

Prishtina, 15th March 2007
ERO Code: D_39_2007

The Board of the Energy Regulatory Office

Has received an application from KEK JSC for the approval of proposed new retail tariffs, to take effect from 1st April 2007.

Taking into account:

1. Its duties under Articles 45 to 48 of Law No. 2004/9 “On the Energy Regulator” and, in particular, the requirements under Article 46.2 that:
 - d) *prices shall take into consideration environmental and customer protection concerns;*
 - e) *prices for the individual groups of customers shall conform to the costs of delivery of electricity, heat and natural gas to those customers;*
 - f) *cross-subsidies of customer classes shall not be permitted.*
2. The provisions of the Rule on Principles of Calculation of Tariffs in the Electricity Sector (the “Pricing Rule”) and the Tariff Methodology.
3. The ERO Board decision of 21st December 2006 (D_29_2006) setting allowed revenues to be recovered by KEK JSC from regulated retail tariffs for 2007 at EUR141,899,000.

Has:

1. Confirmed the compliance of the proposed new retail tariffs with the allowed revenues previously approved by the ERO Board, on the basis that the new retail tariffs will apply between 1st April and 31st December 2007.
2. Accepted, as described in the Background to decision attached to and published with this Decision, the arguments made by KEK JSC for the adoption of a single-rate energy tariff for metered household customers for 2007, while noting that this is a temporary derogation and does not commit ERO to a decision to approve such a tariff structure in future years.
3. Rejected the proposal by KEK JSC for the elimination of the two existing consumption bands (of <800kWh/month and 800kWh/month) applicable to energy tariffs charged to household customers due to concerns over the resulting impacts on affordability of electricity supplies to low-income consumers.
4. Accordingly, as described in the justification attached to and published with this Decision, has modified the proposed retail tariffs to introduce a three consumption band structure applicable to energy tariffs charged to household customers, with the level of the bands determined based on ERO’s assessment of the minimum consumption needs of low-income customers.

And, in the Board Session of 15th March 2007, has decided to:

1. Approve the attached retail tariffs for implementation by KEK JSC from 1st April 2007, as analyzed, revised and set out by the ERO Board.
2. Approve, for the purposes of this application only, a derogation to Article 8.4 of the Pricing Rule, permitting KEK JSC to apply for approval of new retail tariffs to take effect from 1st January 2008, and every 12 months thereafter.
3. This decisions shall be published by KEK J.S.C in at last one local daily newspaper of wide circulation in Kosovo within 5 working days after ERO's announcement and publication of the decision on the official ERO web – site.
4. This Decision is issued in Albanian, Serbian and English language. In case of dispute between the different languages the English version shall prevail.
5. Against this Decision the unsatisfied party may submit its complaint in the Court of relevant jurisdiction within 14 days upon its adoption and publishment on official web site of ERO.
6. This Decision becomes effective on 20th of March 2007.

Board of ERO

Ali Hamiti
Chairman of the Board of ERO

Merita Kostari
Member of the Board

Theranda Beqiri
Member of the Board

Naim Bejtullahu
Member of the Board

Nysret Avdiu
Member of the Board

Attachment: Approved KEK JSC regulated retail tariffs

KEK JSC retail tariff application (with bands)

Tariff Group	Voltage level of supply	Tariff elements	Unit	Time-of-day (a)	KEK JSC Application	
					High season	Low season
					1 October - 31 March	1 April - 30 September
0	110kV	Standing (customer) charge	€/customer/year		34	
		Standing (demand) charge	€/kW		519	519
		Active energy (P), of which:	€/kWh	High tariff	6.03	1.78
			€/kWh	Low tariff	2.5	1.47
Reactive energy (Q)	€/kVArh					
1	35kV	Standing (customer) charge	€/customer/year		30	
		Standing (demand) charge	€/kW		540	540
		Active energy (P), of which:	€/kWh	High tariff	6.3	2.73
			€/kWh	Low tariff	3.33	2.47
Reactive energy (Q)	€/kVArh		0.04	0.04		
2	10kV	Standing (customer) charge	€/customer/year		34	
		Standing (demand) charge	€/kW		466	466
		Active energy (P), of which:	€/kWh	High tariff	7.07	3.15
			€/kWh	Low tariff	3.81	2.87
Reactive energy (Q)	€/kVArh		0.32	0.32		
3	0.4kV Category I (large reactive power consumers)	Standing (customer) charge	€/customer/year		29	
		Standing (demand) charge	€/kW			
		Active energy (P), of which:	€/kWh	High tariff	9.83	5.4
			€/kWh	Low tariff	6.15	5.08
Reactive energy (Q)	€/kVArh		1.53	1.53		
4	0.4kV Category II	Standing (customer) charge	€/customer/year		34	
		Standing (demand) charge	€/kW			
		Active energy (P)	€/kWh	Single tariff	9.73	6.23
		Active energy (P), of which:	€/kWh	High tariff	11.05	6.35
			€/kWh	Low tariff	7.14	6.01
5	0.4kV (domestic 2-rate meter) (c)	Standing (customer) charge	€/customer/year		20	
		Active energy (P), for consumption:				
		<200kWh/month (First Block) of which:	€/kWh	High tariff	3.47	2.49
			€/kWh	Low tariff	3.47	2.49
		200-600 kWh/month (Second Block) of which:	€/kWh	High tariff	4.76	3.42
			€/kWh	Low tariff	4.76	3.42
		>600 kWh/month (Third Block) of which:	€/kWh	High tariff	8.43	6.06
€/kWh	Low tariff		8.43	6.06		
6	0.4kV (domestic, 1-rate meter) (c)	Standing (customer) charge	€/customer/year		20	
		Active energy (P), for consumption:				
		<200kWh/month (First Block) of which:	€/kWh	Single tariff	3.47	2.49
		200-600 kWh/month (Second Block) of which:	€/kWh	Single tariff	4.76	3.42
		>600 kWh/month (Third Block) of which:	€/kWh	Single tariff	8.43	6.06
7	0.4kV (domestic unmetered)	Estimated consumption <400kWh/month	€/customer/month		23	
		Estimated consumption 400-800kWh/month	€/customer/month		42	
		Estimated consumption >800kWh/month	€/customer/month		71	
8	Public lighting	Standing (customer) charge	€/customer/year		34	
		Active energy (P)	€/kWh	Single tariff	7.82	7.82