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ZYRA E RREGULATORIT PËR ENERGJI
REGULATORNI URED ZA ENERGIJU
ENERGY REGULATORY OFFICE



ZRRE/Rregulla Nr. **xxx**/2024

RULE ON PRINCIPLES FOR DETERMINING DISTRIBUTION USE OF SYSTEM CHARGES AND CONNECTION CHARGES

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Article 2 Definitions and Interpretation

1. Terms used in this Rule have the meanings as defined below:
 - 1.1. **Applicant:** A natural or legal person requesting the DSO to make a new connection or to modify an existing connection to the distribution network.
 - 1.2. **Shallow Connection:** Refers to the situation where the applicant provides at their own expense or pays only for the costs caused by creating a new connection at the nearest suitable point in the existing distribution network, as determined by the distribution system operator.
 - 1.3. **Deep Connection:** Refers to the situation where the applicant provides at their own expense or pays for the necessary assets for connection at the nearest suitable point in the existing distribution network plus any indirect costs caused by related works for reinforcing, expanding, or reconfiguring the existing network due to the direct result of the connection point operation.
 - 1.4. **Simple New Connection:** A new connection with simplified technical conditions as determined by the DSO.
 - 1.5. **Producer (Generator):** A natural or legal person that produces electricity.
 - 1.6. **Producer Consumer:** A consumer who consumes electricity from the system but can also produce electricity that enters the system.
 - 1.7. **Energy Storage:** Energy storage operators are treated as consumers when buying electricity and as producers when selling it.
 - 1.8. **Effective Capacity:** The total capacity at each point in the network that is available for use by users without violating the technical limitations of network operation. It can be classified by referring to any relevant technical criteria or standards in force, including but not limited to, actual transmission capacity, short-circuit capacity, voltage limits, or stability limits.
 - 1.9. **LV or Low Voltage:** Voltage that does not exceed 1000 volts of alternating current.
 - 1.10. **MV:** Refers to distribution voltage higher than 1000 Volts of alternating current.
 - 1.11. **Standard Connection Charge:** The charge required from an individual applicant, calculated to reflect the average cost of creating a similar connection for that applicant class.



- 1.12. **User:** Has the same meaning as in the Distribution Code.
 - 1.13. **Renewable Energy Community:** Has the same meaning as in the Law on the Promotion of the Use of Renewable Energy Sources.
2. All other expressions used in this document shall have the meanings based on the energy sector laws, rules, codes and regulations approved from ERO.

PART II – COMMON PRINCIPLES

Article 3

Key principles of distribution network tariff structure

1. Methodology for determining connection charges and the Methodology for determining DUoS charges should be based on the following key principles:
 - 1.1. **Cost reflectivity:** Tariffs paid by network users should reflect the cost they impose on the system to secure efficient use and development of the system, and give appropriate incentives to avoid future costs;
 - 1.2. **Non-distortionary:** Costs should be recovered in ways that avoid distorting decisions around access to and use of the network, and market offers;
 - 1.3. **Cost recovery:** DSOs should be able to recover efficiently incurred costs through tariffs for use of the distribution system, charges for connection, and regulated services;
 - 1.4. **Non-discriminatory:** there should be no undue discrimination among network users;
 - 1.5. **Transparency:** the methodology for calculating tariffs for the use of the distribution system should be transparent and accessible to all stakeholders;
 - 1.6. **Predictability:** The distribution network system users to be able to accurately estimate the costs of using the distribution system, enabling efficient long-term investments. However, due to the evolving nature of the energy system, network tariffs will need to adapt over time;
 - 1.7. **Flexibility:** Tariffs should be flexible enough to accommodate future changes in technology, policy, and market conditions;
 - 1.8. **Incentivization:** The distribution use of system tariffs should provide economic signals to incentivize efficient behavior by system users;



- 1.9. **Equity:** Tariffs should aim to distribute the costs among all system users, ensuring that no particular group bears an unfair share of the costs;
- 1.10. **Simplicity:** Tariffs should be easy to understand and implement. The simpler they are, the easier they are for network users to respond to.
- 1.11. **Market integration:** Tariffs should be designed in a way that they do not distort the competitive energy market and are coherent with other market mechanisms and policies.

