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REGULATORNI URED ZA ENERGIJU
ENERGY REGULATORY OFFICE

Energy Regulatory Office

Distribution Charging Principles

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CHAPTER I - GENERAL PROVISIONS

Article 1

Introduction

These Distribution Charging Principles (the “Principles”) are issued by the Regulator pursuant to the authority given under Article 14 of the Law on the Energy Regulator No. 03/L-185 to the Board of the Regulator to approve tariff methodologies developed by the Distribution System Operator for the charges levied in connection with their regulated energy services.

Article 2

Scope and Purposes

1 These Principles set out:

- a) the principles on which the DSO should develop its proposals for charging for Use of System (DUOS) (the “DUOS Charging Methodology”), and
- b) the principles on which the DSO should develop its proposals for charging for connection to the Distribution System (the “Distribution Connection Charging Methodology”)

which will be submitted to the Regulator for approval. The Board of the Regulator will expect that the proposed Methodologies comply with these Principles. Where they do not, the Board of the Regulator will expect full and detailed justification of the deviation to be provided for it to be able to determine whether to approve the proposed Methodologies.

2 These Principles should be read in conjunction with the General Conditions of Energy Supply, Chapter III, and with the Distribution Pricing Rule.

Article 3

Definitions and Interpretation

1 The terms in these Principles have the meanings specified in the Law on the Energy Regulator, in the Law on Energy, in the Law on Electricity, in the DSO Pricing Rule or in the General Conditions of Supply.

- 1.1 “applicant” means a natural or legal person who requests the DSO to provide a new or modified connection to the Distribution System;
- 1.2 “deep” in relation to a connection means that the applicant will provide at his own cost or



pay the direct costs of the assets required to connect to the nearest suitable point of connection on the existing distribution system plus any indirect costs arising from works associated with the reinforcement, extension or reconfiguration of the existing network and which have arisen as a direct consequence of making the connection;

- 1.3 “effective capacity” means the total capacity at any point in the network which is available for use by users without breaching technical limits of network operation. It may be classified by reference to any relevant technical criteria or applicable standards including, but not limited to, current carrying capacity, short-circuit capacity, voltage limits or stability limits;
- 1.4 “LV” or “low voltage” means a voltage not exceeding 1000 Volts alternating current;
- 1.5 “Non-LV” means a distribution voltage greater than 1000 Volts alternating current;
- 1.6 “shallow” in relation to a connection means that the applicant will provide at his own cost or pay the direct costs arising from the provision of the new connection to the nearest suitable point on the existing distribution system
- 1.7 “Standard Connection Charge” means a charge levied on an individual connection applicant that has been calculated to reflect the average cost of making comparable connections for that class of applicant.
- 1.8 “User” has the same meaning as in the Distribution Code.



PART II – COMMON PRINCIPLES

Article 4

Non-discrimination and Cost Reflectivity

1 In developing the Charging Methodologies referred to in Article 2 above, the DSO should charge or offer to charge prices to any person for connection or use of system services that:

- a) do not materially differ from those charged or offered to any other person making a request for a comparable service; and
- b) reasonably reflect the contribution made by such person to the overall costs of providing the service requested.

2 Notwithstanding the general requirement for cost-reflectivity in the structure of charges, the DSO may set average or standardized charges for connection or use of system services in respect of any specified class of users where:

- a) users within the class, by virtue of their demand characteristics, are broadly similar in terms of the costs they impose on the DSO (taking into account relevant volumes, load factors, load shape, conditions of interruptibility, location of premises being served, the date and duration of any use of system agreement and any other relevant information);
- b) the provision of user-specific pricing within that class would lead to higher administrative cost to the DSO without any material compensating benefit to users in terms of transparency; and
- c) such average pricing is unlikely to present any barrier to competition.

Article 5

Simplicity and Transparency

1 Charges should be as simple, transparent and predictable as possible, whilst reflecting the need to optimise the use of the network and to reflect costs incurred on behalf of the system and for specific users and should avoid as far as practicable the risk of distorted investment decisions.

2 Charges should take account of forthcoming developments in the structure of the power sector and permit more sophisticated arrangements to be introduced as the market develops.



