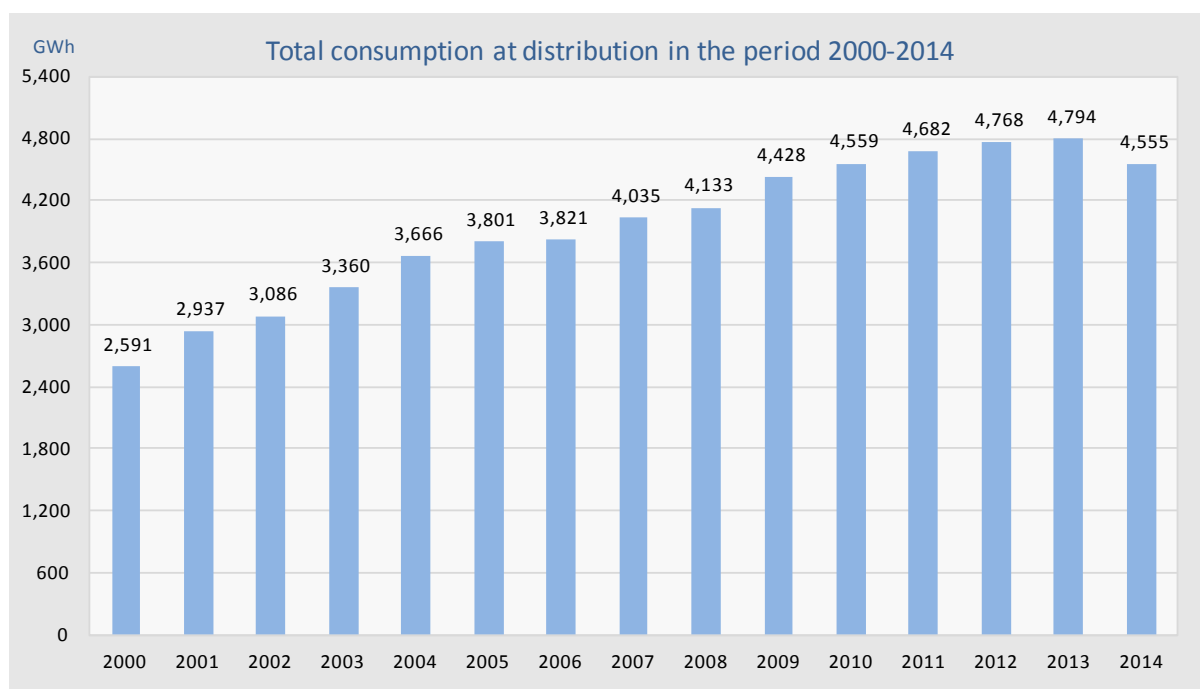


Fig. 6.15 Overall consumption in Kosovo distribution system 2000-2014

Consumption demand may be categorized according to voltage level and groups of customers using electricity. Notes on the consumption according to voltage level and customers' groups have been provided in Table 6.13.

Tab. 6.13 Electricity billed as per tariff categories 2010 – 2014

Consumption by categories for the years	2010	2011	2012	2013	2014
	MW h	MW h	MW h	MW h	MW h
220 kV (Ferronikeli)	619,645	596,425	406,697	403,154	536,943
110 kV (Trepça + Sharrcem)	80,974	83,063	66,373	83,988	85,977
35 kV	35,755	40,052	32,061	32,074	23,886
10 kV	190,845	204,381	208,888	207,327	205,827
Household under 200 kWh/month and Hospitals	628,056	674,737	704,047	731,876	823,483
Household 201kWh up to 600kWh)/month	750,562	827,681	873,651	915,310	889,019
Household above 600 kWh/month	465,617	488,816	495,176	475,054	348,688
0.4 kV I	200,572	224,381	249,129	268,249	283,437
0.4 kV II	369,382	410,315	427,831	434,333	434,181
Public lighting	9,949	12,834	16,954	17,963	18,916
Household customer without meters	28,974	16,484	11,126	7,943	1,515
Total	3,380,332	3,579,169	3,491,933	3,577,272	3,651,870

Share of household consumption is still dominant compared to the billed overall consumption and constitutes 56.5 %. The following charts show the share in percentage of consumption categories as compared to the overall consumption (represented by losses and lack of losses in distribution).

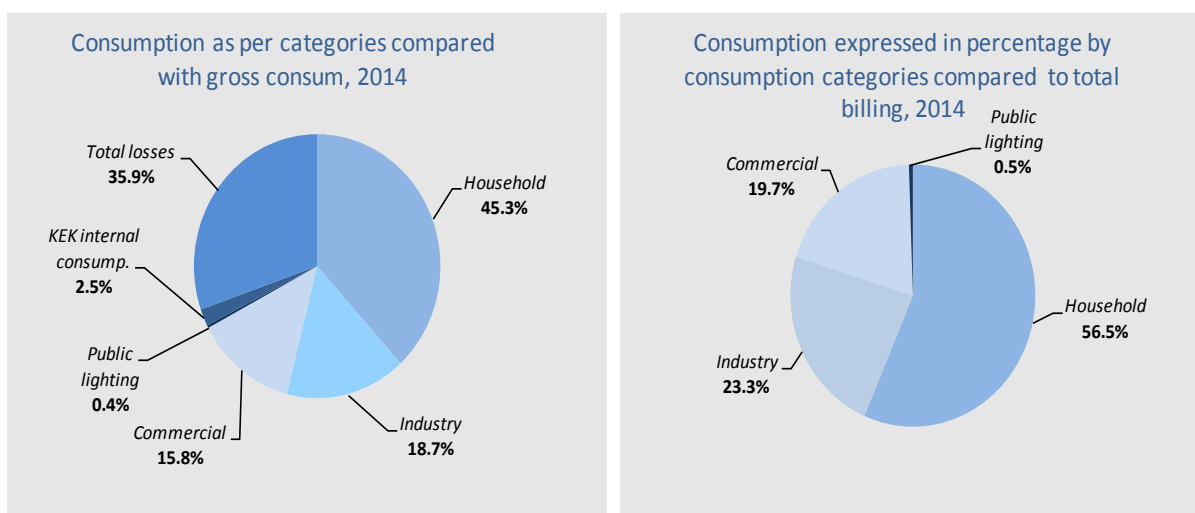


Fig. 6.16 Share of categories in gross and net consumption

6.4.3 Losses in the distribution system

Customers connected to the distribution network make approximately 83 % of consumption; hence, it is more than important to dully analyze the losses in the distribution system.

Losses of electricity in the distribution system still remain very high and represent a disturbing problem for the electricity sector. Losses negatively influence the supply of customers and financial stability of supply and distribution operators, as well as the entire energy sector.

Tab 6.14 Gross consumption in distribution and monthly losses in 2014

Consumption in Distribution Network (DN)	Load in DN	Billed energy in DN	Technical Losses		Commercial Losses		Total Losses	
	MWh	MWh	MWh	%	MWh	%	MWh	%
January	507,136.34	295,785.79	90,983.45	17.94	120,367	23.73	211,351	41.68
February	411,036.61	249,861.42	72,414.62	17.62	88,761	21.59	161,175	39.21
March	415,610.32	256,482.57	71,690.99	17.25	87,437	21.04	159,128	38.29
April	364,519.65	244,011.68	47,195.97	12.95	73,312	20.11	120,508	33.06
May	337,987.01	252,468.34	43,698.05	12.93	41,821	12.37	85,519	25.30
June	297,732.26	219,452.13	39,016.02	13.10	39,264	13.19	78,280	26.29
July	316,681.49	240,776.99	42,425.57	13.40	33,479	10.57	75,905	23.97
August	315,115.25	241,228.02	42,761.00	13.57	31,126	9.88	73,887	23.45
September	305,528.99	218,149.13	40,278.86	13.18	47,101	15.42	87,380	28.60
October	375,714.69	249,641.07	64,321.14	17.12	61,752	16.44	126,074	33.56
November	411,447.17	267,338.39	67,895.47	16.50	76,213	18.52	144,109	35.02
December	496,280.95	293,755.15	86,229.36	17.38	116,296	23.43	202,526	40.81
Total realized	4,554,791	3,028,951	708,910	15.56	816,930	17.94	1,525,840	33.50
Total as per balance	4,605,884	3,263,269	659,077	14.31	683,538	14.84	1,342,615	29.15

Technical losses according to the data sent by DSO reach the value of 15.56 %, whereas in the countries that have networks which are developed, these losses are at the level of 5 to 7 %. The level of technical losses is influenced by the amortization of the network, quality, type of transmitters, and transformers, as well as their maintenance. In order to decrease the technical losses, very big investments are needed.

The commercial losses, which are higher, remain more disturbing, and constitute 17.94 % of the total consumption in distribution. Based on this, the unbilled electricity in the Northern part of Kosovo constitutes approximately 5% of the commercial losses, with the Serbian minority dominating. This represents one of the challenges for decreasing the losses in distribution and for the management in general.

Losses of electricity, which change according to districts, are shown in Table 6.15.

Tab. 6.15 Distribution losses by district for 2014

Consumption in Districts	Load	Billed energy	Technical losses		Commercial losses		Total losses	
	MWh	MWh	MWh	%	MWh	%	MWh	%
Prishtina	1,398,867	991,108	196,113	14.02	211,646	16.04	407,759	30.06
Mitrovica	644,590	248,251	75,593	11.73	320,746	50.28	396,339	62.00
Peja	506,284	328,771	88,247	17.43	89,266	18.54	177,512	35.97
Gjakova	420,651	277,306	79,681	18.94	63,665	15.96	143,345	34.91
Prizreni	617,184	441,003	104,421	16.92	71,760	12.58	176,181	29.50
Ferizaji	567,854	418,429	100,134	17.63	49,290	11.13	149,425	28.76
Gjilani	399,361	324,082	64,722	16.21	10,557	3.61	75,279	19.81
Total in distribution	4,554,791	3,028,951	708,910	15.56	816,930	17.94	1,525,840	33.50

It may be emphasized that the decrease of commercial losses has a positive impact also on the technical losses and the network load. By decreasing the commercial losses, the energy saving may be achieved by customers and the decrease of load may be directly influenced and, by doing this, the technical losses are decreased, too.

The chart containing the data for the technical, commercial, and overall losses for 2006-2014 is shown below.

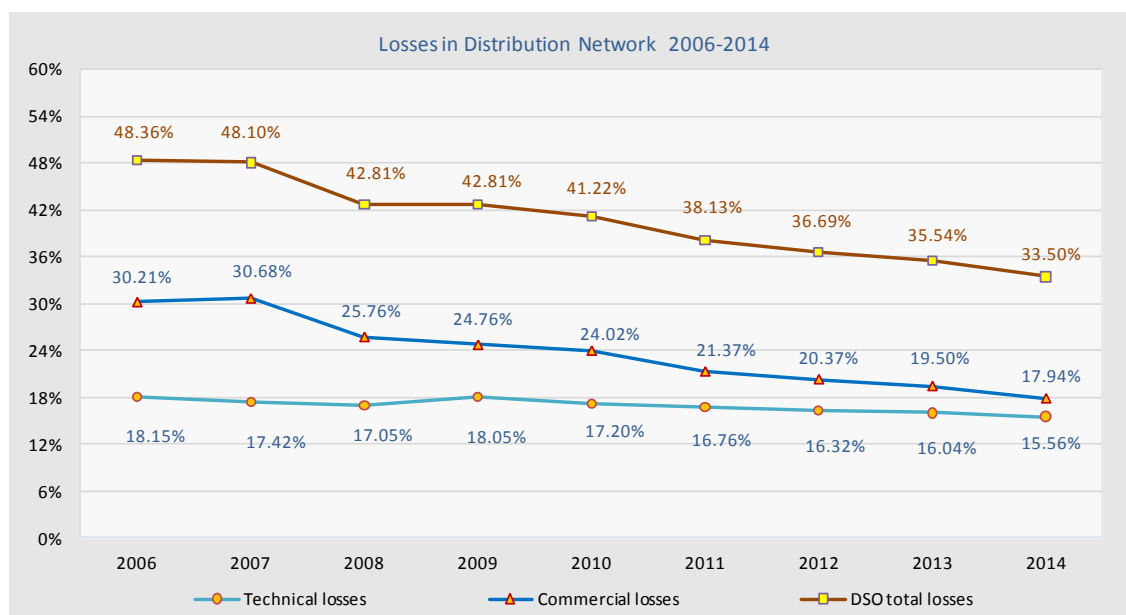


Fig. 6.17 Technical and commercial losses during 2006-2014

6.5 Billing and Collection

During the recent years, the billed electricity had a continuous increase, but the collection is increasing and is already at an acceptable level of approximately 95 %. Therefore, the billed electricity expressed in monetary value for 2014 is 259.8 mil€, while the collection is 248.4 mil€. The VAT is also included in these values.

The collection level compared to the level of billing in distribution for 2014 was 94.94 %, whereas in total, when the customers connected to transmission, whose collection was 100 %, are considered, the general collection amount to 95.60 %. It is worth mentioning that in 2013, the collection/billing ratio was lower (88.05 %).

Tab. 6.16 Billing and collection 2014

2014	Load	Billing	Collection	Coll/Bill
	MW h	€	€	%
Distribution	4,554,791	225,830,981	214,397,602	94.94
Trepça+Sharrceci	85,977	5,016,497	5,016,497	100.00
Ferronikeli	536,943	29,013,856	29,013,856	100.00
Total	5,177,710	259,861,334	248,427,956	95.60

The table 6.17 below shows the billing and collection in distribution according to months for 2014. In addition, it can be seen from the table that the collection/billing ratio is higher than the 100 % value, which means that KEDS in these months has collected the billed electricity for previous months as well as the older debt.

Tab. 6.17 Billing and collection by monthly distribution in 2014

Distribution 2014	Load	Realization	Billing	Collection	Coll/Bill
	MWh	MWh	€	€	%
Jan	507,136	295,786	24,593,328	21,586,221	87.77
Feb	411,037	249,861	20,552,233	20,863,665	101.52
Mar	415,610	256,483	21,153,398	18,549,589	87.69
Apr	364,520	244,012	14,289,060	19,140,108	133.95
May	337,987	252,468	14,496,247	17,819,413	122.92
June	297,732	219,452	12,975,415	13,467,588	103.79
Jul	316,681	240,777	14,588,999	14,154,773	97.02
Aug	315,115	241,228	14,731,496	14,942,751	101.43
Sep	305,529	218,149	14,010,603	14,981,338	106.93
Oct	375,715	249,641	22,670,885	15,088,491	66.55
Nov	411,447	267,338	24,927,807	19,103,202	76.63
Dec	496,281	293,755	26,841,509	24,700,465	92.02
Total	4,554,791	3,028,951	225,830,981	214,397,602	94.94

The data related to billing and collection of electricity is analyzed also by districts are shown in table 6.18. Based on this, it may be noted that the highest percentage in collection/billing ration is realized in the Prishtina district, followed by Ferizaj district, with the lowest one being in Peja district.

Tab. 6.18 Billing and collection by districts

Districts	Load	Realization	Billing	Collection	Coll/Bill
	MWh	MWh	€	€	%
Prishtina	1,398,867	76,993,550	73,666,315	95.68	34.36
Mitovica	644,590	18,002,402	16,705,758	92.80	7.79
Peja	506,284	24,937,633	22,187,428	88.97	10.35
Gjakovë	420,651	20,197,052	19,703,434	97.56	9.19
Prizren	617,184	32,516,187	31,003,025	95.35	14.46
Ferizaj	567,854	30,171,832	28,818,332	95.51	13.44
Gjilan	399,361	23,012,325	22,313,311	96.96	10.41
Total	4,554,791	225,830,981	214,397,602	94.94	100.00

Level of billed and collected electricity from 2008 until 2014 is shown in the following table.

Tab. 6.19 Billing and collection in distribution 2008 - 2014

Years	Load	Realization	Billing	Collection	Coll/Bill
	MWh	MWh	(000) €	(000) €	%
2008	4,035,076	2,093,372	165,351	118,845	71.87
2009	4,428,053	2,532,626	178,296	142,110	79.70
2010	4,559,037	2,679,713	174,747	151,805	86.87
2011	4,682,250	2,890,172	188,399	168,952	89.68
2012	4,768,383	3,018,863	207,878	184,541	88.77
2013	4,794,220	3,090,130	221,948	192,369	86.67
2014	4,554,791	3,028,951	225,831	214,398	94.94

The average sale price changes by categories and districts. This change is a result, among other things, of the chart of consumption in various tariffs according to the time when the electricity has been used, and the voltage level to which the customers are connected, as well the consumption level. In figure 6.18, the average sale price by categories may be seen.

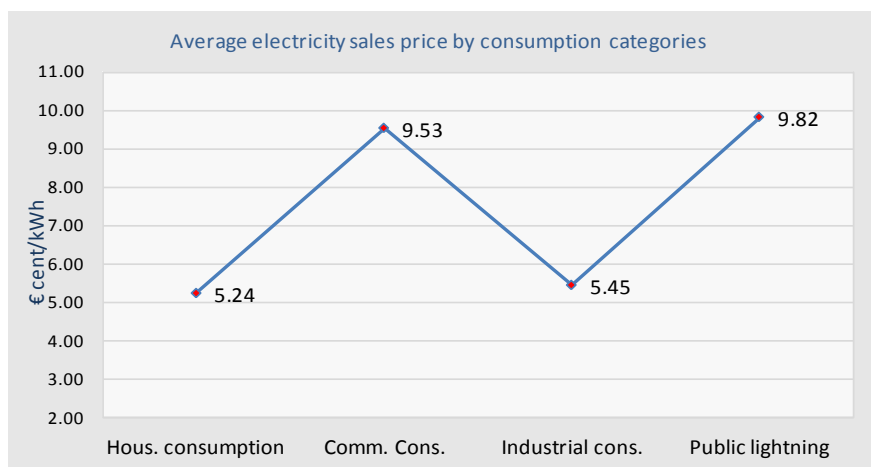


Fig 6.18 Average price of electricity sale as per the consumption category, 2014

6.6 Electricity Import and Export

6.6.1 Import

In order to cover the needs of customers, in addition to the generation by local generators, it is necessary to import electricity as well. To fulfill these needs in 2014, KEDS has imported electricity through commercial contracts concluded with importers of electricity, but a quantity has been received in the form of an exchange of electricity with the systems of the countries of the region.

