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## **Energy Regulatory Office of Kosovo**

### **Tariff Application Guidelines**



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# 1 General provisions

## 1.1 Scope and purpose

1.1.1 These Tariff Application Guidelines are issued by the Energy Regulatory Office (ERO) in order to establish the format for the submission of applications of proposed regulated tariffs by licensees for review and approval by ERO.

1.1.2 Licenses are required to annually submit proposed **regulated tariffs** for the coming year to ERO in compliance with the procedures set out in the Rule on Principles of Calculation of Tariffs in the Electricity Sector (the "**Pricing Rule**").

1.1.3 Article 8 of the **Pricing Rule** requires, in part, that:

8.7 When submitting proposal of the tariffs, each energy enterprise [licensee] shall submit justification for the proposed tariffs including, at a minimum:

- a) a schedule of the proposed tariffs together with the proposed date of effectiveness;
- b) the actual quantities supplied or transported, as appropriate, for each customer category in the preceding 12 months;
- c) the actual tariffs applying to each customer category;
- d) such other information as the energy enterprise considers may support its application for approval of the proposed tariffs.

8.8 Where an energy enterprise is regulated under performance-based tariffs, it must submit evidence demonstrating compliance of its proposed tariffs with the most recent decision relating to the price control for the enterprise concerned, taking into account within-period adjustments.

8.9 Where an energy enterprise is not regulated under performance-based tariffs, it must submit evidence of its costs for the preceding 12 months and forecast costs for the coming 12 months in the format specified by the Energy Regulatory Office in the Regulatory Accounting Guidelines [separately issued]. The energy enterprise should submit such additional information justifying any change between actual and forecast costs as it considers reasonable.

1.1.4 Article 10 of the **Pricing Rule** requires that:

10.1 Where an energy enterprise is requesting modification of a tariff category or tariff component as part of a tariff submission in accordance with Article 7, then it must also submit:

- a) estimates of the number of customers and quantities supplied or transported that would have been charged under each tariff category and tariff component, if the proposed change in tariff categories or tariff components had been in effect over the most recent 12 months;

- b) estimates of the revenues that would have been earned under each tariff category and tariff component, if the proposed change in tariff categories or modification of tariff components had been in effect over the most recent 12 months;
- c) estimates of the number of customers and quantities supplied or transported that will be charged under each tariff category and tariff component in the coming 12 months, if the proposed change in tariff categories or modification of tariff components is approved;
- d) estimates of the revenues that will be earned under each tariff category and tariff component in the coming 12 months, if the proposed change in tariff categories or modification of tariff components is approved;
- e) details of and the basis for such estimates.

1.1.5 These **guidelines** set out the format of the **regulated tariff application** to be used by the licensee, complying with the requirements of Articles 8.7 and 10.1 of the **Pricing Rule**. Separately, a licensee will also be expected to demonstrate compliance with the requirements of Article 8.8, in accordance with the relevant decision, or 8.9, using the format prescribed in the most recent Regulatory Accounting Guidelines issued by ERO.

## 1.2 Amendments

1.2.1 ERO will amend these **guidelines** from time to time to meet changing needs. When making such amendments, ERO will provide appropriate opportunities for consultation with licensees and other interested parties including, in general:

- the publication of a notification of ERO's intent to amend these **guidelines**;
- inviting input, including in the form of written comments and consultations with licensees and other interested parties, and allowing a reasonable time period for the provision of these inputs;
- preparing and publishing for comments a draft of the proposed amendments, taking into account inputs received; and
- taking into account comments received in finalizing the amendments.

## 1.3 Definitions and interpretations

1.3.1 The following terms used in these **guidelines** shall have the following meanings:

- “**amended regulated tariff**” means a new or altered regulated tariff including, but not limited to, a new basis of charging, a new customer category or a new charges;
- “**existing regulated tariff**” means the tariff structures, categories and charging bases currently in force;

- “**guidelines**” means these Tariff Application Guidelines;
- “**Pricing Rule**” means the Rule on Principles of Calculation of Tariffs in the Electricity Sector; and
- “**Regulated tariff application**” means an application submitted by a licensee to ERO for the approval of its regulated tariffs in accordance with these guidelines.

1.3.2 The following terms used in these **guidelines** shall have the meanings specified in the Rule on Principles of Calculation of Tariffs in the Electricity Sector and Tariff Methodology for the Electricity Sector and decisions issued by ERO under this Rule and in accordance with this methodology:

- “maximum allowed revenues”;
- “price control”; and
- “price control period”.

1.3.3 The other terms in these **guidelines** shall have the meanings specified in the Law on the Energy Regulator, in the Law on Energy or in the Law on Electricity.