PART III - USE OF SYSTEM CHARGING METHODOLOGY

Article 6

DUOS Charging Methodology: Minimum requirements

The Charging Methodology should enable users of the system to make a reasonable estimate of applicable DUOS charges and should include,

- a) the basis on which charges for use of the distribution system will be calculated;
- b) the basis on which any separate charges for capacity on distribution circuits on the distribution system will be made;
- c) a schedule of any charges that may be made for the provision and installation of any meters, including check meters, or any electrical plant at entry or exist points which is ancillary to and necessary for the grant of use of system, and for the maintenance of such meters or plant;
- d) the criteria on which any decision by the DSO to refuse access to the system shall be made, which criteria shall be objective and technically and economically justified.

Article 7

Basis of Charging

- 1 In determining an appropriate basis for charging users for use of system in terms of Article 6.1 a), the DSO should take into account the medium term costs of maintaining a safe, secure and reliable system so as to enhance the predictability and stability and cost-reflectivity of prices in the long term.
- 2 In developing its Use of System Charging Methodology the DSO should take into account the long-term, marginal, avoided network costs arising from distributed generation and demand-side management measures.¹

Article 8

Sharing of Use of System Costs

- 1 The methodology should respect the following policy principles:

¹ DIRECTIVE 2003/54/EC OF THE EUROPEAN PARLIAMENT dated 26 June 2003, Second package, preamble paragraph 18



- a) DSO should recover its charges by a weighting of 0% to generation and 100% to demand.
- b) Charges should be set so as to reflect the costs of providing and maintaining the distribution system available at different voltage levels
- c) Users should not be expected to pay for the capital, operating, or maintenance costs related to assets which they do not use. For example, this means that users connected to the system at higher distribution voltages should not be required to pay for the provision and maintenance of the system at voltages below their connection voltage.
- d) Charges should reflect the costs imposed, or estimated to be imposed, on the system by a user or class of user at the time of system peak.

Article 9

Recoverable Costs

1 To the extent that such costs are reasonably attributable to a user (or in the case of average charges, to a class of users), use of system charges may be set to recover:

- a) the capital and running cost of maintaining a safe, secure and reliable system in line with nationally applicable standards² available for the transport of electricity from the user's point of entry to the user's point of exit, to the extent that those costs are not recovered through any other charge;
- b) the costs of maintaining voltage and frequency within nationally applicable limits;
- c) the cost of distribution losses (both technical and commercial) in the form of additional supplies required to cover those distribution losses;
- d) the cost of the provision, installation and maintenance of any relevant metering, to the extent that those costs are not recovered through any other charge; and
- e) any other cost which the Regulator may from time to time approve as recoverable through use of system charges as defined in the DSO Pricing Rule.

² Terminology used rather than "as approved by ERO" to allow immediate transposition of any standards arising through EnCT or, in case of transmission, ENTSO-E



Article 10

Offer of Terms for Use of System Services

- 1 On application made by any person, the DSO should offer to enter into an agreement for the provision of use of system services.
- 2 The offer in paragraph 1 should be made and no later than thirty[30] calendar days from receipt of the application for connection to the low voltage network and ninety (90) calendar days for connection to the medium or high voltage network.
- 3 The offer to make available use of system services should specify the points of entry into the system, points of exit from the system and the quantities requiring to be transported, all other services as may be requested in the application, and should specify the prices to be paid for such services.
- 4 Any agreement or offer made by the DSO should be in compliance with the Laws of Kosovo, the Distribution Code, his Licence or any other Rule issued by the Regulator.



PART IV – CONNECTION TO SYSTEM

Article 11

Charging Methodology: Minimum Requirements

- 1 The Charging Methodology should be prepared in such a way as will enable users of the system to make a reasonable estimate of the applicable connection charges.
- 2 The Charging Methodology should include,
 - a) a schedule listing those items (including the carrying out of works and the provision and installation of electric lines or plant or meters) of significant cost liable to be required for the purpose of connection (at entry or exit points) to the distribution system for which connection charges may be payable and where practicable including indicative charges against each item specified in the schedule or (where this is not practicable) the basis on which such charges will be calculated;
 - b) the basis on which charges will be calculated in respect of extension or reinforcement of the distribution system which the DSO reasonably believes to be necessary to provide a connection to an applicant without jeopardizing the stability or security of the system, or the quality of supply of existing users of the system;
 - c) the basis on which charges will be calculated where the provision of electric lines or plant to be installed are of greater capacity than required for the needs of the applicant;
 - d) the basis on which charges for the maintenance and repair of electric lines, plant or meters installed for the purposes of giving a connection will be calculated;
 - e) the basis on which charges will be calculated in respect of de-energisation of a customer's connection, disconnection from the DSO's distribution system and the removal of electric lines, plant and meters following disconnection.
 - f) the criteria on which any decision by the DSO to refuse access to the system shall be made, which criteria shall be objective and technically and economically justified.
- 3 For the avoidance of doubt, where assets have been paid for by customer contributions towards the cost of connection, the value of those assets will be added to the licensee's regulatory asset base but the amount of the customer contributions will be deducted from the licensee's allowed revenues.
- 4 The Methodology should include a list of information that will be required of applicants requesting connection to the Distribution System, including any sample forms which applicants will be required to complete.