Article 4

Considerations for applying principles in the design of tariffs for the use of distribution system

1. To apply the key principles for tariff structures as outlined in Article 3, the tariff design methodology for use of distribution system should consider the following:
 - 1.1. **Be future-proof:** Tariffs should not be a barrier to new technologies and innovative market offers from market actors that will add value or reduce costs for consumers, for example related to flexibility and energy efficiency.
 - 1.2. **Be sensitive** to the different costs of network provision, these include the costs of providing capacity at peak, the costs of maintaining the grid, operational expenditure and losses etc. Each should be reflected appropriately through tariff structures.
 - 1.3. **Net metering on self-generation should be avoided:** Self-generators that use the network should face network tariffs which are fair and cost reflective in the same manner as consumers that exclusively rely on the network for their energy supply.
 - 1.4. **Network tariffs are only one of many tools to give price signals to consumers,** other tools that can signal congestion include market-based signals for flexibility procurement and connection charges. When 'firm response' is needed, tools other than tariffs may be required.
 - 1.5. **Coherent approach** across all voltages. Distribution network users' decisions on where to build new assets, how to dispatch plants and when to consume energy are not made in isolation. The arrangements at transmission level are relevant. Coherence is important and network tariff driven regulatory arbitrage should be avoided.
 - 1.6. **Confidential Information:** The Distribution System Operator should maintain the confidentiality of sensitive business information obtained during the performance of its



activities and should prevent the disclosure of information about its activities that could create a commercial advantage if disclosed in a discriminatory manner.

- 1.7. **All tariff structures reflect multiple objectives which need to be balanced:** These may evolve over time; They may differ from country to country; o Tariff design requires careful planning and there is a need for effective management of transitions.
 - 1.8. **The process of developing tariffs** requires careful planning and needs effective management of transitions.
2. Despite the key principles of cost reflectivity in the structure of charges and tariffs, the DSO may determine average or standardized connection charges and DUoS charges for any class of users where:
- 2.1. Users within that class, based on their demand characteristics, are broadly similar in terms of costs they impose on the DSO (considering relevant volumes, load factors, load shape, interruption conditions, location of facilities where services are provided, date and duration of any agreement on the system, and any other relevant information);
 - 2.2. Setting a specific price for users within that class would lead to higher administrative costs for the DSO without any materially compensable benefit for users in terms of transparency;
 - 2.3. Differentiated tariffs, specifically tariffs for the services of distribution system users, include payments related to fixed monthly charges and payments for capacity and energy for customers according to voltage levels; and
 - 2.4. Such an average price is unlikely to create any barrier to competition.

PART III – METHODOLOGY FOR DETERMINING DISTRIBUTION USE OF SYSTEM (DUoS) TARIFFS

Article 5

Methodology for Determining DUoS Tariffs: Minimum Requirements

1. The methodology for determining DUoS tariffs must adhere to the key principles outlined in Article 5. It should enable system users to reasonably assess the applicable tariffs for using the distribution system and must include:
 - 1.1. The basis on which the DUoS tariffs will be calculated;
 - 1.2. The basis on which specific charges for capacity in distribution circuits will be made;



- 1.3. A list of any charges that may be required for the provision and installation of meters, including control meters or any electrical systems at entry or exit points, which are necessary to enable system use and maintain such meters and systems;
- 1.4. The criteria on which the DSO's decision to temporarily refuse access to the system is based, which must be objective and technically and economically justified.