Electricity imported through commercial contracts (import through tenders) during 2014 has been 932,063 MWh having a value of 48,756,806 €, with an average price of 52.31 €/MWh, while the electricity imported in 2013 was 457,815 MWh, having an average price of 62.14 €/MWh. The quantity of the imported electricity is 104 % higher which means that it is more than double compared to 2013, while the average price is 16 % lower compared to the one in 2013. The increase of import in 2014 is a consequence of the lower generation due to the accident in TPP Kosova A in June 2014. Due to this reason, the additional financial assets have been allocated through tariffs in order to cover the costs of additional imported quantity compared to the cost of local generation.

In addition KEDS has imported electricity also through exchanges, amounting to 33,570 MWh. The entire exchange in 2014 was realized with KESH. Compared to 2013 (63,897MWh), the quantity imported in the form of exchange was lower than 47 %.

ERO monitors the imports and exports of electricity by analyzing the contracts, but also by monitoring the tender process. In the context of monitoring, ERO directly participates in the tender process of imports, as was the case in November 2014.

The electricity trade is realized through stock exchange of electricity through various platforms. KEDS currently participates in Hungarian Stock Exchange "Hupx" (<http://hupx.hu>) which is closer to our borders and the price of capacity allocation is more favorable (less borders are crossed). The market price of electricity is set based on the supply of and demand for electricity at the moment when the

tender process is conducted. The electricity trade is realized during the working days and official schedule.

The tender process and selection of winning offers is made based on the quantity requested and the electricity price offered in the market, as follows:

- Delivery of notification on electricity purchase;
- Receipt of first offers for purchasing electricity;
- Negotiation;
- Receipt of second offers for purchasing electricity;
- Notification of traders on the success of, or failure to achieve an agreement.

After the end of the tender process, the contracts are compiled and signed by the contracting parties (requesting authority and bidder) and the energy in KOSTT is nominated in accordance with them.

ERO considers that such tender process is efficient, transparent, and enables the achievement of the most favorable prices in market. This also enables a much faster tender process and without bureaucratic procedures, which slow down the process and prevent it from being achieved within short deadlines as needed by electricity system. The prices achieved through this tender through the Stock Exchange are lower and follow the trend of prices in the region and beyond.

6.6.2 Export

Considering the curve line of consumption and non-flexibility of generation units in addition to the lack of electricity, there is often excess in the system, and, in many cases, this even happens on the same day. Therefore, on one single day, but in various hours, we import electricity, while in other hours, there is electricity excess which must be exported.

Therefore, during 2014, in certain time periods, there was electricity excess mainly during the night hours (at the time when low tariffs are applied). During these periods, there is excess even in the regional systems, hence the supply of electricity at the night increases and this influences the export prices to be significantly lower than the import prices.

Tab. 6.20 Import, export, and exchange of electricity for 2014

Month	Import			Export			Exchange			Total		
	Qnt.	Price	Amount	Qnt.	Price	Amount	Intake	Offtake	Differen.	Intake	Offtake	Differen.
Jan	74,786	60.64	4,534,685	45,383	38.36	1,740,768	0	10,906	10,906	74,786	56,289	-18,497
Feb	46,470	61.12	2,840,210	81,284	31.13	2,530,403	0	3,330	3,330	46,470	84,614	38,144
Mar	45,950	51.66	2,373,790	100,665	29.30	2,949,009	0	1,483	1,483	45,950	102,148	56,198
Apr	71,117	46.81	3,329,154	11,111	25.51	283,410	0	0	0	71,117	11,111	-60,006
May	23,091	49.61	1,145,499	84,968	32.79	2,786,031	0	0	0	23,091	84,968	61,877
Jun	17,010	45.09	767,065	65,495	32.59	2,134,553	25,870	0	-25,870	42,880	65,495	22,615
Jul	107,070	51.26	5,488,812	0		0	5,250	0	-5,250	112,320	0	-112,320
Aug	122,793	47.28	5,806,110	0		0	1,650	0	-1,650	124,443	0	-124,443
Sep	100,332	49.24	4,940,388	33	27.20	898	0	1,350	1,350	100,332	1,383	-98,949
Oct	51,770	55.71	2,883,857	36,202	37.20	1,346,716	0	5,461	5,461	51,770	41,663	-10,107
Nov	142,670	52.97	7,557,522	6,890	29.70	204,619	800	0	-800	143,470	6,890	-136,580
Dec	129,004	54.96	7,089,714	19,910	43.89	873,932	0	320	320	129,004	20,230	-108,774
Total	932,063	52.31	48,756,806	451,941	32.86	14,850,339	33,570	22,850	-10,720	965,633	474,791	-490,842

The electricity exported through commercial contracts during 2014 was 451,941 MWh, having a value of 14,850,339 €, and an average price of 32.86 €/MWh, while the electricity exported in 2013

was 755,504 MWh, having an average price of 28.2€/MWh. The electricity quantity exported is more than 40 % lower than what it was in 2013, while the average price was 17 % higher compared to what it was in 2013.

KEDS during 2014 has exported 22,850 MWh of electricity in the form of exchange. The difference between the import and export in the exchange form was 10,720 MWh, which shows that during 2014, KEDS has imported more electricity in the form of exchange than it has imported.

The following chart shows the import by contract, including the exchanges realized during 2014.

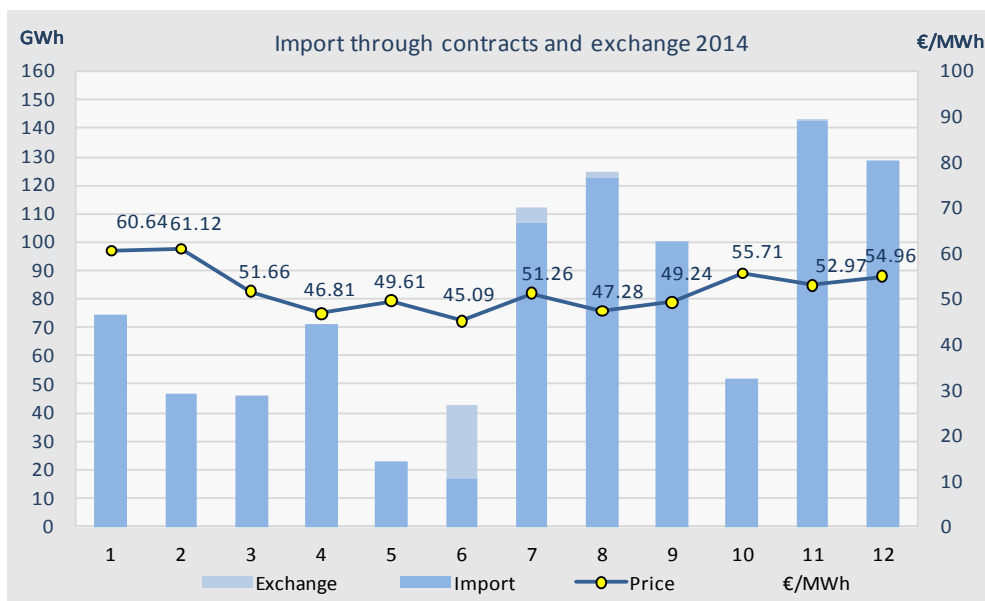


Fig. 6.19 Electricity import by contracts and as exchange during 2014

The export in 2014 has been realized mainly at the beginning of the year because of the accident in TPP Kosova A and, as a result, almost all the generated electricity has been used for domestic consumption, and at certain hours, we have imported.

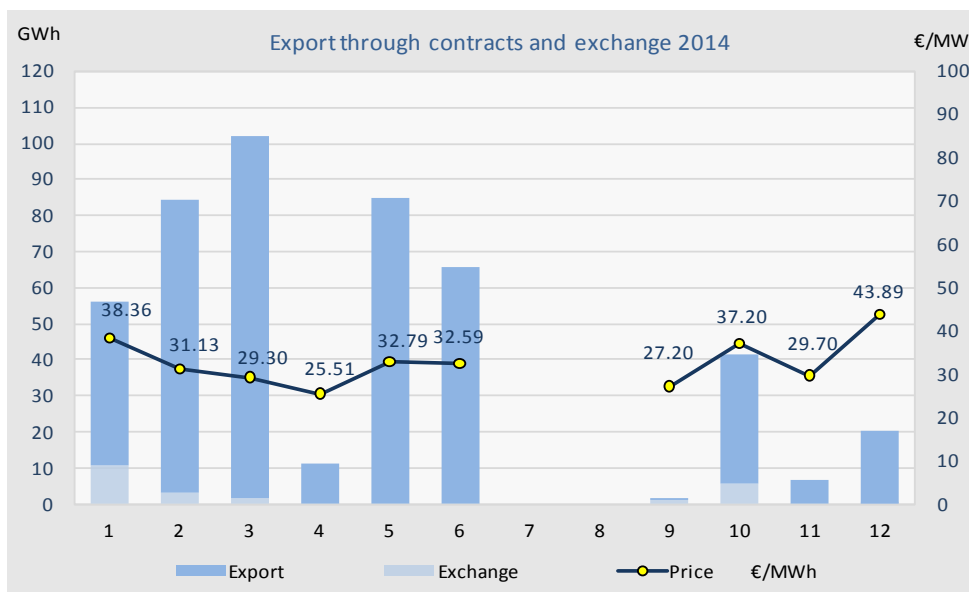


Fig. 6.20 Exports of electricity through contracts and exchange in 2014

Based on the abovementioned data, it is obvious that during 2014 Kosovo has been a net importer of electricity.

Import and export of electricity during 2000-2014 has marked increases and decreases. The following table contains the data of import and export from 2000 to 2014, as well as the prices.

Tab. 6.21 Import and export and their prices over the years

Years	Import		Export		Net Import/export
	MWh	Price (€/MWh)	MWh	Price (€/MWh)	MWh
2000	778,870	30.43	1,440		777,430
2001	921,485	29.60	236,190		685,295
2002	627,265	32.67	552,783		74,482
2003	314,794	44.53	279,510		35,284
2004	483,580	39.64	191,665		291,915
2005	349,335	47.87	40,690	29.60	308,645
2006	393,054	54.87	80,172	40.70	312,882
2007	539,812	83.66	170,175	38.45	369,637
2008	457,817	112.52	125,277	36.59	332,540
2009	610,509	75.77	113,910	20.17	496,599
2010	818,387	57.91	352,471	26.44	465,916
2011	816,199	69.66	371,164	45.05	445,035
2012	625,058	79.46	472,794	31.16	152,264
2013	521,712	62.14	856,869	28.25	-335,157
2014	932,063	52.31	451,941	32.86	480,122
Total	9,189,940	58.20	4,297,051	32.93	4,892,889

**Note: In 2000-2002 prices were in US dollars - US\$ with an exchange rate with € being approximately 1:1*

The quantity imported during 2000-2014 was 9,190 GWh, having an average price of 58.20 €/MWh, representing the general cost of approximately 534,874,294 € for the electricity import. On the other hand, the export quantity during 2000 -2014 is 4,297 GWh, having an average price of 32.93 €/MWh, and a monetary value of approximately 141,484,202€.

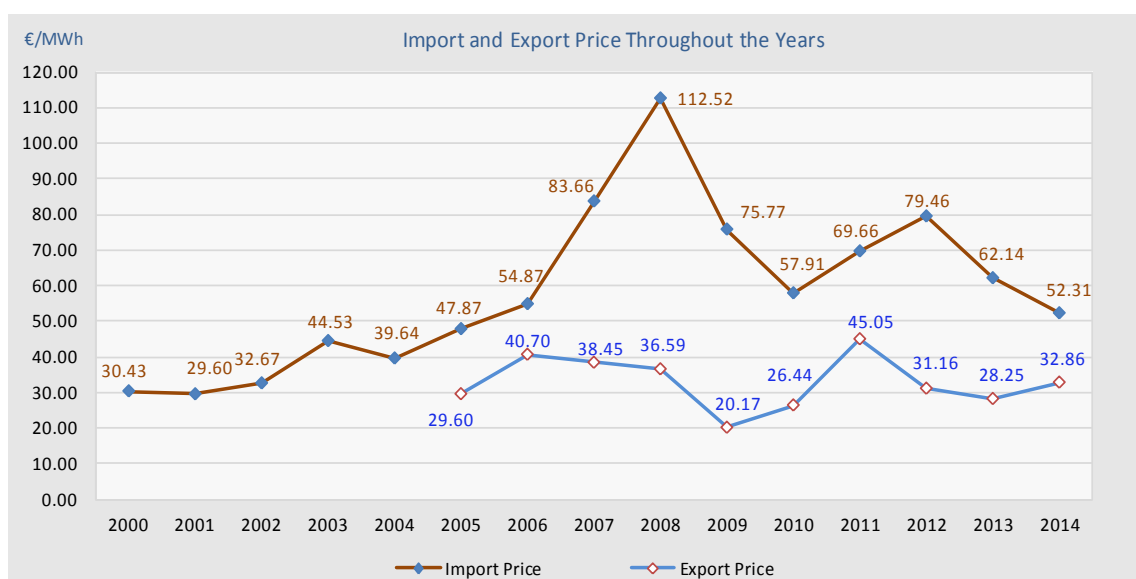


Fig. 6.21 Average price of import and export over the years

6.7 Electricity supply and service quality standards

In 2011, based on Article 14, paragraph 2, subparagraph 2.12 of the Law on the Energy Regulator, ERO has set the standards of electricity supply and service quality which are required to be fulfilled by the licensees, as well as the procedures of reporting on these standards. The reporting procedures have been set out in order to harmonize the methods of the recording of data reported and to calculate the measuring indicators, which enables the creation of a full database, which is credible and comparable with the quality indicators for the purpose of comparing and regulating them.

Standards of electricity supply and service quality are defined and monitored by:

- Continuity of supply;
- Voltage quality; and
- Commercial quality.

6.7.1 Continuity of supply

Continuity of supply is related to the availability of electricity, namely, it represents the number and duration of interruptions for each customer within a year period.

Measuring indexes reported by KOSTT

Measuring indexes reported by KOSTT related to the standards of electricity supply and services quality for 2014 are as follows:

- SAIDI – duration of transmission system interruption was 5.03 hours;
- SAIFI – duration of distribution system interruption was 2.18 hours; and
- ENS – in the transmission system was 2.2 GWh.

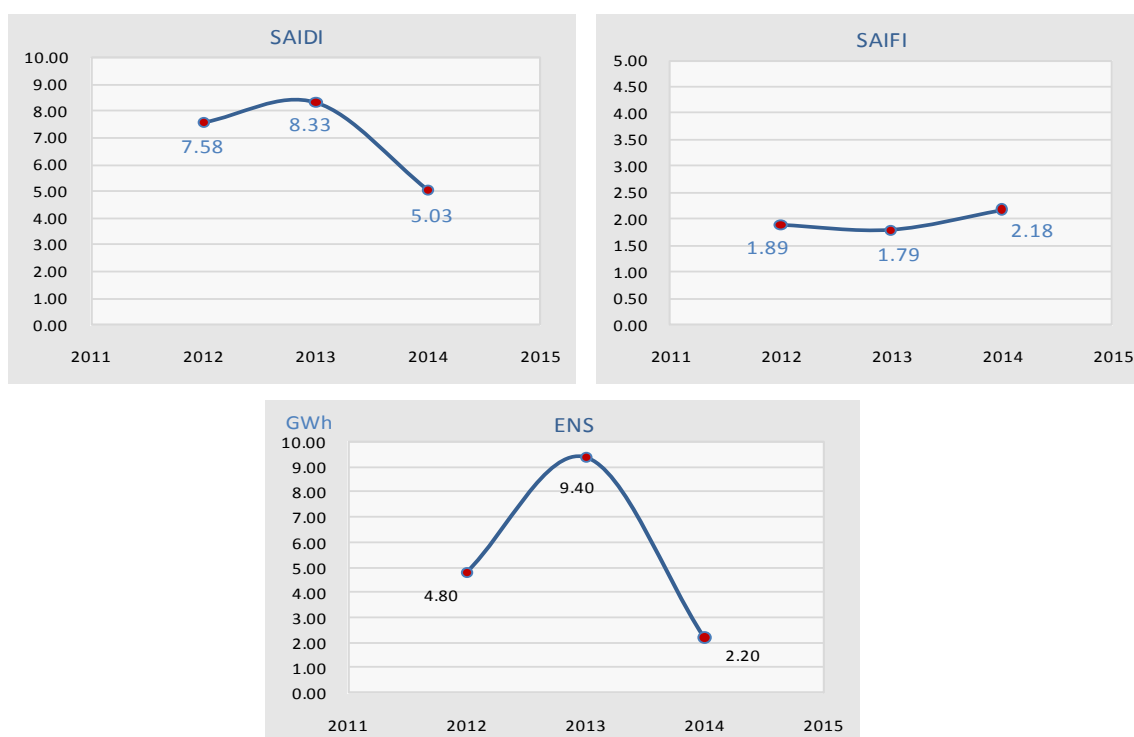


Fig. 6.22 SAIDI, SAIFI, and ENS indicators by KOSTT during 2011-2014

The charts above represent the measuring indexes reported by KOSTT on the standards of electricity supply and service quality over 2012-2014.

According to the data reported by KOSTT on measurement indexes- SAIDI, SAIFI, and ENS, it is found that these indexes have been improved. This results from the investments in the transmission network, maintenance, and development of network, as well as the improvement of transmission system operation.

Measurement indexes reported by DSO

Measurement indexes reported by DSO on standards of electricity supply and service quality for 2014 are as follows:

- SAIDI – for planned interruption in the distribution system was 4.58 hours;
- SAIDI – for unplanned interruption in the distribution system was 80.31 hours;
- SAIFI – for planned interruption in the distribution system was 2.42;
- SAIFI – for unplanned interruption in the distribution system was 29.57; and
- ENS – in the distribution system has been 35.99 GWh.