## 2 Preparation and submission of regulated tariff applications

- 2.1.1 **Regulated tariff applications** shall be prepared by licensees in accordance with the tariff application format contained in Appendix A.1.
- 2.1.2 Applications should additionally contain such supporting information as is considered necessary by the licensee to comply with the requirements of Article 8 and Article 10 of the **Pricing Rule**.
- 2.1.3 **Regulated tariff applications** shall be submitted in electronic form and in a hard copy signed by the Chief Executive or an authorized representative of the licensee in accordance with the timetable contained in the **Pricing Rule**. In the case of discrepancies, the hard copy shall prevail.
- 2.1.4 Information shall be presented in the **regulated tariff application** in the most understandable manner that can be achieved without sacrificing relevancy or reliability.
- 2.1.5 ERO shall have the right to request additional information from the licensee with respect to the **regulated tariff application** in accordance with Article 8.10 of the **Pricing Rule**.
- 2.1.6 ERO shall have the right to return incomplete **regulated tariff applications** to the licensee for completion and resubmission. For the purposes of the procedures contained in the **Pricing Rule**, this shall be treated as a request for additional information in accordance with Article 8.10 of the **Pricing Rule**. Following receipt of the complete **regulated tariff application**, ERO shall retain the right to request additional information in accordance with Article 8.10 of the **Pricing Rule**.
- 2.1.7 In accordance with Article 8.2 of the **Pricing Rule**, **regulated tariff applications** shall be published by ERO on its official website, with the exception of: material identified as being commercially confidential by the submitting licensee and accepted as such by ERO.

## A.1 Regulated tariff application format

A **regulated tariff application** consists of five sections, accompanied by two reporting tables. The contents of each section are set out below. The reporting tables are separately provided in electronic form as an MS Excel spreadsheet.

### A.1.1 Tariff strategy

In this section, licensees are to provide:

- An assessment of the extent to which **existing regulated tariffs** conform with the requirements of the Law on the Energy Regulator and the Tariff Methodology and, in particular, the requirements for cost-reflectiveness and non-discrimination as set out in that methodology.
- An explanation of how the **existing regulated tariffs** have been determined and how they relate the relative charges to individual customer categories with the relative costs of supplying those customers.
- Where **existing regulated tariffs** do not conform with the requirements of the Law on Energy Regulator and the Tariff Methodology, proposals as to how the **existing regulated tariffs** will be amended to conform with these requirements, the timescale for such amendments and any limitations or risks associated with the implementation of these amendments.

### A.1.2 Allowed revenues

In this section, licensees are to provide:

- Where regulated under performance-based tariffs, a calculation of the maximum allowed revenues to be recovered by the licensee in the coming year from regulated tariffs, in accordance with the formulae and relevant parameters and indexes determined for this purpose by ERO in its relevant price control decision.
- Where not regulated under performance-based tariffs, a proposed revenue allowance for the coming year accompanied by evidence of its costs for the preceding 12 months and forecast costs for the coming 12 months in the format specified by ERO in the Regulatory Accounting Guidelines and supporting justification for any changes in these costs between the two periods.

### A.1.3 Existing tariff updates

In this section licensees are to provide:

- An explanation of how **existing regulated tariffs** are to be updated to conform with the maximum allowed revenues for the coming year as calculated in

subsection A.1.2, under the assumption that no amendments to the existing tariff structure are implemented.

- Where **existing regulated tariffs** are to be adjusted to conform to maximum allowed revenues for the coming year in a non-uniform manner, a justification for the differing adjustments. This should be related to the tariff strategy submitted by the licensee in accordance with subsection A.1.1.
- Evidence on the quantities sold under each **existing regulated tariff** in the preceding two years, those expected to be sold in the coming year and a comparison of forecast revenues from **existing regulated tariffs** in the coming year with maximum allowed revenues for that year.

In completing this section, licensees shall include a completed existing tariffs reporting table. This is separately provided in electronic form as a MX Excel spreadsheet.

#### A.1.4 Proposed amendments

In this section licensees are to provide:

- A description of any amendments proposed to the structure of **existing regulated tariffs**, including the addition of new customer categories or the deletion of existing customer categories.
- A description of how these amendments are consistent with the tariff strategy submitted by the licensee in accordance with subsection A.1.1.
- Evidence on the expected quantities to be sold under each proposed **amended regulated tariff** in the coming year and a comparison of forecast revenues from proposed **amended regulated tariffs** in the coming year with maximum allowed revenues.
- Evidence on the estimated quantities that would have been sold under each proposed **amended regulated tariff** in the preceding two years, if they had been in effect in those years, and a comparison of estimated revenues from the proposed **amended regulated tariffs** in those years with the maximum allowed revenues approved for those years.

In completing this section, licensees shall include a completed amended tariffs reporting table. This is separately provided in electronic form as a MX Excel spreadsheet.

#### A.1.5 Consultation

In this section, licensees are to provide details on any consultation with stakeholders undertaken as part of the preparation of proposed **amended regulated tariffs**. This includes:

- What information was provided, and how this was made available.



- The timetable for the publication of information, receipt of submissions and preparation of the **regulated tariff application**.
- How issues raised by stakeholders were taken into account in the proposed amended tariffs.

Chairman of the Board of ERO

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Members of the Board:

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