Article 6

Basis for Determining Tariffs

1. In determining tariffs for users of the system as defined in Article 5.1(a), the DSO must take into account:
 - 1.1. Medium-term maintenance costs of a safe and reliable system to improve predictability, stability, and long-term cost reflection;
 - 1.2. Network security, digitalization, and flexibility services.
2. In drafting the methodology for determining DUoS tariffs, the DSO must consider long-term costs, marginal costs, and the avoided network costs caused by distributed generation and demand-side management measures.
3. The methodology for determining DUoS tariffs, should encourage mechanisms to improve energy efficiency and demand-side management, such as interruptible tariffs and time-of-use tariffs.
4. The tariff bases for DuoS should be:
 - 4.1. Energy based
 - 4.2. Power based
 - 4.3. Lump-sum

Article 7

Allocation of System Use Costs

1. The methodology must respect the following principles:
 - 1.1. The DSO must cover fixed costs (via capacity charges) by sharing the costs to all system users, including:



- 1.1.1. **Consumers** that are using the distribution system only for their supply with energy
 - 1.1.2. **Producers (Generators)** that exclusively inject energy
 - 1.1.3. **Prosumers and storage facilities** – that are using distribution system for supply and injection of energy.
 - 1.2. The DSO must cover variable system use costs through energy tariffs;
 - 1.3. Charges must be set in a way that allows reflection of the cost of providing and maintaining the distribution system, available at different voltage levels;
 - 1.4. Users should not be expected to pay for capital, operational, or maintenance costs related to assets they do not use;
 - 1.5. Charges must reflect the costs caused, or estimated to be caused, by the user or user class at peak demand times in the system;
 - 1.6. The DSO must separate their internal accounts for regulated energy activities as if these activities were carried out by separate enterprises, in order to avoid discrimination, cross-subsidization, and distortion of competition. They must also maintain accounts, which may be consolidated, for other unregulated electricity activities and ensure that these accounts are audited.
2. In allocating system use costs, the DSO should develop tariffs for energy injection and tariffs for energy supply at appropriate levels based on the actual costs of using the distribution system.

Article 8 (new)

Injection tariffs for parties injecting energy to the distribution system

1. Producers (generators), energy storage facilities, and prosumers may be subject to injection tariffs for using the distribution system to inject their energy into the system.
2. The injection tariffs will be set on same principles and considerations as stipulated in Article 3 of this regulation, specifically:
 - 2.1. When setting injection tariffs, the DSO will consider only the costs incurred by the system due to the injection of energy.



- 2.2. **Injection tariffs for producers** - should be power based (expressed in €/MW) or lump-sum, as long as they reflect the costs of providing distribution infrastructure services to network users, can be appropriate, to better reflect their main cost drivers. Costs that are not correlated with either capacity or energy, but instead with the number of network users or meters (such as billing, metering, or administrative costs), should ideally be recovered through lump sum charges.
- 2.3. **Storage Facilities and Prosumers** – by properly taking in account the potential cost-offsetting the effect and the overall cost-impact to the network. In this context, where volumetric charges are applied, **net-metering should be avoided**. It is not cost-reflective and shifts costs to users who only inject into or only withdraw from the grid.

Article 9 (new)

Exemptions, discounts for producers, storage facilities and prosumers.

Producers, storage facilities, and prosumers may be exempt from injection tariffs or receive a discount, as decided by the ERO or any other governmental body authorized to make such decisions.

Article 10

Recoverable Costs

1. To the extent that such costs can be charged to the user (or in the case of average tariffs, to a class of users), DUoS charges may be determined to cover:
 - 1.1. Capital and labor costs for maintaining a safe and reliable system, in accordance with national standards for electricity transmission from the user's entry point to the exit point, to the extent that these costs cannot be recovered from any other charge;
 - 1.2. Costs for maintaining voltage and frequency within national limits;
 - 1.3. Reasonable distribution loss costs (both technical and commercial) in the form of additional supplies needed to cover these losses (as determined by the Regulator);
 - 1.4. Costs for providing, installing, and maintaining relevant meters, to the extent that these costs cannot be recovered from any other charge;
 - 1.5. Any other costs that the Regulator may approve from time to time as recoverable through the tariff system as specified in the Rule on DSO Revenues.