The following charts show the measuring indexes reported by DSO on the standards of electricity supply and service quality over 2011-2014:

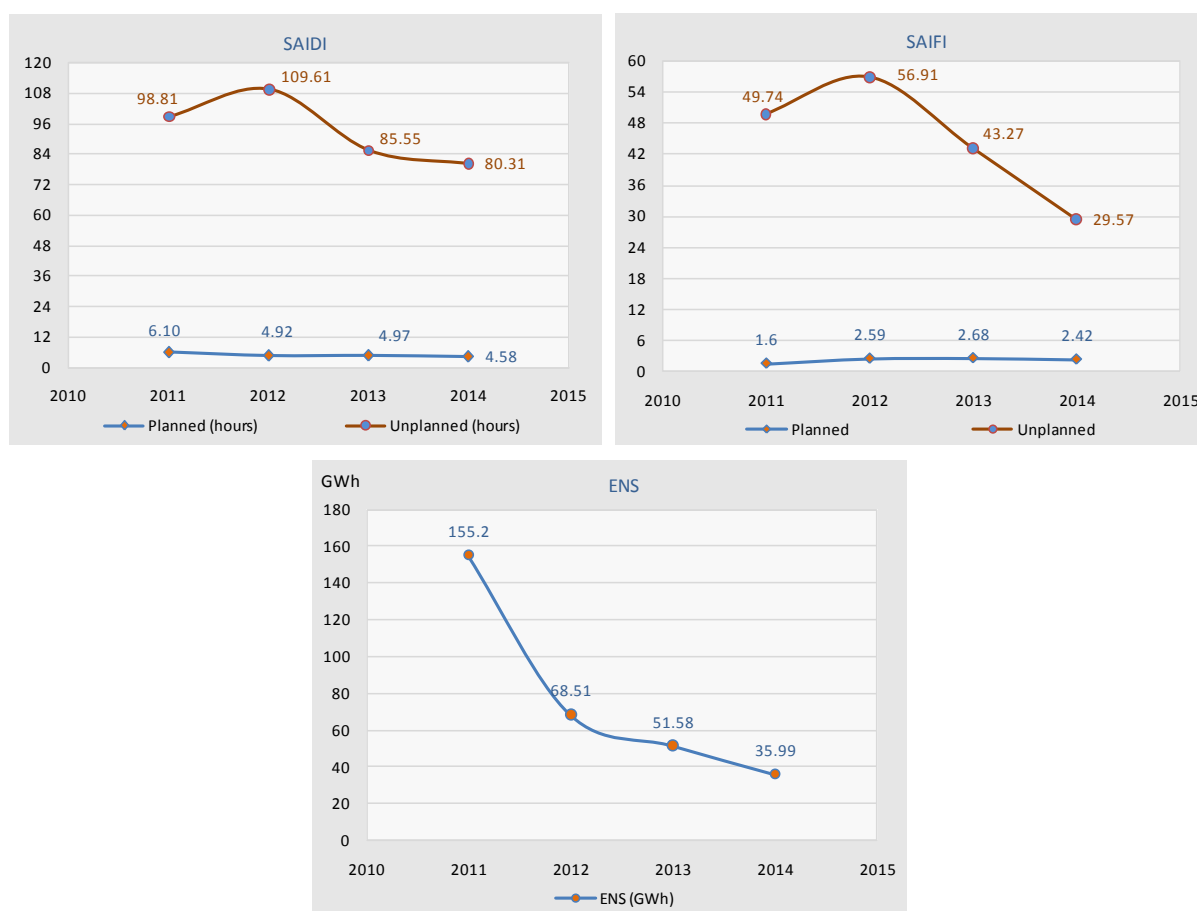


Fig. 6.23 SAIDI, SAIFI, and ENS indicators by DSO for 2011-2014

Based on the data reported about the SAIDI measuring index for customers during one year, it is found that there is no significant improvement as regards the duration of planned and unplanned interruptions, compared to the data reported in 2013. As regards the SAIFI measuring index for customers during one year, there is no significant improvement either, as regards the planned interruptions, however there is an improvement of 46 % in the unplanned interruptions that results in 14 interruptions less for each customer compared to 2013.

Based on the ENS index chart, it is obvious that in 2014, there is a decrease of non-supplied energy compared to 2013, which is 43.32 %, and compared to 2012, it was 90.36 %.

6.7.2 Voltage quality

Voltage quality is related to the technical aspect of the electricity system and is monitored through the customer register of complaints related to the quality of voltage.

During 2014, the number of complaints filed by customers with the energy enterprise, in relation to the voltage quality was 288 complaints, of which, 151 or 52 % were resolved while 137 complaints or 48 % remain unresolved.

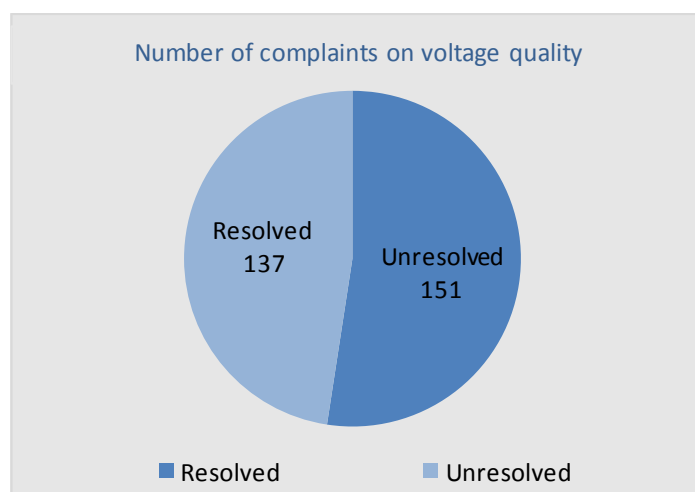


Fig. 6.24 Customers' complaints for the voltage quality during 2014

Voltage quality standards are set out also in the Rule on General Conditions of Energy Supply, in Distribution Code and the Distribution Metering Code.

6.7.3 Commercial Quality

Commercial quality determines the efficiency and accuracy of resolving customers' complaints and requests. Commercial quality regulation takes into account the mutual relationships between the customers and supplier.

During 2014, in order to monitor the commercial quality, ERO requested from KEDS the quarterly and yearly reports, containing all the necessary data.

In order to analyze the commercial quality, the data obtained from the licensee have been presented in two categories which directly affect the customers' issues. These categories are:

- New connections, and
- Customers' complaints

New connections

The data reported by KEDS in relation to the customers' requests for new connections, categorized by voltage levels, are shown in the following table:

Tab. 6.22 New connections in 2014 as per voltage levels

Applications for new	MV	LV
Regular applications	58	15,646
Registered in CCP	79	24,235

Based on Table 6.22, it can be noted that there is a difference between the requests for new connections and registrations in the billing program (CCP) due to the requests for new connections carried forward from the previous year, as well as due to requests from other sectors of the licensees when the registration of customers is done without the request of the customer. The average of new customers' registrations per district within 30 days is 289.

Customers' complaints

According to the data reported by the Public Supplier, the number of complaints filed during 2014, is 17,655, representing 3.60 % of the total number of customers during 2014, namely 0.30% in relation to the total number of yearly bills. The following table shows the number of customers' complaints during 2014.

Tab. 6.23 Number of customers' complaints during 2014

Number of customers		490,545
Number of complaints		17,655
Resolved	Approved	7,086
	Rejected	3,807
In process		6,762

According to the table above, there are 17,655 registered complaints, 7,086 of them are granted in the favor of customers, or, expressed in percentage, 40.14 %; 3,807, or, expressed in percentage, 21.56 %, were rejected as ungrounded; and 6,762, or, expressed in percentage, 38.30 % are undergoing the review process. Based on the total number of complaints registered by the licensee in 2014, it is noted that there are improvements in the services for customers compared to 2013, when the total number of complaints filed by customers was 21,886, or 24 %, more than during 2014, however, there is still a lot to be done as regards the customers' complaints which are under the review process, due to the deadlines set in the Rule on the Resolution of Complaints and Disputes in Energy Sector.

7 ELECTRICITY TARIFFS AND PRICES

Based on Article 41 of the Law on Energy Regulator and other bylaws (Pricing Rules), it is the duty of ERO to determine the Maximum Allowable Revenues (MAR) for licensees and the fees for regulated energy sector activity in the Republic of Kosovo. When determining the fees, ERO follows the principle of regulation, which, in addition to the focus on prices, includes also the service quality, electricity supply security, and approvals for capital investments to operate and develop the energy system. In addition, it considers the social, environmental, and health aspect and the affordability of prices by customers.

One of the main ERO tasks in 2014 was to review licensees' applications on the allowed revenues and tariffs in the electricity sector, including generation, transmission, distribution and electricity retail supply for the regulated electricity tariff customers. ERO considered the allowed revenues and tariffs by an inclusive and careful analysis of the technical, economic and financial indicators presented in the applications that were submitted by licensees.

In the beginning of 2013, ERO completed the Periodic Review Process (ETR7), during which, it determined the Maximum Allowable Revenues (MAR) for the next five relevant tariff years for the Transmission System and Market Operator JSC (KOSTT) and Distribution System Operator (KEDS/DSO). For regulated generators (KEK), this is a four-year period, while the MAR for the Electricity Public Supplier (EPS) is determined for one year.

In the end of each tariff year, ERO shall make the regular calculations and adjustments based on the change of allowed MAR with the current one. These adjustments shall be made due to the indexing factors (efficiency and inflation) and costs, which are out of the licensees' control and specific for each licensee.

7.1 Annual update and extraordinary review of electricity tariffs for regulated customers

In the letter of 4 December 2013, ERO announced the eighth electricity tariff review (ETR8); through regular adjustments, it calculated the difference of realized revenues and those allowed, within each relevant tariff year, set by the Pricing Rule. This includes the update of allowed losses for projecting the current electricity flows and allowed revenue for the inflation rate, applying also the predetermined factor of efficiency for licensees and by making adjustments for the pass-through costs for these licensees. Within this process, ERO updates the allowed expenditures of supply with lignite, expenditure of fuel, pass-through costs (import, export, service payments, taxes, etc.). All the adjustments of costs for each licensee influence the revenues and tariffs of Public Supplier, namely, the regulated tariff customers.

Pricing Rules, approved by ERO, related to the determination of prices, contain clear incentives by which the revenues are linked to the performance; the practice used by numerous regulators to serve the licensees for improved results in the form of the efficiency improvement, higher level of availability, credibility and better quality of supply.

ERO has completed the regular process of annual adjustments in June 2014. The final value of MAR for the electricity sector for the second relevant tariff year was 240 million Euros, which is 15.4 million Euro more than the allowed value for the first relevant year of the regulatory period, which

was 224 million Euro. Meanwhile, the MAR of the extraordinary review was increased by 12.4 million Euro compared to the regular tariff review.

Tab. 7.1 MAR defined for the Public Supplier for 2014-2015

MAR for the PES	Periodic Review 2013	Regular Review 2014	Extraordinary Review 2014
	€m	€m	€m
Total	224.00	240.00	252.40

After the explosion of 6 June 2014 in the Thermal Power Plant (TPP) Kosova A, KEK requested an extraordinary tariff review after considering that considerable material damage had been caused and the regular supply with electricity in Kosovo had been at risk.

The initial request of KEK to cover the additional expenditures of repair and failure in achieving the revenues allowed by ERO has been in the amount of 19.2 million Euros, or 8 % of the total MAR of the energy system. This issue has been reviewed in item 7.2 of this document.

At the same time, the KEDS, as the responsible entity for the supply with and import of electricity, requested an extraordinary tariff review. According to the assessments of KEDS, this request has been made because KEDS is significantly affected due to the lack of a local generation quantity which should be covered by import, with higher prices. In addition, the accident has influenced the decrease of the exported electricity compared to the allowed level during the setting of maximum allowable revenues of KEDS, in the last annual adjustment (2014). The initial request of KEDS, as Public Supplier, due to the added import and failure to achieve the revenues, was 37 million Euros, or 16 % higher than the general MAR amounting to 239.96 million Euro, set in the last tariff review (regular adjustments of 2014). Only after performing all the analysis of the damages of this accident, the ERO accepted to initiate the extraordinary tariff review. It should be emphasized that in addition to what it is legally obliged, ERO has assessed that the best solution is to open an extraordinary review in order to cover these additional costs, because not allowing additional costs would jeopardize the security of electricity supply. ERO has assessed that the load-shedding of electricity have a higher cost compared to the costs of additional import of electricity supply.

The maximum allowed revenues are adjusted every year in order to reflect the possible changes between the projected values and the realized values for the electricity flows in the system, which are considered to be out of the control of regulated companies. Furthermore, the maximum allowed revenues of a licensee may be reset even within the relevant years after the regular annual adjustment, upon the initiation of the so-called 'extraordinary reviews' (Article 6 of the Generation Pricing Rule and Article 6 of the Rule on Public Electricity Supplier Pricing). These extraordinary reviews aim at adjusting the allowed revenues of regulated companies due to extraordinary events in case the latter have impacted on the exceeding of materiality threshold which, according to regulations, is set to be 5 % of the maximum allowed revenues of the regulated company.

Having assessed the reviews of the licensees, comments of stakeholders, consultation reports on extraordinary tariff review, ERO decided that the average tariff of retail electricity would be increased by 5.18 %. This increase has covered only the cost of electricity import of public supplier and does not include the costs of other licensees.

ERO has controlled in details all the costs presented by the licensed operators and during this process of extraordinary review, it allowed only the necessary costs for the import of electricity. ERO has accepted to allow additional fund only to enable the regular supply, increasing the previously

allowed import from 450.3 GWh (27.01 million Euros) to 762.7 GWh (45.76 million Euros) and decreased the costs of electricity purchased by KEK Generation by 12 million Euros. According to the assessments of ERO, the lack of generation will result in reduction of the export in a value of 112.4 GWh and import increase in amount of 312 GWh. In contrast to these requests, after the analysis was made, the ERO Board decided to accept only the change in net cost influence of the public supplier for the import of electricity in the amount of 12.4 million Euros, which represents 5.18 % of the system costs. At the same time, the ERO Board decided to reject the KEK request for extraordinary review without receiving the official report from investigation state authorities in relation to the explosion causes, in order to assess whether the extraordinary event – explosion in TPP Kosova A, was out of the KEK control, as defined in paragraph 1.3 (i) of Annex 7 to Generation Pricing Rule.

A typical example which shows the share of electricity costs by licensees, provided to the end customers, is presented in the figure below.

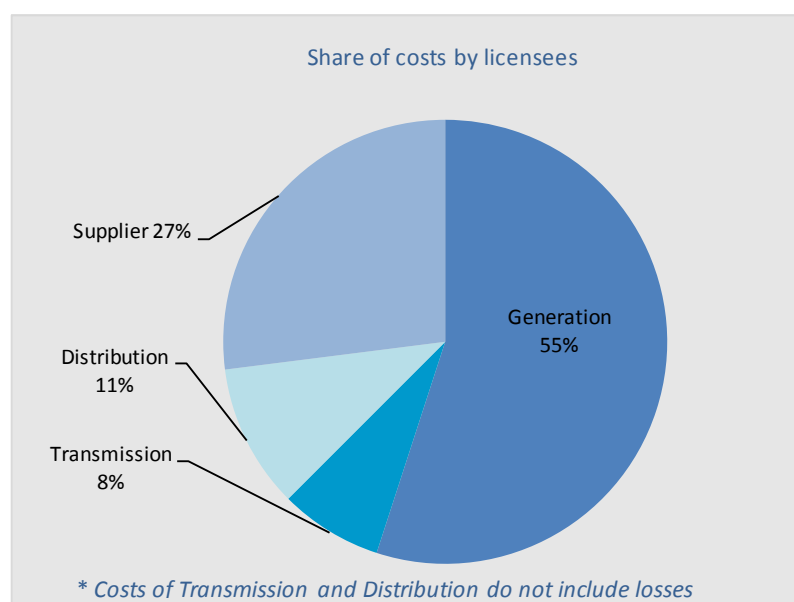


Fig. 7.1 Share of costs by the licensee in 2014

The allocation of costs and charges is made within the functional, legal and financial division of licensees in order to apply the principle of payments division for activities of generation, transmission, distribution including the supply for the end customer.

The table containing the tariff structure of retail electricity for the regulated tariff customers is given below.

Tab. 7.2 Electricity Retail Tariff Structure for Regulated Tariff Customers

Tariff Group	Voltage level of supply	Tariff element	Unit	Time-of-day	Approved (ETR8)		Approved by	
					High season	Low season	High season	Low season
					1 October - 31	1 April - 30 September	1 October - 31	1 April - 30 September
0-1	220kV	Standing (customer) charge	€/customer/month		190.87		200.75	
		Standing (demand) charge	€/kW/month		15.10		15.88	
		Active energy (P)	€/kWh		2.33		2.45	
0-2	110kV	Standing (customer) charge	€/customer/month		95.44		100.38	
		Standing (demand) charge	€/kW/month		6.37	6.37	6.70	6.70
		Active energy (P), of which	€/kWh	High Tariff	7.39	2.19	7.78	2.30
			€/kWh	Low Tariff	3.07	1.80	3.23	1.89
		Reactive energy (Q)	€/kVArh					
1	35kV	Standing (customer) charge	€/customer/month		12.62		13.27	
		Standing (demand) charge	€/kW		6.62	6.62	6.96	6.96
		Active energy (P), of which	€/kWh	High Tariff	7.73	3.35	8.13	3.52
			€/kWh	Low Tariff	4.09	3.01	4.30	3.17
		Reactive energy (Q)	€/kVArh		0.75	0.75	0.79	0.79
2	10kV	Standing (customer) charge	€/customer/month		5.22		5.49	
		Standing (demand) charge	€/kW		5.70	5.70	5.99	5.99
		Active energy (P), of which	€/kWh	High Tariff	8.66	3.86	9.11	4.06
			€/kWh	Low Tariff	4.66	3.51	4.91	3.70
		Reactive energy (Q)	€/kVArh		0.75	0.75	0.79	0.79
3	0.4 kV Category I ((large reactive power customers)e)	Standing (customer) charge	€/customer/month		2.94		3.09	
		Standing (demand) charge	€/kW		3.31	3.31	3.49	3.49
		Active energy (P), of which	€/kWh	High Tariff	9.62	5.34	10.12	5.62
			€/kWh	Low Tariff	6.06	5.04	6.38	5.30
		Reactive energy (Q)	€/kVArh		0.75	0.75	0.79	0.79
4	0.4kV Category II	Standing (customer) charge	€/customer/month		3.33		3.50	
		Active energy (P)	€/kWh	Single tariff	11.85	7.66	12.46	8.06
		Active energy (P), of which	€/kWh	High Tariff	14.26	9.35	15.00	9.83
			€/kWh	Low Tariff	7.13	4.66	7.50	4.91
5	0.4kV 2 domestic 2-rate meter	Standing (customer) charge	€/customer/month		2.37		2.50	
		Active energy (P) for consumption:						
		<200kWh/month (First block):	€/kWh	High Tariff	5.28	3.80	5.55	3.99
			€/kWh	Low Tariff	2.66	1.89	2.79	1.99
		200-600kWh/month (Second Block)	€/kWh	High Tariff	7.32	5.24	7.70	5.51
			€/kWh	Low Tariff	3.67	2.62	3.86	2.76
		>600 kWh/month (Third block):	€/kWh	High Tariff	10.62	7.60	11.17	8.00
			€/kWh	Low Tariff	5.30	3.82	5.58	4.01
6	0.4kV domestic 1 rate meter	Standing (customer) charge	€/customer/month		2.37		2.50	
		Active energy (P) for consumption:						
		<200kWh/month (First block):	€/kWh	Single tariff	4.72	3.37	4.96	3.54
		200-600kWh/month (Second Block)	€/kWh	Single tariff	6.53	4.66	6.86	4.91
		>600 kWh/month (Third block):	€/kWh	Single tariff	9.46	6.79	9.95	7.14
7	0.4kV (domestic unmetered)	Estimated consumption:						
		<200 kWh/month	€/customer/month		24.48		25.75	
		200-600 kWh/month	€/customer/month		44.31		46.60	
		>600 kWh/month	€/customer/month		74.66		78.53	
8	Public lighting	Standing (customer) charge	€/customer/month		3.33		3.50	
		Active energy (P) for consumption:	€/kWh	Single tariff	9.59		10.09	

High Tariff applies from 07:00 - 22:00 during the High Season and 08:00 - 23:00 during the Low Season.