5 The approved Methodology should be published, prior to its coming into force, on the DSO's website made freely downloadable to prospective applicants and should make a paper copy available at no cost to any applicant who does not have access to electronic media.

Article 12

Connection of Generation

1 Applicants for the connection of new generation, or increases in the connection capacity for existing generation, should pay shallow connection charges set so as to recover the direct costs of the provision of the connection to the nearest suitable point on the distribution system, including any metering and step-up transformers necessary to enable the connection but should not include the cost of any reinforcement of the system that may result from the connection upstream of the point of connection.

2 In line with Article 8 of the Regulator's "Rule on the support of electricity for which a certificate of origin has been issued and procedures for admission to the support scheme", the DSO is allowed to levy a charge, which shall be approved by the Regulator, in respect of applications submitted for the carrying out of an assessment of the impact of the proposed development of a specified generating unit which is to be connected to Distribution network.

Article 13

Load Connections

1 Standard connection charges should be set for new LV load customers to cover the average costs of the service termination and metering. An applicant should be eligible to pay the standardized charge where the customer metering point will be not more than 50 metres from the nearest suitable connection point on the distribution system.

2 Non-standard charges should apply:

- a) where an LV customer's metering point is more than 50 metres from the nearest suitable connection point on the distribution system, and
- b) for all non-LV customers.

3 Non-standard charges levied in Article 13.2 should be set on the basis of:

- a) deep connection cost recovery, where:
 - i. a new load or an increase in load exceeds 3% of the existing Effective Capacity at the point of connection to the Distribution network, and
 - ii. the connection is not foreseen in the Distribution Development Plan, or



- b) shallow connection cost recovery, where:
- i. a new load or an increase in load does not exceed 3% of the existing Effective Capacity at the point on connection on the Distribution network, **or**
 - ii. the connection is foreseen in the Distribution Development Plan.

Article 14

Setting of Charges for Connection

1 The DSO submits its Connection Charging Methodology to the Regulator for approval in line with Chapter V of the Pricing Rule and these Charging Principles.

2 As soon as practicable after approval of the Methodology, the DSO should submit a statement of its charges for connection calculated in line with the Methodology to the Regulator for approval.

3 The DSO should submit a statement of its charges to the Regulator for approval (whether or not any revision to those charges is proposed) at least once a year.

4 Charges shall not become effective until approved by the Regulator. The Regulator shall approve charges or give reasons for not approving them within 60 days of the date of submission of such charges to the Regulator.

Article 15

Offer of Terms for Connection

1 Where the DSO has received a formal connection application containing all information required under the approved Charging Methodology, it should provide a formal offer to connect the applicant within the time limits specified in Article 9.7 of the General Conditions of Supply. The DSO should, at the request of a person interested in a new or modified connection, provide an indicative and non-binding quotation to assist that person to budget the likely financial costs of his project.

2 The formal offer should contain the date by which the connection works will be completed.

3 Where the DSO and the applicant so agree, the formal offer may include terms for the payment of interest for failure of either party to complete its part of any necessary works or to provide any necessary consents and which leads to delays and costs for the other party.

4 Any indicative quote prepared in line with 1 above should not require the DSO:

- a) to complete any site studies or system studies, or



- b) to obtain any supplier's quotation for the necessary lines, plant or equipment likely to be required to enable the connection to be made, or to obtain any rights of way,

and the DSO should not be required to carry out the steps envisaged in a) or b) above until a formal connection application has been received.

5 Any agreement or offer made by the DSO should be in compliance with the Laws of Kosovo, the Distribution Code, his Licence or any other Rule issued by the Regulator.



PART V - TRANSITIONAL AND FINAL PROVISIONS

Article 16

Official Language

These Principles are issued in the Albanian language and shall be translated into Serbian and English languages. In the event of discrepancies between versions, the Albanian version shall prevail.

Article 17

Changes

ERO retains the right to change or modify any provision of these Principles following a public consultation review process.

Article 18

Interpretation

If there is uncertainty about the provisions of these Principles, the Board will issue clarification.

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