- 1.6. The network operator will consider only those costs or their components that are related to obtaining necessary services from third parties for performing the activity as if they were performing it themselves. The network operator must provide documents and evidence for each of these costs.
- 1.7. If extraordinary expenses or revenues occur, they must be reported to the regulator without delay.
- 1.8. The calculation of distribution network costs is based on documents maintained annually for this purpose and related to distribution activities.

Article 11

Offering Terms for System Use Services

1. Upon receiving a request from any consumer, the DSO must offer an agreement for providing system use services.
2. The offer mentioned in paragraph 1 must be made no later than thirty (30) calendar days after receiving the request for connection to the low voltage network and ninety (90) calendar days for connection to the medium voltage network.
3. The offer to provide system use services must specify:
 - 3.1. The connection point;
 - 3.2. The available capacity;
 - 3.3. All other services that may be requested;
 - 3.4. The prices to be paid for such services.
4. Any agreement or offer made by the DSO must comply with Kosovo laws, the Distribution Code, the license, or any other rule issued by the Regulator.

PART IV – CONNECTION TO THE SYSTEM

Article 12

Methodology for Determining Connection Charges: Minimum Requirements

1. The methodology for determining connection charges must be prepared to enable system users to make a reasonable assessment of the applicable connection charges.



2. The methodology for determining connection charges must include:
 - 2.1. Examples showing the necessary materials for connection and their prices (including the cost for performing the work and providing and installing electrical lines, plants, or meters), which may be required for connection purposes (at entry and exit points) to the distribution system for which connection charges may be payable and, where possible, include indicative charges for each point listed or (if this is not possible) the basis on which these charges will be calculated;
 - 2.2. The basis on which charges for expanding or reinforcing the distribution system will be calculated, as reasonably assessed by the DSO, to provide a connection to the applicant without risking the stability or safety of the system or the quality of supply to existing system users;
 - 2.3. The basis on which charges will be calculated where the provision of electrical lines or systems to be installed is of greater capacity than needed for the applicant's requirements;
 - 2.4. The basis on which charges for maintaining and repairing electrical lines, systems, or meters installed for connection purposes will be calculated;
 - 2.5. The basis on which charges will be calculated regarding the de-energization of the consumer's connection, disconnection from the DSO's distribution system, and removal of electrical lines, systems, and meters after disconnection;
 - 2.6. The criteria on which the DSO's decision to temporarily refuse access to the system is based, which must be objective and technically and economically justified.
3. To avoid any doubt, in cases where assets are paid for by consumer contributions for the cost of connection, the Regulated Asset Base will not include consumer contributions.
4. The methodology must include a list of all information required for connection to the distribution system, including the forms that applicants must complete. In the case of complex connections, the DSO may request additional information from the applicant.
5. The approved methodology must be published on the DSO's website and must be easily accessible, while physical copies should be made available free of charge to applicants who do not have access to electronic media.



Article 13

Connection of Generators and Producer Consumers

1. Any natural or legal person, generator/producer, or producer consumer may apply for a new connection or modification of an existing connection to the Distribution System for the purpose of electricity supply or electricity generation.
2. The DSO is permitted to charge fees, according to the Connection Charges Methodology approved by the Regulator, to cover the costs related to the evaluation of connection requests submitted by generators to the distribution system.
3. The DSO must ensure access to the distribution network based on regulatory, transparent, and non-discriminatory principles for system users or categories of system users, particularly by not favoring its subsidiaries or shareholders.
4. The DSO proposes to the Regulator for approval a simplified procedure for connecting self-producers from renewable sources and demonstration projects up to 50 kW installed capacity.