The customer is charged for the reactive energy consumed over the allowed limit, which corresponds with $\cos(\Phi)=0.95$

7.2 Charges capacity and energy for generation of electricity for KEK

On 10 June 2014, ERO received a letter from KEK in regarding to the financial cost for the damages caused by the accident in TPP Kosova A, amounting to 7 million Euros. In addition, the interruption of operation in Units A4 and A5 has influenced the decrease of the electricity generation by 446 GWh, and failure to realize the revenues in amount of 12 million Euros, which, expressed in percentage, results in 12 % of the value of Maximum Allowed Revenues of 139.5 million Euros. After the analysis were made and presented in the consultation paper, ERO assessed that the accident cannot be considered to be an extraordinary event, out of the licensee control, pursuant to Paragraph 1.3 (i) of Annex 7 to the Generation Pricing Rule, and it did not receive the report from the investigating state authorities.

After completing the analysis and assessment of components for operating and maintenance expenditures (OPEX) and capital expenditures (CAPEX), the Maximum Allowed Revenues for 2014 for KEK Generation resulted in 139.5 million Euros, compared to 150.9 million euro allowed by ERO in 2013. This decrease in revenues, compared to those approved in 2013, is a result of the adjustments of lignite costs for the mining division and the additional revenues that have been deducted to KEK for the unregulated activities.

Due to the lack of an agreement for lignite supply with a regulated price for generators Kosova A and Kosova B, ERO defines, based on Generation Pricing Rules, the cost of lignite supply for the regulated generators. This Rule defines that the cost of lignite supply is calculated in the same manner as the other reasonable costs, including the assumed depreciation, assumed capital return, and operative and maintenance costs.

KEK has planned to invest 208 million Euros for the regulatory period 2013-2016, with such investments being necessary for improving the security of supply and maintaining the infrastructure of generation and mining. These capital investments are projected for capital renovation of mining devices, investments in supporting equipment (bulldozers, trucks, excavators, loaders, forklifts, mini-buses, jeeps, etc), expropriation costs in Hade village, renovation of combined machines A&B TPP- B, replacement of heavy machines, repair of two excavators SRs130, investments in double transport straps for South East Sibovc, etc.

ERO has found that a number of proposed investments for mining and generation are not sufficiently justified; therefore a part of investment costs has been reduced. Covering capital expenditures means depreciation costs for all assets and return on equity for assets financed commercially.

ERO has monitored the realization of capital and operational investments based on the information and data reported by KEK for 2014.

Capital costs of 25.4 million Euros, realized in 2014, represent the norm of 40 % of capital costs allowed by ERO, according to the investment plan having a value of 63.2 million Euros, since the operative costs have been realized in the ratio of 103 %.

These maximum allowed revenues reflect an average price of electricity of 26.6 €/MWh for TPP Kosova A and Kosova B in 2014 compared to 27 €/MWh in 2013, namely, a decrease by 1.4 %.

The structure of electricity and capacity charge for KEK Generation, which is in force since the 1st of April 2014, is as shown in the table below.

Tab. 7.3 Capacity and energy charge of KEK Generation

Elementet Tarifore	Njësia	Tarifa
Ngarkesa për Energji	€/MWh	7.99
Ngarkesa për Kapacitet	€/MWh	18.63

7.3 KOSTT charges and tariffs

ERO received an application for updating the maximum allowable revenues for the relevant tariff year 2014 from KOSTT JSC, as licensed for the activity of electricity transmission and market operation in Kosovo.

After the end of the analysis and assessment of the components of operative and maintenance expenditures (OPEX) and capital expenditures (CAPEX) through “Annual Update” of the allowed revenues realized at the end of each relevant year, the Maximum Allowed Revenues for 2014 of KOSTT are 20.17 million Euros compared to 18.67 million Euros allowed by ERO in 2013. This increase of the income, compared to those approved in 2013, is a result of the increase of depreciation and return of capital investments.

KOSTT JSC has identified a number of capital projects, the majority of which is for the transmission operator activity, with a small number of projects being for the system operator. These are interrelated mainly with the expansion of SCADA-EMS to control the 110 kV assets transferred by the KEK DSO activity, LP 400 kV Kosovo- Albania, installation of autotransformers, package projects SS 110/10 (20) etc.

The capital expenditures in the multi-year review for KOSTT were in amount of 120 million Euros, which the ERO has approved by the investment plan.

KOSTT JSC has reported the realization of capital investments for 2014 in amount of 12.5 million Euros, which represent 36 % of the capital expenditures allowed by ERO, by the investment plan, while the operative expenditures have been realized in the rate of 105 %.

These Maximum Allowed Revenues result in an average charge (tariff) of 3.3 €/MWh for the use of Transmission System (TUOS), the charges of Transmission System Operation, Market Operator charges. Compared to 2013, this represents an increase by approximately 15 %.

The structure of tariffs and charges for KOSTT JSC are given in the table below.

Tab. 7.4 Tariffs for KOSTT

TARIFF GROUP	TARIFF ELEMENT	UNIT	TARIFF
Generation connected in Transmission	System Operator Tariff	€/MWh	0.48
	Market Operator Tariff	€/MWh	0.03
Generation connected in Distribution	System Operator Tariff	€/MWh	0.19
	Market Operator Tariff	€/MWh	0.03
Supply	TNUOS Tariff 400/220 kV	€/kW	6.51
	TNUOS Tariff 110 kV	€/kW	12.73
	System Operator Tariff	€/MWh	0.45
	Market Operator Tariff	€/MWh	0.03

7.4 Tariffs for DSO distribution services

KEDS is licensed by ERO for distribution and supply of electricity to customers.

ERO has monitored the realization of capital and operational investments, through the data reported by the licensee. The capital expenditures of 17.9 million Euros, realized in 2014, represent the rate of 85 % of the capital expenditures allowed by ERO, amounting to 21.2 million Euros, in compliance with the investment plan, while the operative expenditures have been realized in the rate of 97 %.

These planned investments are consistent with the Investment Plan of the distribution network approved by the ERO Board, such as: strengthening the network, replacing lines, piles and transformers, improving metering points of household customers, eliminating bottlenecks, eliminating air distribution lines, which represent hazardousness to the public, etc.

DSO MAR for 2014, as a relevant year, has been set at 63.9 million Euros, which is 6.3 million Euros less than the MAR allowed for the first relevant year of the regulation period.

These Maximum Allowed Revenues reflect an average price of 14.2 €/MWh for the distribution network in 2014, which constitutes a decrease by 5 % compared to the average price of 15 €/MWh in 2013.

The following table shows the structure of tariffs and charges for DSO, which is applied as of the 1st of April 2014.

Tab. 7.5 Structure of tariffs and charges for DSO

Charges for customers connected in DSO		
Voltage level	Unit	Tariff
35 kV	€/kWh	1.12
10 kV	€/kWh	1.28
0.4 kV	€/kWh	2.07

7.5 Average tariffs of retail electricity for household and non-household customers

The level of retail electricity tariffs for household customers in the countries of the region and beyond is shown in figure 7.2. It is clearly shown that the average tariff in Kosovo is the lowest in the region and beyond where it amounts only to 5.20 €/kWh for 2014, followed by Serbia with 5.39 €/kWh, Albania with 6.21 €/kWh, then Macedonia with 6.76 €/kWh, Montenegro with 8.83 €/kWh, and so on.

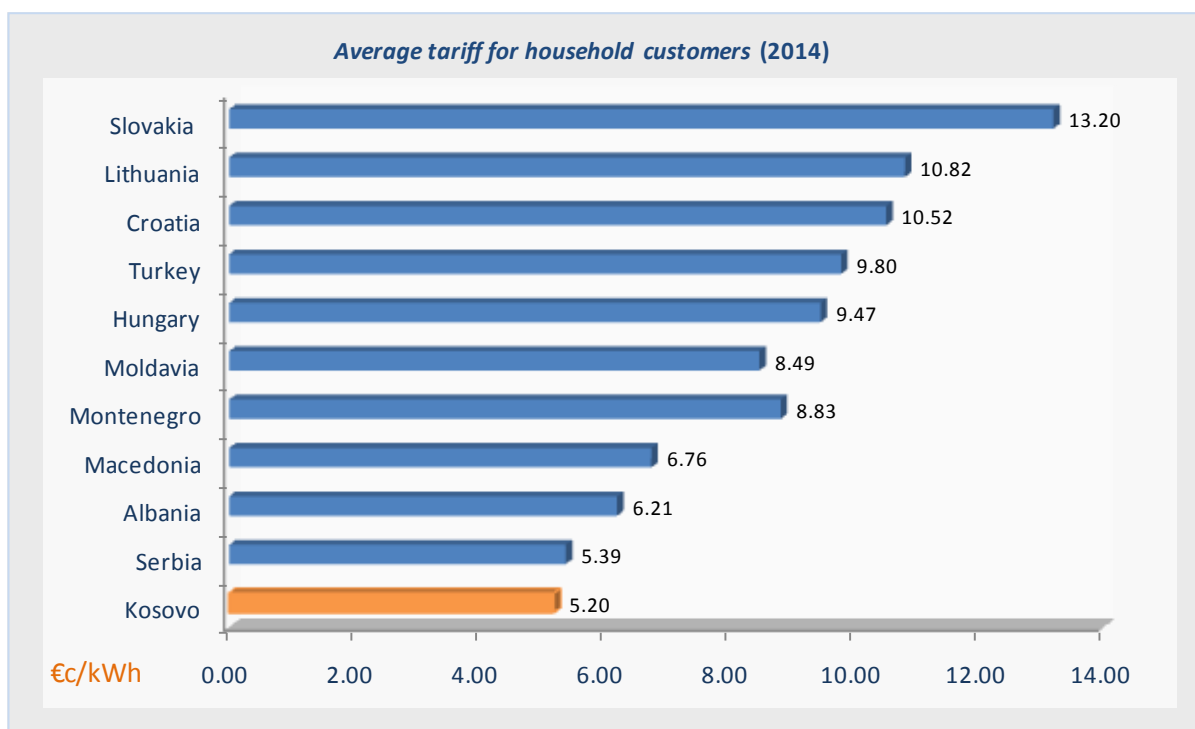


Fig. 7.2 Average tariff for household customers for 2014

Meanwhile, the following chart shows the average retail electricity tariffs for non-household customers. The lowest average retail electricity tariff for non-household customers for 2014 in region is in Montenegro, with 6.48 €/kWh, followed by Kosovo with 7.32 €/kWh, Serbia with 7.57 €/kWh etc. On the other hand, Macedonia applies significantly higher tariffs with the average tariff reaching 10.80 €/kWh.

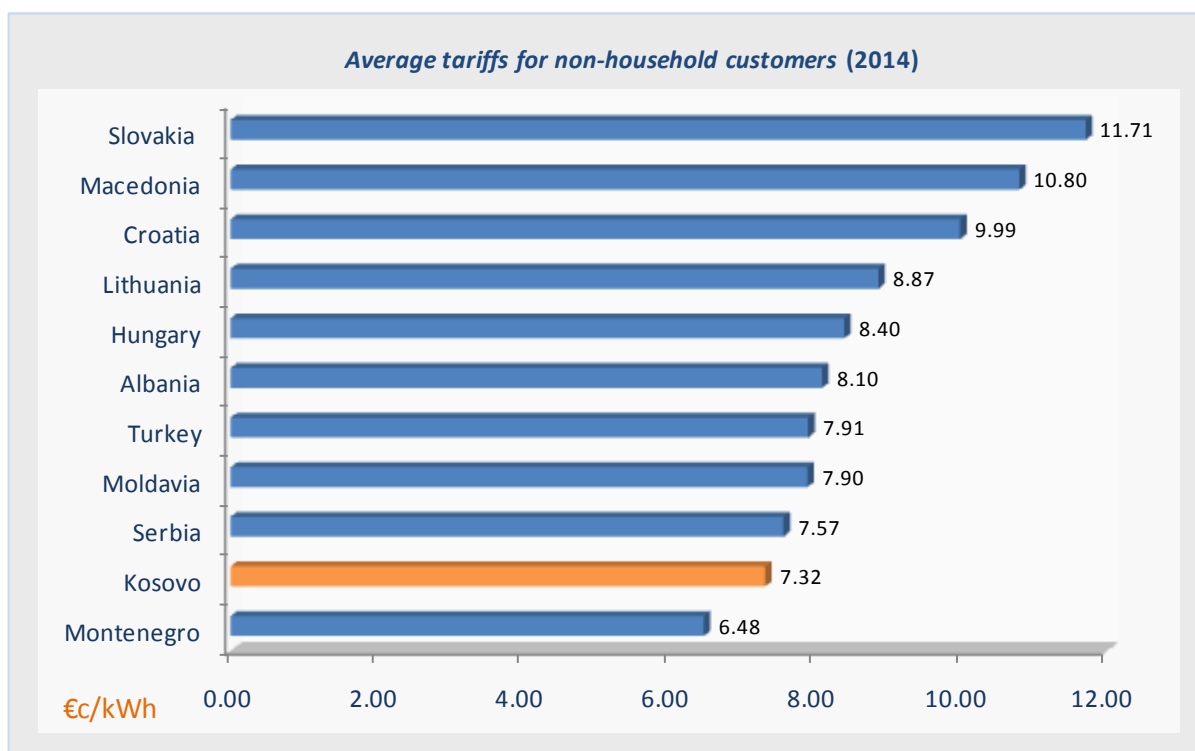


Fig. 7.3 Average tariffs for non-household customers for 2014

8 DISTRICT HEATING SECTOR

8.1 Overview of district heating sector

District heating sector in Kosovo consists of four heating systems: DH Termokos – Prishtina, DH Gjakova – Gjakova, DH Termomit – Mitrovica, and DH Zveçan. This sector has a very limited extent in local level and fulfils approximately 5 % of the general demand for heating in Kosovo.

8.1.1 Main developments in the District Heating Sector

A very important development in the district heating sector has been the initiation of the functioning of the co-generation project TPP Kosova B – DH Termokos, which has been developed through WBIF, with the German Development Bank (KfW) being the leading founding or financial institution. Through this project, DH Termokos can be supplied with thermal energy from TPP Kosova B having a total nominal capacity of 140 MW_t (2 x 70 MW_t). The project has been funded by donations from European Commission, Government of Germany, Sweden, and Luxembourg Government of Kosovo and Municipality of Prishtina. Therefore, 86.54% of the total value of the project consists of donations while 13.46 % consist of loans under favorable conditions.

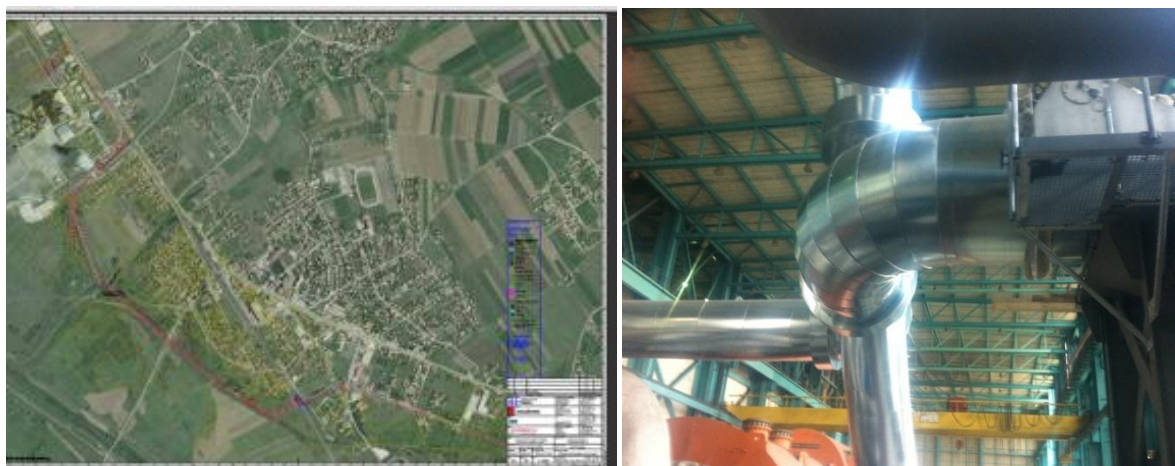


Fig.8.1 Pipeline for transportation of thermal energy from TPP Kosova B to DH Termokos and the co-generation devices in TPP Kosova B

On 28 November 2014, the testing phase of the extraction of steam from unit B1 of TPP Kosova B started, latter followed by a regular supply with thermal energy (heating) of the system of DH Termokos from TPP Kosova B. In December 2014, unit B1 provided thermal energy amounting to 37,250 MWh_t, thus enabling a significant enhancement of heating for Prishtina citizens.

