

Prishtina 30/06/2005

In accordance to the competences given in the Law on Energy Regulator, Energy Regulatory Office issues following:

Temporary Instruction I_01_2005 on Regulatory Reporting of District Heating Enterprises

Chapter 1

District Heating Regulatory Reporting Procedures and Content of Financial and Technical Data

Article 1

Regulatory reporting in the District Heating Sector shall be made for the activities of Production (Generation), and Distribution and Supply of heat.

Article 2

District Heating Enterprises shall perform regulatory reporting according to the following:

2.1 District Heating Enterprises are obliged to submit to the Energy Regulatory Office financial statements, including annexes, in compliance with the Kosovo Accounting Standards and Regulation 2001/30 on the Regime of Financial Reporting of the Businesses, and the Auditors Report(s) for the past calendar year, as follows:

- a) Balance Sheet – deadline for submission 28 February
- b) Income Statement – deadline for submission 28 February
- c) Independent Audit Report – deadline for submission 31 March
- d) Semi Annual Financial Report – deadline for submission 15 July.

2.2 District Heating Enterprises are obliged to submit by the 31st of July to Energy Regulatory Office the following regulatory statements:

- a) Statement of Operating Assets
- b) Statement of Cost and Revenues
- c) Statement of Billing and Cash collection
- d) Statement of Investment Expenditures
- e) Technical Statement
- f) Support Statements

Article 3

3.1 In Annex No.1 are presented regulatory statements as listed under Article 2.2 and Article 6.

3.2 District Heating Enterprises shall submit to Energy Regulatory Office, statements as listed under Articles 2.1 and 2.2, every calendar year within the deadlines determined in the Timetable Periodical Review of District Heating Enterprises in the Annex No. 2.

Chapter 2

Guidelines for Completion of Regulatory Statements

Article 4

Guidelines for completion of Regulatory Statements set forth the methods for data recording and preparation of the statements sought by the Energy Regulatory Office from the District Heating Enterprises. The District Heating Enterprises while preparing regulatory statements must follow these guidelines.

Article 5

Regulatory statements are prepared for the following district heating activities divided in groups:

- a) G1 - Generation of heat
- b) G2 – Distribution and supply of heat

Article 6

Regulatory Statements are structured into the following categories:

- a) Operating Assets Statement – A-G1,G2
- b) Cost and Revenue Statement – B-G1,G2
- c) Billing and Cash Collection Statement – C-G2
- d) Investment Expenditures Statement – D-G1,G2
- e) Technical Statement – E-G1,G2
- f) Support Statements

Article 7

Guidelines for completion of Operating Assets Statement – Statement A-G1, G2

7.1 The Operating Assets Statement are understood to comprise assets used to perform a given district heating activity - fixed assets and intangible assets (patents etc), and are divided in the following categories:

- a) Directly Assignable Assets – which directly participate in the implementation of particular district heating activity (G1 or G2), and can be unambiguously assigned as the assets of certain district heating activity

- b) Supporting Assets – assets which serve to perform more than one activity, and which cannot be unambiguously assigned to one district heating activity
- c) Common Assets – the assets which serves to perform district heating activities (groups G1 and G2), and other activities not related to district heating

7.2 Operating assets do not include:

- a) Intangible investment projects in process,
- b) Advances paid towards intangible long-term assets,
- c) Tangible investment projects in process,
- d) Advances paid towards tangible long-term assets
- e) Adjustment to property acquisitions,
- f) Financial investment, and
- g) The value of items purchased on financial lease, which is not kept in the bookkeeping records.