Article 14

Connection Charges

1. Connection charges will apply to all applicants, without discrimination, and their structure should enable the coverage of expenses for the work carried out by the DSO, both for new connections and for modifications of existing ones.
2. There will be two types of charges:
 - 2.1. Connection service charge;
 - 2.2. Charge for performing work if the construction of the connection is carried out by the DSO.
3. The applicant has the right to engage a licensed contractor for the construction work, under the supervision of the DSO.
4. If the request for a new connection exceeds the available capacity of the network, the applicant will pay the connection service charge and the capacity charge only for the reinforced part.
5. When the request for a new connection from an individual household applicant exceeds the available capacity of the network, but the request is less than 5 kW, the applicant should not be charged for their required capacity. In this case, the DSO will increase the network capacity, and the associated costs will be covered through the network usage charges.
6. Deep connection charges will only be applied when the DSO does not have a planned network expansion in the location where the consumer needs to be connected.



Article 15

Determination of Connection Charges

1. The DSO submits the Methodology for determining connection charges for approval to the Regulator in accordance with the Rule on DSO Revenues and the principles for determining charges.
2. The connection charge consists of a standard (fixed) charge for connection service, capacity charge, and construction work charge (if the work is performed by the DSO).
3. The costs that comprise the connection charge include the examination of the connection request, preparation of the connection offer and technical solution, connection project and its implementation, including connection asset costs and expenses related to the installation, testing, and commissioning of the connection assets.
4. Following the approval of the Methodology, within thirty (30) calendar days, the DSO must submit the calculated connection charges statement for approval to the Regulator in accordance with the Methodology.
5. The DSO must submit a statement of charges to the Regulator for approval, except for indicative charges (whether changes to charges are proposed or not), at least once a year.
6. Indicative charges provided in the Methodology must be based on market prices and should be sent to the Regulator for information and published on the websites of the DSO and ERO.
7. The Regulator will approve or refuse the charges within sixty (60) calendar days from the date the charges are sent to the Regulator.

Article 16

Offer of Terms for Connection

1. When the DSO has received a formal connection request with all necessary information according to the approved Methodology for determining charges, it provides a formal offer to connect the applicant within the timeframes specified in the Rule on General Conditions of Energy Supply. Within ten (10) calendar days from the connection request, the DSO may inform the applicant that additional information is required, and in such a case, the corresponding deadline for preparing the Connection Offer will be extended for the period necessary to provide the requested additional information. At the request of the consumer for a new or modified connection, the DSO must provide a non-binding indicative preliminary estimate to help the consumer plan the financial costs of the project.
2. The formal offer must include the technical conditions for the respective connection, connection capacity, feasibility study costs (if necessary), determination of whether the work will be performed



by the DSO or a licensed contractor, definition of the necessary works depending on the type of connection, relevant permits or authorizations related to property rights, all relevant charges such as the standard charge, capacity charge, or work charges performed by the DSO, installation of electric meters and other protective and monitoring devices, technical specifications, conditions for asset transfer between the applicant and the DSO, if required, and the maximum time period for work performed either by the DSO or by a licensed contractor.

3. If after receiving the formal offer from the applicant, the DSO requests a change in the connection conditions, the DSO shall bear the associated costs, including the cost of optimizing, reinforcing, and expanding the distribution system.
4. If during the consultations between the DSO and the applicant the application is considered complex, the DSO may require a feasibility study to analyze more connection options and adequately assess the costs for each option as needed.

Article 17

Obligations and Rights of the Applicant

1. If the applicant accepts the DSO's offer to connect to the Distribution System, they must accept that offer in accordance with all its conditions, including the technical solution conditions, the possibility for the DSO to implement the new network, and the possibility of transferring the applicant's assets to the DSO. In cases of refusal by the applicant to transfer assets to the DSO, the metering point will be placed at the DSO's connection point.
2. Upon acceptance of the Connection Offer, the applicant signs the construction agreement and makes the payment according to the DSO's Connection Offer within thirty (30) days from the delivery of the Connection Offer. The construction agreement signed by both parties creates a legally binding agreement between the applicant and the DSO.
3. If the applicant is not satisfied with the conditions offered by the DSO or the handling of the connection request, the applicant may file a complaint with the DSO according to the Rule on Dispute Resolution and Complaints in the Energy Sector. If the applicant is still not satisfied with the actions of the DSO, they have the right to file a complaint with the Regulator.
4. During the period for preparing the connection offer, the capacity in the distribution system will be considered reserved for the applicant.