The connection to unit B2 could not be realized due to the noncompliance with the planned schedule of overhauls and repairs of unit B2. This connection is planned to be made in April 2015, therefore the co-generation project will be completed. Otherwise, this project represents a very important capital investment which has included the following components:

- Realized until the end of 2014:
 - Construction of thermal energy transportation network – pipeline TPP Kosova B – DH Termokos, having a length of approximately 11 km;

- Construction of “Thermal Energy Extracting Station” in TPP Kosova B (heat exchanger and relevant device for connection to the turbine);
- Connection to unit B1, having a nominal capacity of 70 MW
- Construction of “Thermal Energy Receiving Station” in DH Termokos (heat exchanger and relevant device for connection to the distribution network);
- Planned during 2015:
 - Connection to unit B2, having a nominal capacity of 70 MW_t
 - Rehabilitation of primary distribution network – replacement of old pipes with pre-isolated pipes having a length of 11.5 km;
 - Rehabilitation and modernization of 50 thermal energy substations in the distribution network;
 - Installation of Supervisory, Control and Data Acquisition (SCADA);
 - Renovation of circulation pumps and frequency control system.

In addition, in a short-term period, it is planned to expand the DH Termokos distribution system to enable the connection of other parts of Prishtina city to the distribution network, which are currently not covered by the service of district heating supply. The planned expansion of distribution system of DH Termokos is conditioned by the provision of additional funds. At the same time of the activities of construction and installation of respective equipment of co-generation project, other accompanying activities have also been planned, among which, the most important as regards the regulatory aspect, was the final development and approval of the Agreement for supply with thermal energy between KEK Generation and DH Termokos. An important component included as annex to this agreement is also the methodology for defining the thermal energy price from co-generation. This agreement, after an intensive process of analysis, consultations, harmonization and agreement by the parties, was signed on 15 December 2014, and approved by ERO on 23 December 2014.

As regards the project of DH Gjakova for the replacement of fuel and rehabilitation of district heating system, since July 2014, the feasibility study and environmental and social impact assessment (ESIA) have been conducted. It is expected that the feasibility study and ESIA will end at the beginning of 2015, and then it will be proceeded with other stages of the project, such as: compilation of tender documents and agreement on financing, which are planned to be finalized until the end of 2015. The main components of the project for the replacement of the fuel and rehabilitation of the system of DH Gjakova are:

- Replacement of boilers and total and complete renovation of the facilities for the generation of thermal energy – heating plant;
- Rehabilitation of distribution network – more concretely the rehabilitation of northern and southern part of the network, which, among others, include also the replacement of about 3.3 km of existing pipes with pre-isolated pipes;
- Total rehabilitation of 20 thermal sub-stations identified as priority.

ERO has cooperated continuously and is included actively in the above-mentioned projects in the matters related to the regulatory aspect, although not limited to them.

8.1.2 Technical characteristics of central heating systems

District heating systems, considered together, have an installed capacity of approximately 262 MW. Given that the Termomit and Zveçan Heating, due to known circumstances, do not respond to the requests for licensing/regulation and monitoring by ERO, the relevant and updated data cannot be provided. Detailed data for DH Termokos and DH Gjakova are provided below:

Generation plants

Heating generation plants of DH Termokos is composed of the main heating with an overall installed capacity of 121.62 MW_t, and auxiliary heating in the University Clinical Center, having a capacity of 14 MW_t. Upon the connection of the thermal energy extraction station in unit B1, this capacity was added with the installed capacity of co-generation of 70 MW_t. It should be mentioned that the boilers with crude oil have not been decommissioned; however they serve as reserve capacity to be activated in cases of any possible failure in the units of TPP Kosova B.

Heating plant of Gjakova city is equipped with two boilers with crude oil, having a total installed capacity of 38.6 MW_t – with one having a generation capacity of 20 MW_t, and the other- 18.6 MW_t, which is currently out of service.

Transportation system

In 2014, due to cogeneration the TPP Kosova B – DH Termokos it was thermal energy transportation system, measuring a length of approximately 11 km.

Distribution systems

Distribution systems of district heating in Kosovo are composed of the primary distribution network which extends until the point of supply in substations and the secondary network which extends from the supply point in substations to the end users.

The primary distribution system of DH Termokos measures a length of approximately 35 km. The integral part of the distribution system is also the station of pumping and heat exchangers, which is located at Bregu i Diellit and 312 active substations which are distributive points between the primary and secondary network.

Tab. 8.1 Technical data of district heating systems

Enterprise (City)	Installed capacity [MW _t]	Operational capacity [MW _t]	Distribution network	
			Network length [km]	Subst. No.
DH TERMOKOS (Prishtina)	2 x 58 = 116	2 x 58 = 116		
	2 x 7 = 14	2 x 7 = 14	35.00	323
	2 x 0,81 = 1.62	0		(312 active)
	1 x 4 = 4	1 x 4 = 4		
	1 x 70 = 70 [Kogjenerimi]	1 x 70 = 70		
Sub-total	205.62	204.00	35.00	323
DH GJAKOVA (Gjakovë)	1 x 20 = 20	1 x 20 = 20	27.00	300
	1 x 18.6 = 18.60			(251 active)
	38.60	20.00	27.00	300
Total	244.22	224.00	62.00	623

The primary distribution network of DH Gjakova has a length of 27 km. A composing part of this network is also approximately 251 active substations which are the distributing points between the primary and secondary network.

A summary of the technical characteristics of district heating systems of DH Termokos and DH Gjakova is shown in the following table.

8.2 Performance of district heating companies

8.2.1 Fuel consumption and price

In the 2013/2014 season, fuel (crude oil) consumption of the district heating companies for the generation of thermal energy for heating, in general, has been significantly lower than the planned consumption. This happened mainly due to the financial difficulties faced by the district heating companies, which has prevented the sufficient supply with fuel. In addition, another factor is the high price of crude oil, which affects the general cost of fuel. The price of crude oil for this season has changed from 537 €/ton to 589 €/ton; the VAT (16 %) is not included in this price.

During 2013/2014 season, DH Termokos has consumed only 5,394 ton, that is, 46.10 % of the planned quantity. The level of consumption of crude oil in DH Gjakova has also been very low compared to what was planned: 535 tons, namely, 24.76 % of the planned quantity.

The following table shows fuel consumption for season 2013/2014 and a comparative overview of the planned quantities

Tab. 8.2 Fuel consumption

Company – DH System	Crude oil consumption (t)			
	Planned Season 2013/2014	Achieved Season 2013/2014	Difference (t)	Performance (%)
DH TERMOKOS - Prishtina	11,700	5,394	6,306	46.10
DH GJAKOVA	2,160	535	1,625	24.76
Total of DH Sector	13,860	5,929	7,931	42.78

8.2.2 Production, supply, and system losses

Production

It should be emphasized that during the 2013/2014 season, the generation of thermal energy has been significantly lower than planned. This is mainly due to the difficulties in supply with fuel (crude oil) which has conditioned the generation of thermal energy to be insufficient.

The net generation realized by DH Termokos during 2013/2014 season has been 51,528 MW_th or 43.31 % of what was planned. In the case of DH Gjakova, on the other hand, the net generation of heat was 4,416 MW_th, namely 20.56 % of what was planned.

Heat supply

Heating supply during 2013/2014 season has been insufficient to cover the needs of customers for heating. In general, the period of supply with heating has been shorter than the duration of the

heating season and, at the same time, during this period, there were frequent interruptions of supply and the heating was of low quality.

More specifically, DH Termokos, during the last 2013/2014 season, started the supply with heating at the end of November 2013 and ended in mid-March 2014, that is, a bit less than 4 months. In addition, DH Gjakova has started the supply with heating at the end of November 2013 and ended in mid-February 2014 – that is, a bit less than 3 full months.

Consequently, the supply of customers by DH Termokos was 41,804 MW_th, approximately 40 % compared to what was planned. On the other hand, the supply of customers by DH Gjakova was 3,631 MW_th, that is, the realization of supply for DH Gjakova has significantly been lower, about 19 % lower than planned.

System losses

The generation and distribution network losses in general have marked the same level as the previous seasons, thus not making any significant improvement. The level of generation and distribution losses for both of the district heating companies, as well as the data for the generation and supply, are shown in more detail in Table 8.3.

Tab. 8.3 Energy performance of heating companies for 2013/2014 season

Enterprise	Fuel based energy (MWh)	Net heat generation (MWh)	Supply (MWh)	Generation losses (%)	Heating plant (MWh)	Distribution losses (%)	Distribution losses (MWh)
DH Termokos	60,952	51,528	41,804	9,424	84.54	9,724	18.87
DH Gjakova	6,044	4,416	3,631	1,628	73.06	785	17.78
Total	66,996	55,944	45,435	11,052	83.50	10,509	18.78

The energy performance for the district heating companies for 2013/2014 season has been shown in the following chart.

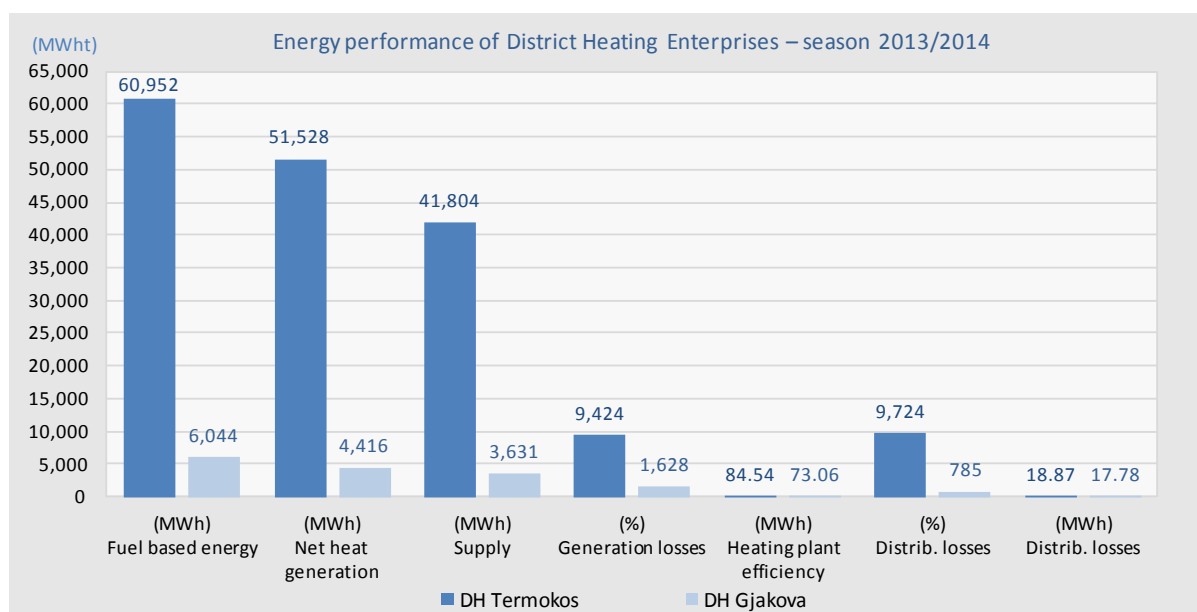


Fig. 8.2 Energy performance of district heating companies 2013/2014 season

8.2.3 Billing, collection, and heating service area

Regarding the billing, first, it should be mentioned that also in 2013/2014 season, the billing of district heating customers has been mainly based on the heating area (per meter square). A very limited number of customers, mainly commercial and institutional, have been billed according to the measured thermal energy. In addition, also during this season, the planned level of billing was not achieved mainly because of the irregular supply with heating. The specific reasons of low billing are: 1) non-billing during periods without heating; ii) deductions in bills because of the days when there was no heating and due to the low quality of heating; and iii) deductions related to the heating area upon site inspection.

As regards the collection for the 2013/2014 heating season, the data reported by the district heating companies show that generally the same trend of collection of bills has continued, without any significant improvement. As it may be seen from the figures shown in the following table, the average scale of collection for the entire district heating sectors is 47.79 %, and what is especially deploring is the low scale of collection among the household customers.

The total surface of service of DH Termokos during 2013/2014 season was 1,026,475 m². In this total area, the group of household customers constitutes a share of 61.82 % and the commercial and institutional customers a share of 38.18 %.

DH Gjakova has had a total heating service area measuring 86,599 m². The share of household customers group measured a total surface of 47.73 %, while the group of commercial and institutional customers has a share of 52.27 %.

Details related to the billing and collection is shown in the following table.

Tab. 8.4 Heating area, billing, and collection- 2013/2014 season

Heating season 2012/2013	Heating area [m ²]	Billing (incl. VAT) [€]	Collection [€]	Collection rate [%]
DH "Termokos" Prishtina				
Domestic	634,557	1,223,844.06	220,586	18.02
Comm. and Instit.	391,918	1,095,758.07	859,093	78.40
Total Termokos	1,026,475	2,319,602.13	1,079,678	46.55
DH "Gjakova"				
Domestic	41,336	44,868.00	26,627	59.35
Comm. and Instit.	45,263	147,429.00	94,014	63.77
Total Gjakova	86,599	192,297.00	120,641	62.74
Total NQ	1,113,074.09	2,511,899.13	1,200,320	47.79

8.3 District heating tariffs for 2014/2015 season

In compliance with the provisions of Law on Energy Regulator and Law on District Heating, ERO determines the district heating tariffs, based on the tariff methodology.

Since the district heating sector, as regards the transportation and distribution of heating, is considered as a natural monopoly, also because there is still no competition in the sector of generation of and supply with heating, the tariffs of central heating, which contain all the above mentioned components, are subject to the decision of and approval by ERO.

For setting/calculating the district heating tariffs, ERO has selected and applied the method of Rate of Return (RoR) or the so-called cost plus methodology.

Graphically, the RoR methodology can be shown as follows:

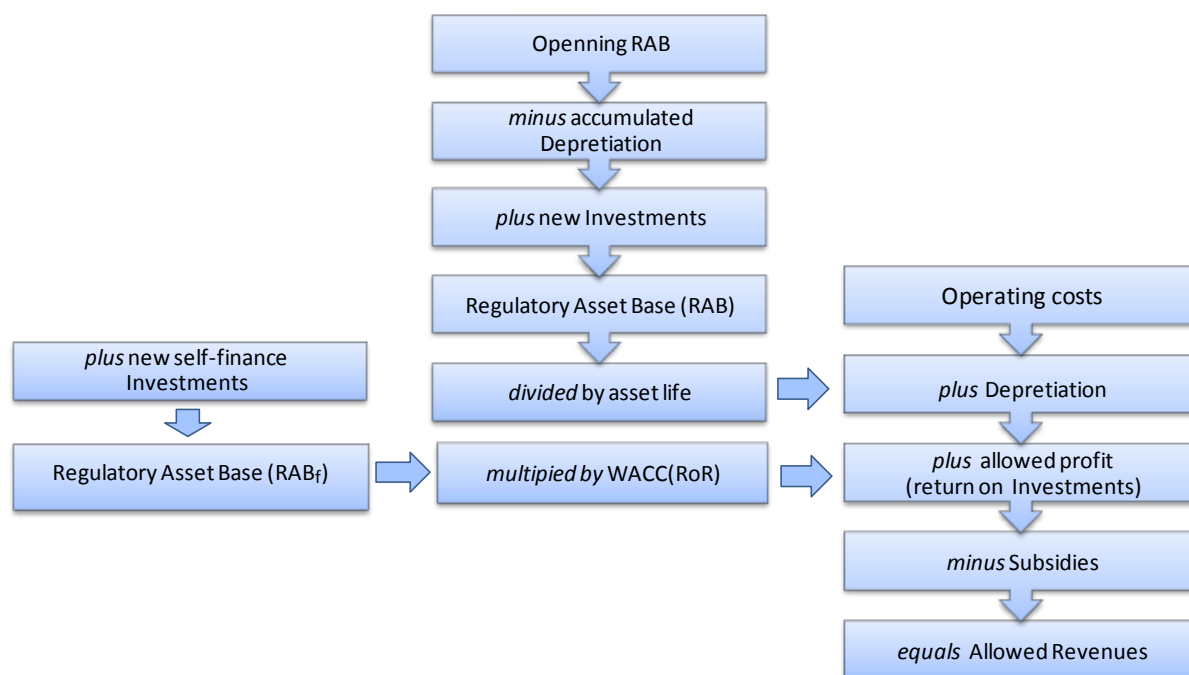


Fig. 8.3 Scheme of calculation of allowed revenues according to the RoR methodology

Based on this methodology, ERO determines the Allowed Revenues that the district heating company has to generate through tariff, i.e. the reasonable allowed costs which should be returned and a reasonable profit rate calculated according to the allowed rate of return (RoR) based on Regulated Asset Base (RAB).

Tab. 8.5 Summary of district heating tariffs for 2014/2015 season

A. DISTRICT HEATING TARIFFS FOR UNMETERED CUSTOMERS			
DH COMPANIES	Tariff components	Domestic customers [€/m ² per month]	Commercial and Institutional customers [€/m ² per month]
DH TERMOKOS JSC	Contracted heating capacity (fixed comp.)	0.07	0.08
	Supplied heating (variable comp.)	0.77	0.92
DH GJAKOVA JSC	Contracted heating capacity (fixed comp.)	0.09	0.12
	Supplied heating (variable comp.)	0.88	1.27
B. DISTRICT HEATING TARIFFS FOR METERED CUSTOMERS			
DH COMPANIES	Komponentët e tarifave	Metering unit	Price
DH TERMOKOS JSC	Contracted heating capacity (fixed comp.)	€ / kW per month	0.66
	Supplied heating (variable comp.)	€ / MWh	45.50
DH GJAKOVA JSC	Contracted heating capacity (fixed comp.)	€ / kW per month	0.91
	Supplied heating (variable comp.)	€ / MWh	58.76

Table 8.5 shows the tariffs of district heating for the 2014/2015 district heating season.

9 NATURAL GAS SECTOR

9.1 Development perspective of natural gas sector in Kosovo

Currently in Kosovo, there is no functional infrastructure and natural gas market. However, in order to create the perspective for the development of natural gas sector and fulfillment of the obligations that Kosovo has as a full member in the Energy Community Treaty, the Kosovo Assembly has approved the Law no. 03/L-133 on Natural Gas.