7.3 Operating assets are stated using the following values:

- a) Acquisition price at historical cost,
- b) Accumulated depreciation,
- c) Book value, and
- d) Replacement cost at market value

7.4 Detailed explanation for completion of the Operating Assets Statement

a) Directly Assignable Assets

a.1) Generation of heat

- Delimitation:
 - Beginning: systems used for reception of fuel,
 - End: the point of delivery of the heating water to the heat distribution network.
- Main items to be included:
 - Heating-plant boilers (heavy fuel oil and light fuel oil boilers),
 - Stack,
 - Plant heat exchangers,
 - Circulation pumps in the heat plant,
 - Fuel handling systems,
 - Water management systems, including chemical water treatment,
 - Environmental systems for boilers,
 - Systems for electricity generation for own consumption by the heat plant (e.g. power generators).

a.2) Distribution and Supply of heat

- Delimitation:
 - Beginning: the point of passage of the heating water from heat plant into the heat distribution system,

- End: the point of passage of the heating water into the customer system or the metering point.
- Main items to be included:
 - Hot water lines,
 - Heating water distribution network,
 - Heat supply mains (pipelines in the primary network),
 - Transfer stations - Substations,
 - Metering and control systems.

b) Supporting Assets

Supporting assets are the property used for generation, and distribution and supply of heat.

- Main items to be included under the supporting property:
 - Buildings and engineering structures (such as the generating units),
 - Software,
 - Hardware,
 - Geographic information systems,
 - Equipment, inventory,
 - Studies, projects, advisory and consulting services

c) Common Assets

Common assets comprised of the property that is used for performing district heating related activities and for performing other activities non-related to district heating.

- Main items to be included:
 - Land,
 - Common office buildings,
 - Garages,
 - Company information systems,
 - Other property items.

Article 8

Guidelines for completion of Cost and Revenue Statement – Statement B-G1,G2

- 8.1 Cost and Revenue Statement is comprised of allowable revenues and costs structured by the revenue and cost item, and by the type of the district heating activities (groups G1, G2)
- 8.2 Allowable costs are understood as costs necessary to carry out district heating activity and do include:
- a) Cost of the primary energy sources (fuels),
 - b) Cost of the energy consumed (electricity, water),
 - c) Personnel costs - Wages plus pension contribution and other taxes payable by the company,
 - d) Cost of system repairs and maintenance,
 - e) Fixed assets book depreciation,

- f) Interest on loans taken, and bank fees and charges,
- g) Other costs which are directly related to the district heating activity, such as purchase of sundry external services from external contractors etc., and
- h) Justified financial and extraordinary costs.

8.3 Allowable costs do not include:

- a) Subsidies,
- b) Costs rejected by tax authorities,
- c) Lease margins,
- d) Costs of setting aside and releasing reserves,
- e) Lease payments for the value of items which are not kept in the bookkeeping record, and
- f) Other financial and extraordinary costs.

8.4 Basic cost structure is comprised of:

- a) Operational costs
 - Variable part
 - Fixed part
- b) Depreciation of the fixed assets

8.5 Cost division by the level participation in carrying out the specific district heating activity:

- a) Directly Assignable costs – which are directly incurred for performing particular district heating activity (G1 or G2), and can be unambiguously assigned as the costs of certain DH activity;
- b) Supporting Costs – which incurred for performing more than one district heating activity, and are related to direct management of the main activities of heat generation, and distribution and supply of heat; these costs cannot be unambiguously assigned to a particular district heating activity; and
- c) Common Costs – these costs represent the common costs related to the business administration and management of the company as a whole; costs incurred for performing district heating activities and non-district heating activities.

8.6 Allowable revenues include: sales for the given district heating activity e.g. sales of heat and rendered services, and other revenues resulting from a given activity.

8.7 Allowable revenues do not include revenues from non-district heating activities, revenues from the sale of long-term tangible and intangible assets and inventory, and the revenues from the leases of property.

Article 9

In the Billing and Cash Collection Statement – Statement C-G2 are stated billing and cash collection data for the heat supplied to customers for the respective heating season.

