



December 7th, 2009

From: **Dr. Ali Hamiti**, Head of ERO

To: **Mr. Arben Gjuka**, Managing Director, KEK j.s.c.

Mr. Fadil Ismaili, Managing Director, KOSTT j.s.c.

CC: **Ms. Justina Pula-Shiroka**, Minister of Energy and Mining

Ms. Myzejene Selmani, Head of Economy, Trade, Industry, Energy, Transport and Telecommunication Commission, Kosovo Assembly

Mr. Driton Rustemaj, Director of Tariffs and Regulatory Affairs Department, KEK j.s.c.

Ms. Resmije Ahma, Director of Regulatory and Legal Affairs Department, KOSTT j.s.c.

Subject: Fourth Electricity Tariff Review (ETR₄)

Dear All,

We are hereby communicating ERO's plans regarding the fourth electricity tariff review, which are expected to be effective starting from April 1st 2009.

During ETR₄, ERO will continue to apply the tariff review method which was used in the previous years. ERO will invite licensees to submit their preliminary tariff applications, which will serve as a basis for a preliminary review and discussion between ERO, KEK and KOSTT. The aim of these discussions is to identify main issues which will have to be resolved during the tariff review, and also the submission of ERO comments on the preliminary applications. Subsequently, the licensees will submit their final applications. These applications, along with ERO's assessment on them, will be published for stakeholder comments, upon which ERO will make the final decision.

The tentative schedule for ETR₄ is as follows:

- December 9th, 2009: ERO sends the template sheets for the preliminary applications;
- January 5th, 2009: Submission of preliminary applications for review by ERO ;
- January 19th, 2009: Provision of comments on preliminary applications by ERO to KEK and KOSTT;
- February 8th, 2009: Submission of final applications. A formal public notification will be issued in advance given the final date for such submissions;



- February 25th, 2010: Publication of applications and ERO assessment;
- March 5th, 2010: Deadline for submission of comments by stakeholders;
- March 15th, 2010: ERO decision on new tariffs.

Application Guidance

We would like to use this opportunity to offer some guidance on the content of tariff applications, arising out of the experience of previous reviews:

- Separate applications should be submitted for the public generation, distribution and public supply activities of KEK jsc. Given the unbundling of KEK's activities, the planned transaction and the need to determine and separately publish distribution charges applicable to eligible customers, it is necessary for ERO to separately determine the charges for each of these activities
- The energy balance submitted as part of the tariff applications should conform to that approved by MEM for the coming year. Any deviations from this approved balance must be fully justified by licensees.
- Imports and exports should distinguish between 'paid-for' and exchange trades.
- Licensees should accompany their applications with copies of their most recent audited and (if more recent) unaudited financial accounts. This will provide additional information on their financial performance as inputs to ERO's review.
- The applications should include updates of the data required for allocation of costs and the determination of cost-reflective tariffs. A listing of this data is provided as an attachment to this letter. ERO would also like to emphasize the importance of providing the sources and details of assumptions made in these updates for purposes of tariff reviews.

On December 9th 2009, we will send you the updated template sheets of the Revenue and Tariff Model (RTM) which will be used during this tariff review.

Please do not hesitate to contact me for any possible questions.

Yours sincerely,

Dr. Ali Hamiti

Head of ERO



Attachment: Cost Allocation Data to be Updated

A listing of this data is provided below, organized by licensee. Cell references are the version 9 of the RTM as provided to licensees.

KEK JSC (all businesses)

Data	Sheet	Cells	Notes
10-year incremental load growth by voltage level	LRMC	C31:L31 C38:L38 C:45:L45	
10-year investments to meet load growth by voltage level	LRMC	C33:L33 C40:L40 C47:L47	
Network O&M costs by voltage level	LRMC	C55 C60 C65	
Coincidence factor by customer category	LRMC	D15:D22	
Peak demand by entry-exit voltage level	LAF	C31:C35 C39:C41 C46:C48 C50 C55:C57 C62:C64 C71:C73 C78:C80 C85:C87	
Energy by entry-exit voltage level	LAF	E31:E35 E39:E41 E46:E48 E50 E55:E57 E62:E64 E71:E73 E78:E80 E85:E87	



Data	Sheet	Cells	Notes
Customer numbers by customer category	Cust Alloc	G29:G37	
Relative cost weighting	Cust Alloc	G52:G60	Relative costs of providing metering, billing and collection services to a single customer in each category
Capacity share of power purchase costs	Dem Alloc	G18	Basis for assumption to be agreed with ERO
Load factors by customer category	Dem Alloc	G24:G29	
Coincident peak demand by voltage level and customer category	Dem Alloc	G55:G56 G57:G60 G69:G70 G73 G84:G85 G99	
Proportion 35kV demand using 10kV network	Energy Alloc	G18	
Energy losses by voltage level	Energy Alloc	G20:G22	
Final sales by customer category	Energy Alloc	G48:G56	
Short run marginal cost of supply by tariff period	TOU Structure	C18:F18	Represent variable cost of marginal supplier in each period

KOSTT JSC

Data	Sheet	Cells	Notes
Share of network costs allocated to each voltage level	TUOS Charges	H17:J18	
MO costs	TUOS Charges	H36:J36	
Peak demand by voltage level	Energy Bal	H119:J120	