The law on Natural Gas sets out the basis and defines organization and functioning of natural gas sector, the main conditions and criteria for carrying out the transmission, storage, distribution and supply of natural gas. It should be emphasized that during 2014, broad consultations with internal stakeholders and Energy Community (EC) have been held for the final development of supplementations and amendments to the Law on Natural Gas, as well as other energy laws, in order to transpose the third European legislation package for energy.

One of the objectives of the energy strategy of Kosovo is the development of the sector of natural gas through the link to gas infrastructure projects in the region of South Eastern Europe, especially to the Energy Community Gas Ring, which links seven countries of South Eastern Europe, including our country, as well as to the TAP pipeline project (“Trans-Adriatic-Pipeline”).

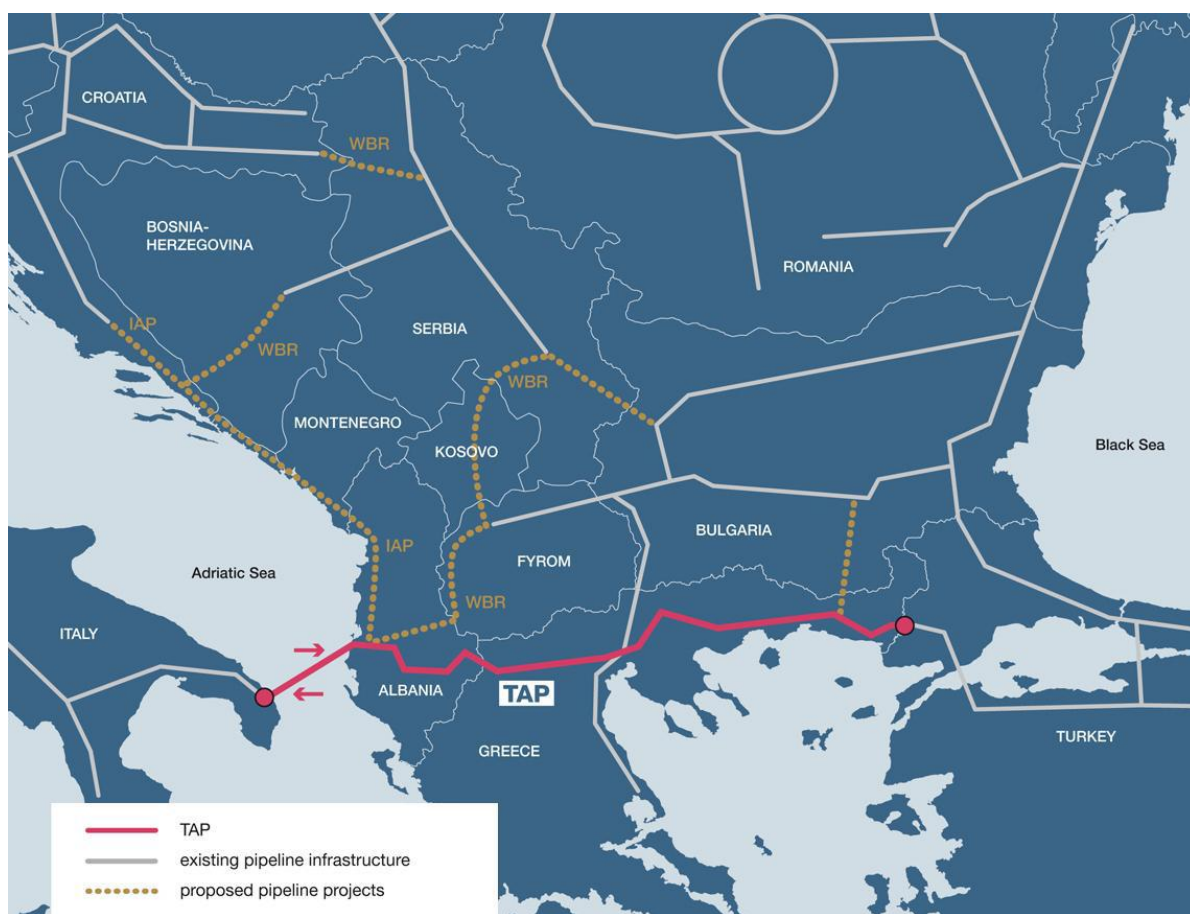


Fig. 9.1 TAP Project and interconnection and interconnection to “Gas Ring” of Energy Community (Source:TAP A.G. and ECS)

TAP pipeline has been selected by SHAH DENIZ II consortium as a technically and economically more favorable project for the transportation of natural gas from the Azerbaijan rich gas fields to Europe. The pipe route of this gas pipeline, having a length of approximately 870 km, starts in Turkey, traverses Greece, Albania, and across Adriatic sea, end in the south of Italy. TAP is considered as a project that will have a positive impact on the development of gas infrastructure in the energy Community, namely, in the South East Region of Europe, thus offering opportunities for connection of the planned regional projects such as Gas Ring and Ionian-Adriatic sea pipeline.

Simultaneously with the development of TAP project, within the Energy Community and supported by World Bank during 2014, the development of the study *"Gas for Electricity Consortium of South East Europe and the Approach of Consortium for the Development of the Electricity Capacities from Gas and the Gas Ring in the Energy Community"* has continued. Within this study, the Preliminary Report and Summary Individual Report on each Country, including Kosovo, have been developed. ERO, by cooperating with MED gave the relevant inputs and comments in these two documents, thus enabling the most possible real representation of the current energy situation and possibilities for the development of gas sector in Kosovo.

ERO constantly and carefully monitors the regional developments related to the natural gas and actively participates in the work of Energy Community, more concretely: in the Working Group for Gas Regulatory Board within Energy Community, Gas Forum and Security of Supply Coordination Group, subgroup of gas. In relation to this, through giving direct inputs, analysis, and comments, ERO contributed to the preparation and finalization of some documents, among which the following can be distinguished: Assessment of the Standards of Gas Quality in Energy Community, wherein the technical standards of gas quality, currently applicable in EC have been assessed, aiming at improving the interoperationality of the gas networks.

10 CUSTOMER CARE

10.1 ERO activity in the field of customer protection

According to article 14, paragraph 2, sub-paragraph 2.14 of the Law on Energy Regulator, ERO is responsible for resolving complaints and disputes between customer and energy companies, system operators and energy companies, as well as between the two energy companies.

Based on the legal provisions, ERO also during 2014 has been committed to the protection of customers through the review of complaints and disputes between the customers and the licensees. Other activities related to the protection of customers are focused on monitoring, application of rules and procedures in the field of the protection of customers for better services, ensuring customers that the electricity tariffs reflect the principles set out in laws and rules, and instructing them about their rights and obligations.

In the course of exercising its duties and responsibilities, ERO cooperates with all organizations which legitimately represent the customers.

10.2 Procedures developed to resolve complaints/disputes

According to the provisions of the Rule on the resolution of complaints and disputes in the energy sector, all customers are entitled to submit complaints related to services provided by supplier or system operator, and these complaints are to be submitted first to the supplier, which reviews the complaint and issues a response within the legal time limit. The customers, upon receiving the response, may address themselves to ERO for further review, which is considered as second instance authority.

This rule also sets forth several other mechanisms to resolve complaints or disputes, such as alternative dispute resolution (ADR). Alternative Dispute Resolution is an informal, voluntary procedure and can be used in various forms such as negotiation, mediation or other alternative solutions. The purpose of ADR is to avoid regular complaint procedure and decrease the number of complaints that require formal decisions, such as decisions by ERO or the Court.

Considering this basis, ERO has applied the mechanism of alternative dispute resolution, and during 2014, it has resolved seven customers' disputes, and all these disputes were resolved in an informal manner upon the agreement between parties (customers and public supplier).

10.3 Complaints received from customers against licensees

Customer complaints are reviewed based on commitment, transparency, impartiality principles and in complete compliance with legal provisions.

During 2014 ERO has registered 234 customer complaints/disputes, who have used their right against the responses issued by the Public Supplier. Customer complaints registered during 2014 in ERO were of different natures, as shown in the following table.

Tab. 10.1 Customer complaints by nature during 2014

Nature of complaints	No	Percentage [%]
Dispute of electricity bill	182	77.78
Dispute of electricity debt	21	8.97
Dispute of transfer of electricity debt	12	5.13
Dispute of lump sum billing	6	2.56
Dispute of joint consumption	6	2.56
Others	7	2.99
Total	234	100.00

ERO provides below the explanations for the nature of customers' complaints registered for this reporting year:

- **Disputing electricity bills** – relates to customer complaints addressed to ERO expressing their dissatisfactions in cases of errors in reading and non-regular reading made by employees of the public electricity supplier, and, by doing so, they inaccurately present the factual situation of electricity consumption, causing financial impact to the detriment of customers. The share of the complaints of this nature compared to the total complaints was 77.78 %.
- **Disputing electricity debt** – relates to customer complaints addressed to ERO and which deal with dissatisfactions regarding problems for not precisely defining debt of uncollected electricity from the public electricity supplier in case of property sale. The share of the complaints of this nature compared to the total complaints was 8.97 %.
- **Disputing the transfer of electricity debt** – relates to customer complaints, to whom the energy company transferred electricity debt from one customer to another, respectively from one code to another. In this case, this transfer caused a significant concern to customers because, the electricity debt transferred from other codes was shown in regular monthly bills. The percentage of this category of complaints in 2014 was around 5.13 %.
- **Disputing unmetered billing (lump sum)** – relates to customer complaints whom the electricity company has billed with unmetered values /lump sum. These complaints are a result of the non-reading of the metering points by employees of public electricity suppliers. In such cases, the public supplier has billed the customers based on the average of expenditure during the previous months. During 2014, the share of the complaints of this nature compared to the total complaints was about 2.56 %.
- **Disputing new connections and service tax** – relates to the complaints of customers whose right to new connection have been denied by the electricity company. In the case of such complaints, the customers, in order to establish new connections, were obliged by the company to pay firstly the debt of the old code, which existed earlier.

In some cases, the company has charged the customers with taxes for the service of new connections, and the customers have disputed these taxes reasoning that they had a previous code. Percentage of complaints in this category during 2013 was around 2.56%

From 234 complaints of customers registered in ERO in 2014, 106 or, expressed in percentage, 48 % were resolved, while the unresolved complaints of the reporting year are undergoing the procedure of completion of the documentation and proofs necessary for their resolution. In addition to the resolved complaints of 2014, ERO has resolved an additional 115 complaints of customers of the previous years, therefore during 2014, 221 complaints have been resolved.

Of the total number of resolved complaints for this reporting year, ERO approved 154 or, expressed in percentage, 69.68 % complaints in the favor of customers, while rejecting 67 customer complaints, or, expressed in percentage, 30.32 %, as ungrounded.

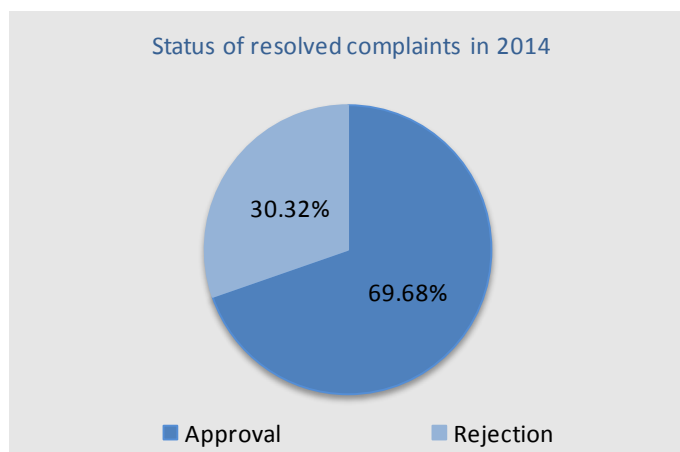


Fig. 10.1 Consumer complaints status for 2014

The following table shows the number and percentage of registered complaints classified under the customer categories.

Tab. 10.2 Consumer complaints by category during 2014

Customer complaints by category	Number	Percentage [%]
Household	205	87.61
Commercial	29	12.39
Industrial		
Total	234	100.00

The following chart shows the number of customer complaints registered and resolved by ERO by years.

Based on the following chart, it may be seen that the decrease of the customer complaints during 2010-2012 resulted due to the change of primary and secondary legislation, because, since 2011 ERO has no legal jurisdiction to review the customer complaints qualified as unauthorized use of electricity, and the complaints of this nature fall under the jurisdiction of the courts having jurisdiction.

If 2013 period is compared to the 2014 period, it may be noticed that for this reporting year we have a decrease of the number of customer complaints. This decrease is influenced by the monitoring made by ERO, conducted for electricity companies in relation to billing on the January 2013, when it identified the omissions made during the process of reading and billing, replacement of meters and calculation of bills. In this case, ERO has undertaken measures by recommending the public supplier to act in compliance with the applicable rules and procedures. In addition, the decrease of the number of customer complaints for 2014 was influenced by the project for the use of hand devices

(Held Hand Unit - HHU) in reading the metering points, which increased the transparency, accuracy, and credibility, and has minimized the errors in reading and billing the customers. The reading and billing of electricity meters with held hand units (HHU) have started to be applied in the entire territory of Kosovo since May 2014.

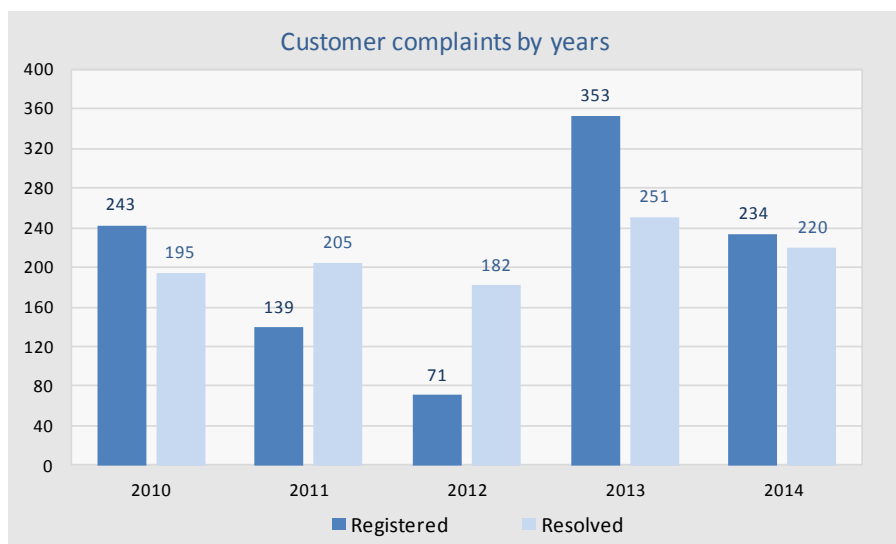


Fig. 10.2 Consumer complaints by years

According to the data reported by KEDS, in 2014 the customer complaints related to the errors in reading the electricity meter (incorrect reading and irregular readings) were 9,532 or, expressed in percentage, 53.99 %, and in 2013, there were 12,503 such complaints or, expressed in percentage, 57.12 %.



Fig. 10.3 Reading and bill printing by HHU

10.3.1 Complaints addressed to ERO Board

Based on Article 14, paragraph 6, of the Dispute Settlement Procedure in the Energy Sector, the customers and licensees are entitled to file complaints against the decisions of the first instance of ERO to the Board of ERO, as the second instance independent body.

During 2014, the public supplier has filed 15 complaints to Board of ERO against the decisions of the first instance. The Board of ERO rejected the 15 registered complaints as ungrounded.

During 2014, the customers have filed 18 complaints to Board of ERO against the decisions of the first instance. Of 18 registered complaints, the Board of ERO rejected 17 complaints as ungrounded, and, acting upon one complaint, it declared the decision of the first instance as null and void.

10.4 Actions performed by ERO in terms of customer protection

In addition to the registered complaints, ERO staff during this reporting year conducted 878 meetings and 430 telephone conversations with parties, including electronic communication, which addressed themselves to Office for various contractual issues between the customer and the licensees. ERO staff communicated with customers, informed and instructed them about the rules, procedures and the rights and obligations associated with energy supply.

During 2014, ERO has received another 25 customer complaints through the post, which, despite the fact that they had to address themselves to the other institutions, such as courts, they insisted to address to ERO because of the trust they have in this institution for resolving their complaints. The nature of complaints was mainly related to the unauthorized use of electricity, and for damage compensation. ERO, in all these cases, has responded in writing to customers, by instructing them about their complaints.

Despite the request of ERO to interrupt the transfer of the debt from one code to another, ERO also during this reporting year has faced the customer complaints on the transfer of debt and all these customer complaints to the licensee for reconsideration. It should be noted that in 2014 there was a significant decrease of complaints of this category compared to 2013, with the share of customer complaints on transfer of debt being 22.10 % during 2013, in 2014 were 5.13 %.

ERO noticed that the public supplier, also during this reporting year, has disconnected some electricity customers also in cases when the customers had already filed a complaint with the ERO or a court, however, the number of disconnections has significantly decreased compared to 2013. The decrease of the number of interruptions for this category has been influenced by the cooperation of ERO with the licensees, because ERO has requested the licensee to create a database for this category of complaints so that they do not experience interruptions for the dispute values due to which they have complained until a final decision is rendered.

In the context of its scope, in order to protect the customer rights, ERO has monitored the public supplier and noticed that in some cases, during the calculation of the bills of unauthorized use of electricity, has made errors by not respecting the legal provisions of the procedure for identifying and preventing the unauthorized use of electricity, and by doing so, it has caused financial damage to the customers. Due to these reasons, ERO has reacted by notifying and instructing the licensee to improve these bills.

In addition, this reporting year, the ERO has closely cooperated also with the Department for the Consumer Protection in the Ministry of Trade and Industry; during this reporting year, it received some customer complaints from this institution. These complaints have been received and reviewed by ERO in compliance with the legal provisions.

During 2014, ERO has prepared, based on the decisions of the Basic Court in Pristina, 22 responses to the claims, against the claims of KEK and customers' filed against the decisions of the Board of ERO. In addition, during this reporting year, ERO has been engaged also in some court session in the Basic Court in Pristina in the capacity of responding party. It should be mentioned that compared to the previous years, during this reporting year, the number of court trials wherein ERO has been a party has increased significantly.