Article 10

Guidelines for completion of Investment Expenditures Statement – Statement D-G1,G2

- 10.1 In this statement are entered actual and planned investment expenditures of district heating enterprise for actual year and four (4) forthcoming years.
- 10.2 The statement consists of the investment directly assignable to the district heating activity – generation, and distribution and supply of heat
- 10.3 The statement also contain, under the item “other” the investment expenditures pertaining to the supporting and common property, and to non-district heating activities; Detail breakdown of this item should be given as supplementary information of the statement
- 10.4 Investment expenditures contain, among other things, expenses for advance payments and/or for construction in process. On the other hand expenses for financial investments are not included.

Article 11

Guideline for completion of Technical Statement – Statement E-G1,G2

- 11.1 This statement contains the following parts: General Technical Data; Energy (Heat Production) Balance; Heat (Supply) Balance; Customer Data; and Fuel(s) Consumption.
- 11.2 General Technical Data consist of the following:
 - a) Heat capacity installed – it means the total heat capacity installed in the heating plant despite of present technical condition,
 - b) Heat capacity available – the total heat capacity in the working conditions (ready for operation),
 - c) Length of distribution network – the length of the primary network (pipeline)
 - d) Number of substations – total number of the substations installed in the district heating / distribution system
 - e) Number of active substations – total number of the substations through which the actually customers are supplied.
- 11.3 Energy (Heat Production) Balance consists of the following:
 - a) Energy input in fuel – understood the total fuel energy in MWh used for generation of heat
 - b) Gross heat production – the total heat produced by the generation unit(s)
 - c) Net heat production – the amount of heat delivered to distribution network, measured at the split up point between heat production and distribution network.
 - d) Self consumption – the amount of heat used for own consumption in the heating plant such as heat used for auxiliary systems, space heating of premises etc.,
 - e) Total heat plant efficiency – as the ratio between net heat production and fuel input;
Formula: Heat plant efficiency = (Net heat production / Fuel input) * 100
 - f) Water consumption – total amount of raw water used for preparation of make up water (treated water for (re)filling the system),
 - g) Electricity consumption – electricity consumed in heat generation plant and distribution network such as electricity to preheat the fuel oil, electricity for running boilers, electricity for running main circulation pumps for primary network, etc.

11.4 Heat Supply Balance consists of the following:

- a) Heat input to distribution network – the amount of heat measured at the split up point between heat production and distribution network; it corresponds with net heat production
- b) Heat supply to customers – the amount of heat delivered to customer substation measured at metering point, split up point between the primary and secondary network
- c) Distribution losses [MWh]– as the difference between heat input to the distribution network and the heat supply to customers; **Formula: Distribution losses = Heat input – Heat supply**
- d) Distribution Losses [%] – **Formula: Distribution Losses = [(Heat Input – Heat Supply) / Heat Input] * 100**

11.5 Customer Data consist of the following:

- a) Contracted heat capacity – sum of agreed capacity for every customer substation (defined as maximum load demand for designed out-door temperature),
- b) Total heated area – total heated area actually supplied with heat for every customer group (at present: household, and commercial & institutional)
- c) Specific heat capacity demand – estimated heat capacity demand per square meter (defined as maximum load demand per square meter for designed out-door temperature) for every customer group (at present: household, and commercial & institutional)
- d) Nominal Full load hours – calculated as the ratio between annual heat supplied to customers and contracted heat capacity for every customer group
- e) Heat demand – calculated heat demand for every customer group; **Formula: Heat demand = (Specific heat capacity demand * Total heating area * Nominal full load hours) / 10⁶**

11.6 Fuel(s) Consumption consists of the following:

- a) Amount of fuel consumed (in tons)
- b) Lower Heating Value – the amount of useful heat obtained by firing one ton of fuel
- c) Energy in Fuel – **Formula: Energy in Fuel = Amount of Fuel * Lower Heating Value**

Article 12

Support Statements shall include:

- a) Daily and monthly heat production reports,
- b) Monthly reports on records and analysis of measured heat supply in substations,
- c) Updated customer database, and
- d) Any other attached document needed to support and clarify presented regulatory statements.



Article 13

The present Instruction shall apply upon its signature.

On behalf of ERO

Dr. Nick F. Frydas
Chairman of the Board