Article 18

Temporary Refusal of the Request

The DSO may temporarily refuse to connect an applicant only if that connection is not in compliance with the provisions of the applicable Laws, Rules, and Codes. In case of refusal of the connection, the



DSO issues and sends a written notice to the applicant explaining the reason for the temporary refusal within a period not exceeding thirty (30) calendar days from the date of submission of the application.

Article 19

Special Cases

Through the connection methodology, the DSO will determine all aspects related to special cases, depending on the specifics of the application, which may include temporary connections for buildings under construction or connections related to various commercial facilities, including shopping centers.

Article 20

Priority for Connection to the Same Connection Point

For requests for connection to the same connection point, when two or more consumers request connection at a point where the reserved capacity is insufficient or there are other network limitations that prevent the connection of both to the network, the principle that the first applicant is served will be applied, while the DSO will propose a connection at another point for the second applicant.

Article 21

Cooperation between DSO and TSO for Deep Connections

In cases where connections involve the expansion of the transmission system, charges will be applied for both the distribution and transmission networks, while the TSO and DSO will coordinate regarding cost distribution.

Article 22

Rights of New Connections

1. The methodology prepared by the DSO will define all actions related to the rights of new connections, based on the principles outlined in this document, and will consider usage rights, easements, and property rights, which will be fully applied in accordance with the relevant provisions of the Energy Law.
2. Consumers who own connection points, including metering equipment, may transfer their assets to the system operators without compensation but in proper technical condition, whereas energy facilities such as lines, poles, transformers, etc., cannot be privately owned unless used solely by one consumer. In cases where more consumers are connected, the assets will be transferred to the DSO without any compensation. Maintenance of connections is performed according to the fee schedule approved by ERO, while maintenance of deep connections is the responsibility of the TSO and DSO.



Article 23

Compensation of the First Applicant by New Applicants

1. Assets that were built before the entry into force of the connection methodology and those built to supply collective facilities will not be compensated.
2. The first applicant who invested in the construction of connection assets will be notified by the DSO about the possibility and manner of compensation, as well as the value of their assets at the time of connection to the distribution system.
3. At the time of investments by the first applicant, the DSO will evaluate the invested assets based on the current prices approved by ERO.
4. The DSO, through the connection methodology and based on the principles defined here, will operationalize the application of charges in cases where new applicants are connected to assets paid for by a previous applicant, as well as issues related to the transfer of assets for this purpose.
5. Compensation of the first applicant by other applicants will be done through the DSO.
6. The manner and value of compensation will be prepared by the DSO and will be part of the Connection Charges Methodology.

PART V - GENERAL PROVISIONS

Article 24

Official Language

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

Article 25: Amendments/Updates

1. The Regulator reserves the right to amend or modify any provision of these Principles.
2. The procedure for amending or updating this Rule will be the same as for its approval.

Article 26: Repeal

This Rule repeals the “Principles for Determining Distribution Charges (ZRRE/Nr.01/2022)” approved by the Board of the Energy Regulatory Office.



Article 27: Interpretation

In case of any ambiguity regarding the provisions of these Principles, the Board of the Regulator will issue explanatory information.

Article 28: Entry into Force

1. This Rule shall enter into force on the day of its approval by the Board of the Regulator.
2. The Rule will be published in the Official Gazette of the Republic of Kosovo.

Bordi of Regulator

Ymer Fejzullahu, Chairman

Lutfie Dervishi, member

Gani Buçaj, member

Arta Isufi, member

Adnan Preniqi, member