11 ERO'S INTERNATIONAL ACTIVITY

11.1 ERO and the Energy Community Treaty of Southeast Europe

During 2014, ECSEE has continued the activities towards the fulfillment of common targets: implementation of “*acquis communautaire*”, development of adequate regulatory framework, and liberalization of the markets of electricity and natural gas sectors.

Since October 2013, ECSEE Contracting Parties continue to be: Albania, Bosnia and Herzegovina, Kosovo, Macedonia, Montenegro, Serbia, Moldova and Ukraine, and the European Union member states are in the capacity of participants, while Norway, Turkey, Armenia and Georgia have the status of Observer. Currently Georgia is a candidate for membership in the EC SEE .

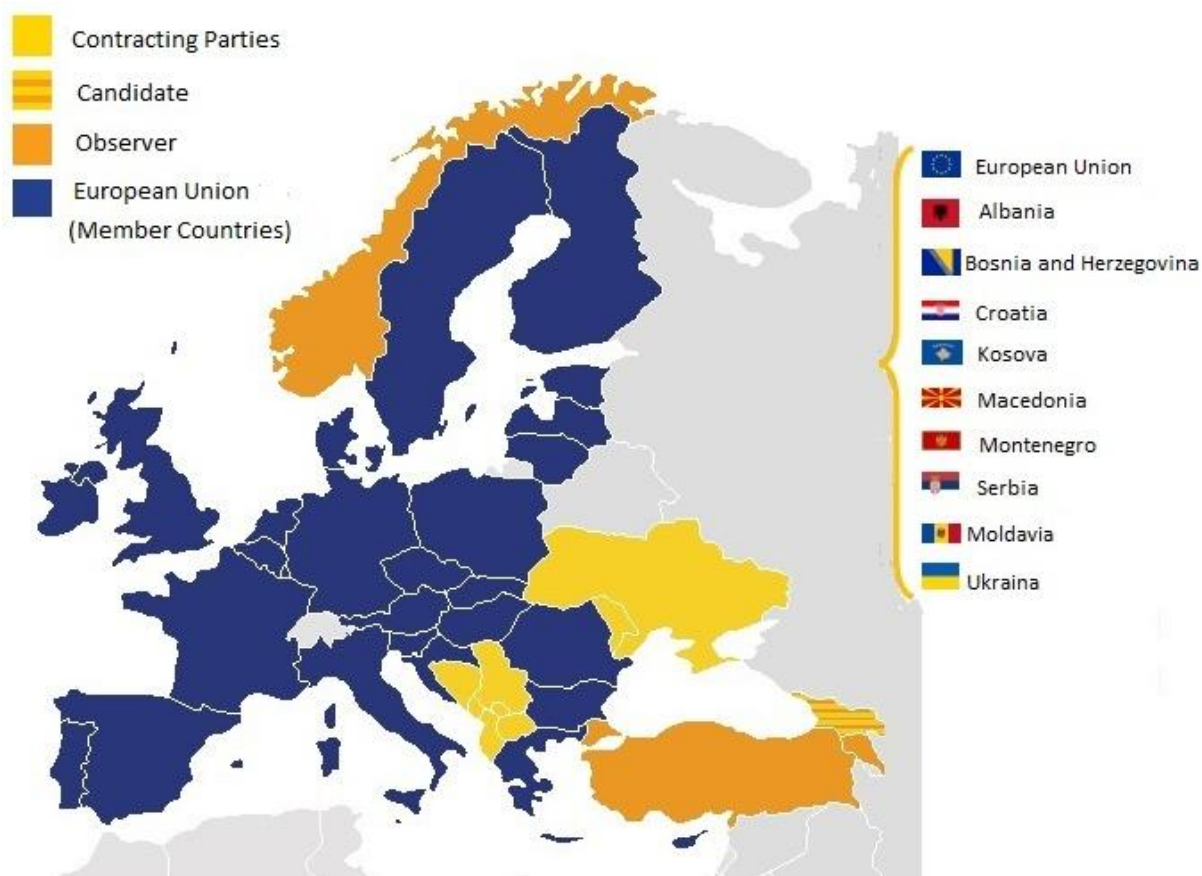


Fig. 11.1 Member states of the Energy Community of South East Europe

The main institutions of the EC are: the Ministerial Council (MC), the Permanent High Level Group (PHLG), EC Secretariat having its seat in Vienna, and four advisory forums on: electricity, natural gas, social issues and petroleum.

ECRB is an institution established in accordance with Article 58 of the EC SEE, made of regulatory authorities of contracting parties, participants and observers. ECRB plays the role of a coordinating body for the regulatory authorities relating to harmonization of the regulatory framework, exchange of knowledge and development of practices on implementation of the Treaty.

Based on provisions of the Energy Community Treaty, ECRB has the following responsibilities:

- Provides advice to the Ministerial Council as well as the Permanent High Level Group on statutory, technical and regulatory issues;
- Issues recommendations to parties, in line with Treaty provisions on any cross-border disagreements, etc.;
- Takes action against parties, if so authorized by MC;
- Facilitates cooperation and coordination between the regulatory authorities;
- Issues recommendations and drafts reports related to functioning of energy markets, and
- Seeks completion of parties' obligations under ECT.

The objectives and priorities of the ECRB are:

- Development of competitive national market in the gas and electricity sector,
- Integration of national markets and elimination of barriers for cross-border activities and competition,
- Customer protection and social issues, regulatory aspects of safety of supply, security of electrical network and quality of supply, etc., and
- Renewable sources and energy efficiency.

To fulfill its responsibilities and meet its objectives, ECRB is organized in working groups that undertake activities in relevant areas. ECRB is managed by the chairperson elected annually by the representatives of the national regulators, and the deputy chairperson, delegated by the European Commission.

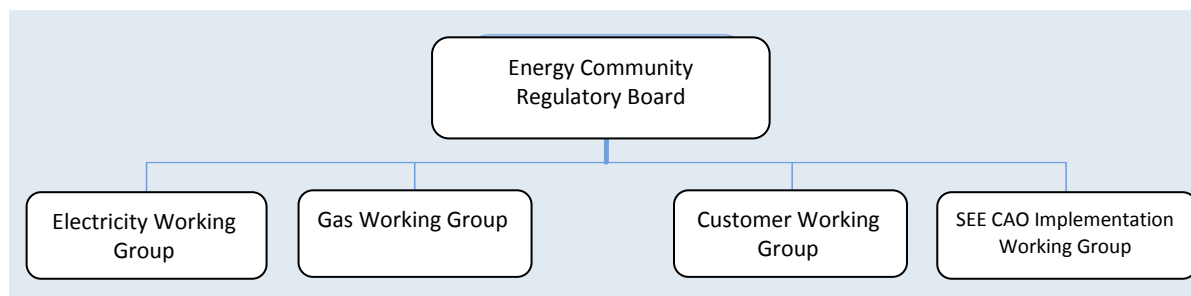


Fig. 11.2 Energy Community Regulatory Board Structure

11.2 ECRB activities during 2014

In accordance with its obligations to ECT, ERO nominated its member in the ECRB and in every working group, and it actively participates in the work of the Board and relevant working groups. Activities of relevant working groups are presented below:

Electricity Working Group

During 2014, the working group held four meetings, wherein the representative of ERO participated. In order to have a more efficient work, this group has established its Task Forces- TF, the description and activities of which are presented below:

- **TF-1 Retail electricity market opening**

In the context of this subgroup, the activities have been focused on the harmonization of regulatory framework of contracting parties, establishment and functionalization of the Coordination Auction

Office in SEE ("SEE CAO"), monitoring and reporting of developments in the 8th region, and review of action plan for opening the wholesale market.

During 2014, this working subgroup has developed the following documents: ECRB Recommendations for the Auction Rules of SEE CAO and quarterly Reports on the developments of the 8th region.

- **TF-2 Balancing:**

Balancing electrical energy flows is of an essential importance for the functioning of transmission systems and their development as well as regional integration of energy market.

During 2014, the Balancing subgroup has provided the regulatory inputs for the working drafts of the Initiative for the Balance of the Regional Trade, which aims at creating a common regional approach in compliance with the European experience and rules.

- **TF-3 Regulatory oversight of trader's activities:**

In order to assure a fair and non-discriminatory competition, a certain level of transparency and regulatory monitoring is required. In addition, in order to ease the trade across border and the entry into market of the new traders, an harmonized approach for the licenses of wholesale trade is required.

The main activities during 2014 have been focused on the measures for ensuring the equal conditions for the traders and guaranteeing a fair and non-discriminatory conduct, as well as developing the REMIT procedures.

- **TF-4 Monitoring of SEE market:**

The monitoring of the SEE regional Market has been in focus since 2006 based on the project titled "SEE Market Monitoring", implemented by a consulting company from USA- "Potomac Economics". The work in this regard continued also during 2014 for finalizing the Guidelines on Monitoring the Market and developing the market database. For this purpose, the online electronic platform – SEEAMMS, has been developed, which is still being complemented with data from the national regulators on monthly basis.

- **TF-5 Renewable Sources:**

This sub-group was established in 2012. In principle, the activities of this subgroup have been focused on the exchange of experiences among the EU member states and the contracting parties of the Energy Community, in relation to the RES, in order to identify the best European practices.

- **TF-6 Network codes/ Guidelines Framework:**

The main activity of this subgroup has been the coordinated review of public consultation for the Network Codes (at Energy Community level)/relevant Guidelines Framework developed for reflecting the third European legislation pack for energy.

Gas Working Group (GWG)

This group focuses its activities in the natural gas regulatory matters of the natural gas sector, harmonization of the regulatory framework at regional level and other matters related to development of the natural gas infrastructure in the SEE region. For efficiency purposes and in favor of treatment of specific issues, specific sub -groups have been established ("Task Force" – TF).

- **TF-1 Gas and interoperability quality**

Interoperability is essential for integrating the markets of contracting parties and for developing the interconnections of the gas systems. In this aspect, the Assessment for the Standards of Gas quality and harmonization of the regulatory framework for interoperability of the gas systems have been developed.

- **TF-2 Underground gas depositing**

Since the appropriate regulatory treatment of gas depositing is essential for the security of the supply and functioning of gas market, the work of this 'Task Force' includes the acquisition and exchange of knowledge and experiences for the matters related to the regulation of the "inputs-outputs" and the balancing of the flows of deposited gas.

- **TF-3 Input on the Grid Code and EU Guideline Framework**

Following the decision of PM on the implementation of the EU Grid Codes, the activities of this "Task Force" were focused on providing inputs to the process of preparation and implementation of Grid Codes and Guidelines Framework. In this aspect, the working group has undertaken a coordinated review of draft Grid Codes, draft Guidelines Framework and the input was given to the process of public consultations, as well as the preliminary opinion for the proposals of the European Commission on the adoption of Grid Codes.

10.2.3 Customer Working Group

The Customer Working Group with its task forces exists within the ECRB, which deals with activities related to the customer protection, tariffs and prices, contractual relations between the supplier and customers, and the quality of electricity supply and voltage quality adjustment.

- **TF1 –Consumer awareness Increase**

This subgroup has been engaged in activities for making the customers aware of their rights and obligations in the liberalized market, so that they profit from the competition in the market. With this regard, the joint workshop with CEER was organized, having as its topic the increase of customer awareness; the information leaflet on customer rights in the liberalized market has been developed, as well as the guidelines for the regulatory authorities in relation to the opportunities to make the customers aware.

- **TF2 – Electricity supply quality**

The key element for the protection of customers is that the electricity supply service be carried out pursuant to enhanced standards. During 2014, this subgroup has focused its activity on monitoring and the relevant comparisons for assessing the application of the supply quality standards and for contributing to the development of the Benchmarking Report on the quality of electricity supply.

- **TF3 – Review of the status of retail market development**

The design and operation of retail electricity and natural gas markets are very important for the successful performance, and also the design and operation of retail prices should be adjusted and address the specific needs of household customers and small commercial customers.

The activities of this subgroup have been focused on the assessment of retail electricity and gas markets, about which the Report on assessment of retail market status has been developed, wherein the obstacles for the efficient operation of markets have been identified and recommendations of improvements have been provided.

11.3 Participation of ERO representatives in the Technical Group for Dialogue for Energy between the Republic of Kosovo and Republic of Serbia

During 2014, the ERO representatives have participated in several meetings of the Technical Group for Energy, held in Brussels and Vienna. The Technical Group has been established to support the dialogue between the Republic of Kosovo and Republic of Serbia for the matters of energy. The meetings of the Technical Group have served as a technical support for ensuring that the interests of Kosovo in the electricity sector will be treated in the appropriate manner within the context of talks with Serbia.

As a result of the meetings, which have provided a technical platform, some achievements in the sector of energy have been made:

1. **Signing of Energy Agreement and Action Plan:** Following the meetings between the representatives of the Republic of Kosovo and Republic of Serbia, on 19 April 2013, in Brussels the Energy Agreement was signed. After this, the signing parties have agreed that an action plan will be prepared and will serve to explain the necessary actions and deadlines, and after several meetings, on 18 September 2014, the action plan was eventually signed.
2. **Signing of agreements between the Transmission System and Market Operator (KOSTT) and Transmission System Operator of Serbia (EMS):** With the support of European Union (EU) and Secretariat of Energy Community (SEC), in September 2014, two agreements were signed: 1) Framework agreement, and 2) Inter TSO agreement (agreement between the TSOs). Based on these agreements, it is expected that KOSTT will be able to collect the revenues from transit energy and from sharing the capacities of the transmission in the interconnection lines with neighboring countries, in cases of congestions. After the KOSTT became a member of ENTSO-E, the implementation of the signed agreements is expected to start. Based on the above-mentioned agreements, the EMS is requested to support this membership and not to create obstacles as it has happened until now.

According to the energy agreement, the parties participating in the talks have agreed to establish a new electricity supplier for four Municipalities in the North of Kosovo, pursuant to the legislation in Kosovo. The new supplier will sign an agreement with the Kosovo Electricity Distribution and Supply Company, for carrying out some services such as: reading, billing, and collection.

KEDS remain responsible and owner of the assets in the North of Kosovo. The new supplier carry out the supply with electricity for customers in an open market, when the liberalization of market will start, but preliminarily it should be provided with the key agreements with KOSTT and KEDS, and supply license by ERO. In some meetings, the Kosovo party and EU party gave explanations and it was reconfirmed that the new Supplier cannot have electricity distribution competences, because the Energy Agreement does not allow this matter, since pursuant to the Kosovo laws, there is only one company for the distribution of electricity in Kosovo (KEDS).

The new supplier will have only commercial functions, read meters, distribute bills of electricity and collect the payments for electricity from the citizens of the four municipalities in the North of Kosovo, who have been using the electricity for many years without paying for it.

The signed agreements will have a positive effect on the tariffs of customers in Kosovo and they are expected to bring the following profits:

- Kosovo (namely KOSTT) may collect revenues from the transit electricity, since, upon signing the agreement, the KOSTT becomes part of the mechanism for compensation between the operators at European level.
- KOSTT may collect revenues from sharing the capacities of transmission in interconnection lines with neighboring countries in cases of congestions.
- The import price of electricity will be decreased by 19 % of the VAT value, because till now Serbia has charged the VAT on trade companies which exported to Kosovo.
- The disputes between KOSTT and EMS for the period preceding the signing of this agreements, based on the principles and practices of applied mechanisms, will be resolved for the bilateral requests for transmitting and sharing the transmission capacities in the interconnection lines. In case there is no agreement between the two parties, then the international arbitration will enter into action.
- The operations of the illegal operator in the North of Kosovo will be stopped and the new supplier, having been licensed by ERO and having concluded the agreements with KEDS and KOSTT, will bill, collect, and take care of customers in the North of Kosovo, so that they pay for the electricity. In this way, the collection will be increased and the commercial losses, which affect the tariffs of all customers in Kosovo, will be diminished.

12 FINANCIAL REPORT

ERO is financed from own-source revenues, in line with the Law on Energy Regulator, Chapter 4, namely, from fees collected by licensed enterprises and operators of the energy sector.

12.1 Revenues

The revenues collected by ERO were deposited in the official bank account opened by the Director General of the Treasury, in line with Article 64 of the Law on Public Financial Management and Accountability.

In 2014, ERO generated revenues amounting to 671,933.56 €. Pursuant to the Law on the Budget of the Republic of Kosovo for 2014, in 2014 ERO carried forward the unspent revenues of 2013 to 2014, amounting to 150,886.59€. The total amount of the revenues which were realized and carried forward in 2014 is 822,820.15€, namely 148,364.15€ more than the budget of ERO, approved in 2014.

Tab. 12.1 Revenues

Description	Revenues (€)
Own source revenues 2014	671,933.56
Own source revenues carried forward from 2013	150,886.59
Total revenues	822,820.15

Pursuant to Article 22 of the Law on Energy Regulator No. 03/L-185, whereby the types of taxes are set out, the ERO shall collect:

- Initial and annual licensing fee;
- License modification and amending, and application for licenses;
- Fee on issuance of the certificate of origin;
- Administrative dispute resolution fee.

Since ERO collected sufficient revenues, and in order not to charge the licensees and customers with additional obligations, in 2014, from these four types of fees, ERO applied and collected only the initial and annual licensing fee, amounting to a total of 683,073.28€.

The table below shows the sum of annual fees collected by ERO in 2014, by each company individually.

Tab. 12.2 Revenues collected from the annual fee, by licensed companies.

Name of the licensee	Amount (€)
KEK-Electricity Generation-Kosova A	193,683.16
KEK- Electricity Generation -Kosova B	383,621.48
POE Ibër Lepenc HPP Ujmani	5,220.60
Kelkos Energy LLC	1,928.30
KEDS	63,260.12
Termokos	6,612.30
District Heating "Gjakova"	607.60
Total	654,933.56

The following table shows the revenues collected from initial fees.

Tab. 12.3 Revenues collected from the initial fee (review of applications)

Emri i kompanisë	Amount (€)
"Eko-Energji" sh.p.k	1,500.00
"Energy First - One" sh.p.k.	7,000.00
"Led Light Tehnology Kosova" sh.p.k.	1,500.00
"Kelkos Energy" sh.p.k	7,000.00
Total	17,000.00

In order to harmonize the revenues with the Budget, the Board of ERO, in the session held on 24 June 2014, rendered a decision on exempting the licensees from the annual fee, as provided in the Rule on Taxes, for April – October 2014 period.

This amount of financial assets will be considered during the coordination and setting of the Allowed Revenues for the electricity companies for 2015 and will be reflected in the regulated tariff customers.

12.2 Budget

Through the Law No. 04/L-079 on the Budget of the Republic of Kosovo for 2014, Kosovo Assembly has approved the ERO budget in the amount of 674,456.00 €, which is entirely allocated as government grant, even though pursuant to the Law on Energy Regulator, ERO is financed from its own source revenues and it is only in cases when these revenues are insufficient that ERO may use allocations in the form of a government grant.

ERO budget, by economic categories, is as follows:

Tab. 12.4 Approved budget

Description	Budget (€)
Wages and salaries	372,456.00
Goods and services	240,000.00
Utilities	22,000.00
Capital expenditures	40,000.00
Total	674,456.00

By the Government decision no. 07/172, the ERO budget in the economic category "goods and services" has been reduced by 15 %, namely, 39,300.00€, and later, also by a Government decision-no. 01/204, in the economic category 'wages and salaries', the budget was reduced by 61,865.00€. In total, the ERO budget has been reduced by 101,165.00€, pursuant to the Government decisions.

Tab. 12.5 Allocated budget (after reductions)

Description	Budget (€)
Wages and salaries	310,591.00
Goods and services	200,700.00
Utilities	22,000.00
Capital expenditures	40,000.00
Total	573,291.00

12.3 Budgetary expenditures

To finance the activities conducted during 2014, ERO spent 539,519.12€.

By economic categories, the ERO expenditures are as follows:

Tab. 12.6 Expenditures by economic categories

Description	Amount (€)
Wages and salaries	307,217.18
Goods and services	174,610.87
Utilities	18,728.83
Capital expenditures	38,962.24
Total	539,519.12

Budget expenditures compared to the approved budget for 2014 fiscal year is 94.11%.

Tab. 12.7 Budget expenditure expressed in percentage

Description	Budget (€)	Expenditure (€)	Difference (€)	Expenditure in %
Wages and salaries	310,591.00	307,217.18	3,373.82	98.91%
Goods and services	200,700.00	174,610.87	26,089.13	87.00%
Utilities	22,000.00	18,728.83	3,271.17	85.13%
Capital expenditures	40,000.00	38,962.24	1,037.76	97.41%
Total	573,291.00	539,519.12	33,771.88	94.11%

The degree of budget expenditure by economic categories, expressed in percentage, is shown in table 12.7.

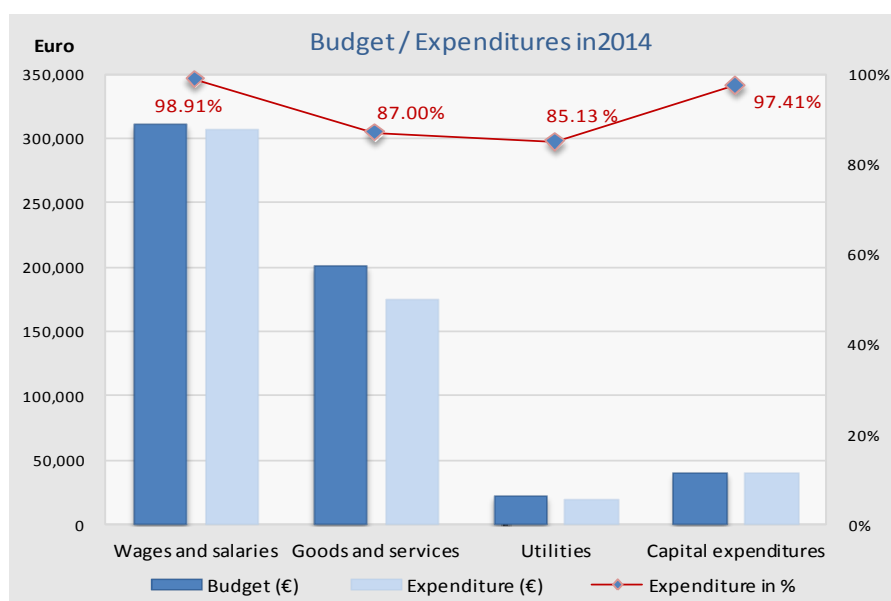


Fig. 12.1 Budget and expenditures for 2014

The expenditures by economic codes are presented in the following tables.

Tab. 12.8. Salaries and wages

WAGES AND SALARIES	AMOUNT (€)
Net wages	256,373.90
Personal income tax	21,583.98
Employer's pension contribution	14,629.65
Employees' pension contribution	14,629.65
Total	307,217.18

In the category of wages and salaries, a total of 307,217.18€ has been spent and the entire amount has been spent for the regular salaries of the ERO staff, because ERO does not pay other diems, except for official travelling abroad, which are paid from “goods and services” category.

Tab. 12.9 Goods and services

Mallrat dhe shërbimet	Amount (€)
Business travel expenses abroad	9,078.00
Per diem for business travel abroad	15,433.02
Accommodation for business travel abroad	7,761.37
Other business travel expenses abroad	2,447.20
Internet expenses	3,646.94
Mobile telephones expenses	7,730.91
Postal expenses	142.30
Education and training services	5,603.00
Different intellectual and advisory services	5,918.78
Printing services	454.00
Furniture	2,661.00
IT Hardware	1,960.00
Other equipment	1,215.00
Office supplies	8,997.25
Beverages	4,848.99
Accommodation	444.00
Fuel for vehicles	4,756.77
Registration of vehicles	525.00
Vehicle insurance	1,788.14
Municipal fee for vehicle registration	50.00
Security of premises	9,925.92
Maintenance and repair of vehicles	3,196.00
Maintenance of premises	10,560.00
Maintenance of information technology	5,471.48
Maintenance of furniture and equipment	63.80
Rent	49,140.00
Advertisements and competitions	2,715.00
Official lunches	3,217.00
Payment on tax on rent	4,860.00
Totali	174,610.87

As seen from Table 12.9, the sum of spent assets for this category of expenditure is 174,610.87€.

The budgetary expenditures by activity are as follows:

- Travelling expenditures 34,719.59€
- Telecommunication expenditures 11,520.15€
- Service expenditures 11,975.78€
- Furniture and equipment purchases 5,836.00€
- Other goods and services purchase 14,290.24€
- Derivates and fuel 4,756.77€

• Registration and insurance services	12,289.06€
• Maintenance	19,291.28€
• Rent	54,000.00€
• Marketing expenditures	2,715.00€
• Representation expenditures	3,217.00€

For official travelling abroad, 34,719.59€ were spent from the ERO budget, of which, 9,078.00€ for travelling costs, 15,433.02€ per diem, 7,761.37€ for accommodation, and 2,447.20€ for other travelling expenses (expenses for visas, health insurance, etc.).

In addition to this amount spent from the ERO budget for the meetings held in the context of working groups of the Secretariat of SEE Energy Community, for the participants of ERO, this Secretariat has reimbursed the travelling and accommodation expenditures amounting to a total of

Being a part of delegation for technical talks for energy in the dialogue between the Republic of Kosovo and Republic of Serbia, the Board members have made two trips to Brussels and Vienna. For such trips, 4,403.52€ were spent from the ERO budget.

12.3.1 Utilities

Utilities in 2014 have reached the amount of 18,728.83€, which, compared to the previous year, shows that approximately the same amount of the budget has been spent.

Tab. 12.10 Municipal expenditures

Utilities	Amount (€)
Electricity	16,121.04
Water	1,182.37
Landline telephone expenses	1,425.42
Total utility expenditures	18,728.83

12.3.2 Capital expenditures

A total of 38,962.24€, or 97.40% of the planned budget has been spent in this category.

Tab. 12.11 Capital expenditures

Capital expenditures	Amount (€)
Information technology equipment	5,879.99
Software	9,720.00
Official vehicle	23,362.25
Total capital expenditures	38,962.24

12.3.3 Carried forward revenues

According to the data above, it is clear that in 2014, the ERO generated a total of revenues amounting to 822,820.15€, while value of the realized budgetary expenditures is 539,519.12€. The difference in the amount of 283,301.03€, between the revenues and expenditures represents

surplus funds that ERO has collected during this year which, in line with Article 6 of the Law on the Budget of the Republic of Kosovo for 2015 as well as Article 64 of the Law on Management of Public Finances and Accountability, will be carried over to 2015.

Tab. Tab. 12.12 Carried forward own-source revenues

Carried forward own-source revenues	Amount (€)
Revenues carried forward from 2013	150,886.59
Revenues collected in 2014	671,933.56
Total revenues 2014	822,820.15
Expenditures on wages and salaries	-307,217.18
Expenditures on goods and services	-174,610.87
Utilities	-18,728.83
Capital expenditures	-38,962.24
Total expenditures 2013	-539,519.12
Carried forward own-source revenues in 2014	283,301.03

13 REPORT OF THE OFFICE OF THE AUDITOR GENERAL ON FINANCIAL STATEMENTS

During 2014, the Office of the Auditor General (OAG) has conducted the audit of the financial statements of ERO for 2013. According to the OAG, the financial statements of ERO for 2013, in all material aspects, represent a fair and true representation ("Unqualified opinion".)

For issues such as: recommendations of the previous year (2013); compatibility of requests for external reporting; revenues; receivables, internal audit system, OAG has no finding and gave no recommendations.

Nonetheless, OAG recommended ERO, for 2014, to make improvements in the following areas:

- Identification of all assets in the accounting register;
- Better planning and higher degree in budget realizing;
- Services of mobile telephony and travelling tickets should be performed by procurement;
- Process of payment certification;
- Enforcement of financial controls in the management of advance payments for official trips abroad;
- Closing of advance payments before the deadlines set by law;
- Setting of wages and allowances by clear criteria;
- Fulfillment of vacancies with staff;
- Clear planning of recruitment procedures;
- Increase of control in the management and use of vehicles; and
- Functionalized of "E-asset" register.

Till now, ERO has completely addressed the majority of these recommendations; a few of them have been partially addressed while only two recommendations are left to be addressed in 2015.

The report for the actions undertaken and proposed for the findings and recommendations of General Auditor for the previous year has been shown as follows:

Tab. 13.1 General Auditor recommendations and actions undertaken

No.	Recommendations or finding - OAG	Action taken or proposed	Implementation deadline	Effect
1	The Chairperson of Board should ensure that all properties having a value of more than 1000 € are registered in FMISK, and they should be presented in AFS.	Assets officer will register the property in compliance with Regulation FM no. 02/2013 on management of non-financial assets in budgetary organizations.	December 2014.	Property status at the end of 2014 confirmed.
2	The Chairperson of Board should ensure that the budgetary preparation is preceded by an analysis which reflects all the relevant information, including the realizations of the previous year and the changes expected during the year. The budget performance should be monitored on monthly basis and the identified barriers for the levels of budgetary execution are to be timely addressed.	Despite the fact that the matter of planning and executing the budget is not entirely dependent on the factors within the ERO, but more also on the MoF and Commission for Budget and Finance, in the Assembly of the Republic of Kosovo, ERO, with a greater commitment, will make an attempt to properly address this matter. The degree of the budget expenses for 2014 is 94 %.	December 2014.	Budget realized in line with the plan.
3	The Chairperson of the Board should ensure that the telephone and tickets services are performed by procurement procedures, because this ensures quality services and lower cost.	ERO has signed the contract for travelling tickets supply services, and as regards the mobile telephony services, the tender procedures have been conducted two times, but no contract could be concluded, because of the lack of serious offers. This procurement activity will be re-announced until when an economic operator, with a serious offer, is selected.	December 2014.	These services ensured with lower cost.
4	The Chairperson of the Board should ensure that the function of payment certification verifies all the documentation and the payments are to be certified only upon fully meeting the legal requirements.	Certifying Officer, by verifying the documentation, is ensured that all the laws and by-law acts have been applied before the payment certification.	December 2014.	Payments made regularly.
5	The Chairperson of the Board should reinforce the financial controls related to the management of advance payments, and make sure that the expenses for official trips abroad are made in consistency with the applicable legislation	Measures have been taken so that all the expenses for official trips abroad are in compliance with the provisions of the Administrative Instruction no. MSHP 2004/07.	December 2014.	Regularity in the management of advances for official trips abroad.

No.	Recommendations or finding - OAG	Action taken or proposed	Implementation deadline	Effect
6	The Chairperson of the Board should make sure that the financial controls related to the management of advance payments are reinforced. All the persons who use advance payments are to make the appropriate balancing within the legally required deadline.	Measures have been taken so that the necessary balancing are made within the time limit of 15 days upon the return from official trip, set out in the AI no. MSHP 2004/07	December 2014.	Regularity in the management of advance payments for official trips abroad.
7	The Chairperson of the Board should ensure that all the payments and allowances for employees are regulated, based on clear and most objective criteria.	The Board of ERO, on 29 September 2014, has rendered a decision on the new scheme of salaries, in compliance with the recommendation of OAG.	September 2014.	Distribution of the budget for salaries, based on clear and objective criteria.
8	The Chairperson of the Board should ensure that concrete measures for filling the vacancies have been taken.	The ERO budget has recently undergone changes and we are still continuing to fill the other positions. Since the beginning of 2014, the appropriate measures for filling the vacancies have been taken. Three new employees have been employed, while, due to the lack of the budget for salaries, the other positions have remained unfilled. For 2015, ERO has secured a sufficient budget to fill all the positions foreseen in the organogram and, in relation to this matter, it has presented a plan for staff recruitment for all the vacancies.	2014-2015	Vacancies filled.
9	The Chairperson of the Board should ensure that the recruitment procedures are clearly planned, and, at the same time, these procedures are realized in compliance with the plan.	Work has been done in the aspect of the reinforcement of recruitment procedures. These procedures are in compliance with the Labor Law and, in addition, the plan for staff recruitment will be realized in line with them.	December 2014.	Recruitment plan Completion of recruitment procedures, vacancies filled.
10	The Chairperson of the Board should ensure that the rule on management of vehicles is reviewed, by eliminating the opportunity of using them for personal purposes. Additional control is needed also in the management of preliminary requests for travelling.	Due to the great loads during 2014 related to the matter of electricity tariffs and licensing rules, the Board of ERO could not review and modify the rule on vehicle use. At the same time, the internal controls in the management of vehicles have been reinforced, and the plan for modifying this rule remains to be considered during 2015.	December 2014.	Review of rule and control of circulation based on the rule approved by the Board of ERO.
11	The Chairperson of the Board should ensure that all the legal requirements are fully met, including the requirements for the functionalizing of E-property. In addition, the register should be complete and contain all the data required in the relevant table.	Functionalizing the E-pasuri still remains to be carried out in 2015.	December 2014.	E-asset functionalized

ABBREVIATIONS

AEAI	Advanced Engineering Associates International Inc
WB	World Bank
EU	European Union
RES	Renewable Energy Sources
CAO	Coordinated Auction Office
CAPEX	Capital Expenditures
CCP	Customer Care Program
CEER	Council of European Energy Regulators
TEGD	Thermal Energy and Gas Department
LLD	Legal and Licensing Department
CPD	Customer Protection Department
TPD	Tariff and Price Department
EMD	Energy Market Department
EC	European Commission
ECS	Energy Community Secretariat
ECRB	Energy Community Regulatory Board
SEE	Southeast Europe
ENS	Energy Not Supplied
ENTSO-E	European Network of Transmission System Operators for Electricity
ENTSO-G	European Network of Transmission System Operators for Gas
ERE	Energy Regulatory Entity
ERRA	Energy Regulators Regional Association
ESIA	Environmental and Social Impact Assessment
PS	Public Supplier
GIZ	German Society for International Cooperation
GWG	Gas Working Group
PHLG	Permanent High Level Group
GWh	Gig watt hours
HC	Hydro Power Plants
ITC	Inter TSO Compensation
EC	Energy Community
EC SEE	Energy Community of Southeast Europe
KEK	Kosovo Energy Corporation

KESH	Albanian Energy Corporation
KKDFE/KEDS	Kosovo Electricity Distribution and Supply (<i>by the end of 2014 content varies in Kosovo Electricity Distribution and Services</i>)
KfW	Kreditanstalt für Wiederaufbau (German Bank for Development)
MC	Ministerial Council
km	Kilometer
KOSTT	Kosovo Transmission System and Market Operator
kV	Kilovolt
kW	Kilowatt
OL	Overhead line
MAR	Maximum Allowed Revenues
CA	Cooperation Agreement
EPA	Energy Purchase Agreement
MESP	Ministry of Environment and Spatial Planning
MTI	Ministry of Trade and Industry
MVA	Mega volt ampere
MW	Megawatt
MW_t	Thermal megawatts
MWh	Megawatt hours
NARUC	National Association of Regulatory Utility Commissioners
AU	Administrative Unit
CH	Central Heating
SS	Substation
OPEX	Operational Expenditures
DSO	Distribution System Operator
TSO	Transmission System Operator
MO	Market Operator
PECI	Projects of Energy Community Interest
PUC	Public Utility Commission
RoR	Rate of Return
RAB	Regulated Asset Base
REMIT	Regulation on Wholesale Energy Market Integrity and Transparency
SCADA	Supervisory Control and Data Acquisition
SAIDI	System Average Interruption Duration Index;
SAIFI	System Average Interruption Frequency Index;
SEE	South East Europe



JSC	Joint Stock Company
TAP	Trans-Adriatic-Pipeline
TPA	Third party Access
TPP	Thermal Power Plant
TF	Task Force
ECT	Energy Community Treaty
HW	High Voltage
TR	Transformer
MW	Medium Voltage
LW	Low Voltage
TNUOS	Transmission Network Use of System
VAT	Value Added Tax
USAID	United States Agency for International Development
WBIF	Western Balkans Investment Framework
OAG	Office of the Auditor General
ADS	Alternative Dispute Settlement
ERE	Energy Regulatory Office

ERO Addresses**Energy Regulatory Office** Dërvish Rozhaja Str., No. 12

Prishtina 10000, Kosovo

Tel: +381 (0) 38 247 615

Fax: +381 (0) 38 247 620

Email: info@ero-ks.orgWeb: www.ero-ks.org**Board of Energy Regulatory Office:**

Tel: +381 (0) 38 247 615 ext. 101

Secretariat:

Tel: + 381 (0) 38 247 615 ext. 104

Customer Protection Department:

Tel: + 381 (0) 247 615 ext. 116 and 125

Email: ankesa.dmk@ero-ks.org