



Pristina, 07 February 2022

ERO Code: V_1485_2022

The Board of Energy Regulatory Office,

Based on:

- Provisions of Article 9, paragraph 1, sub-paragraph 1.7, Article 15, paragraph 1, sub-paragraph 1.5, Article 25, Article 26, paragraph 1, sub-paragraph 1.2, Article 46, paragraph 1, sub-paragraph 1.1, Article 47, paragraph 3, sub-paragraph 3.3 and Article 48 of the Law on Energy Regulator (Law No. 05/L-084);
- Provisions of Article 27 of the Law on Electricity (Law No. 05/L-085);
- Legal provisions of the Rule ERO/No.05/2017 on Determination of Maximum Allowed Revenues of Distribution System Operator (Rule on DSO Revenues);
- Decision of ERO No. [V_1027_2018](#), dated on 24 September 2018 on approval of Maximum Allowed Revenues for the second regulatory period 2018-2022, for the Distribution System Operator (DSO);
- Notice of ERO No.643/21, dated on 13.12.2021, on Extraordinary Review of Maximum Allowed Revenues for regulated operators;
- Decision on Maximum Allowed Revenues for Transmission System and Market Operator TSO/MO, No. V_1484_2022
- Application of the Distribution System Operator- DSO (KEDS JSC) on Extraordinary Review of Maximum Allowed Revenues for Distribution System Operator, submitted on 28 December 2021;

in the session held on 07 February 2022 issued the following:

DECISION

- **APPROVAL OF MAXIMUM ALLOWED REVENUES (MAR)** to be collected by the Distribution System Operator, through the Distribution Use of System Tariffs, from 09.02.2022 until the next tariff review.
- The Maximum Allowed Revenues to be collected from DSO for the relevant tariff year 2022 will be 179,555,073 Euros.



- The Distribution System Operator (DSO) shall prepare and submit for approval to ERO the distribution use of system tariffs based on DSO MAR, according to this Decision.
- The tariffs proposed by DSO must be in accordance with the Distribution Use of System Tariff Methodology and the DSO Connection Charges Methodology, approved by ERO.
- This decision will be implemented by the Distribution System Operator starting from 09 February 2022 until the next tariff review.

REASONING

- The Energy Regulatory Office (ERO) on 13 December 2021 initiated the Extraordinary Review of Maximum Allowed Revenues for Regulated Operators, including the Distribution System Operator (DSO).
- ERO, according to its notice, evaluated that there are clear arguments and in coordination with the latest tariff process, found that there are indications of exceeding the materiality threshold of 5% in the Maximum Allowed Revenues of regulated electricity operators.
- ERO has continuously monitored the situation of electricity supply and from the conducted analysis, concluded that due to the high electricity prices in international stock exchanges, the security of electricity supply for final customers is jeopardized. As the wholesale energy purchase costs are beyond the control of operators, in accordance with the legal framework of regulation, ERO has initiated an extraordinary review of MAR for regulated operators, in order to maintain security of supply for electricity customers and reflection of supply costs.
- Therefore, based on the legal framework in force, has opened the extraordinary review of Maximum Allowed Revenues for the DSO.
- ERO on 28 December 2021, received from the DSO the application for Maximum Allowed Revenues.
- ERO on 17 January 2022, published the Consultation Report - Extraordinary Review of Maximum Allowed Revenues of Electricity for Regulated Operators.
- The Consultation Report presented the positions of ERO on the extraordinary review of tariffs to cover the significant difference in the electricity purchase costs and to restore the supply of electricity to customers. The report was published alongside another Consultation Report aimed at obtaining the views of stakeholders on ERO's proposals for changing the tariff structure in order to increase the efficiency of electricity consumption.
- ERO, during the public consultation has received comments from various stakeholders on the Consultation Report regarding the Extraordinary Review of Maximum Allowed Revenues of Electricity for Regulated Operators.



- The Distribution System Operator submitted its comments on 27 January 2022 on the Consultation Report regarding the Extraordinary Review of Maximum Allowed Electricity Revenues for Regulated Operators.
- The final report of the Extraordinary Review of Maximum Allowed Revenues for Regulated Operators, including the DSO, includes the final evaluations and responses to stakeholder comments and is published on the official website of ERO.
- ERO evaluated that for tariff purposes it has used the same approach as in previous years, which means that in its calculations does not take into account the exceeding of losses above those allowed by the Periodic Review 2018-2022. Furthermore, the DSO must understand that by exceeding the losses it causes additional load on the system, therefore in addition to having to bear the cost of purchasing energy to overcome losses, it must improve the situation of the network to the level that provides security of supply and reduces the overall cost of the system. Therefore, ERO cannot charge to customers an additional burden which comes as a result of the exceeding of losses in the DSO.
- It also addressed the costs of purchasing losses and electricity import prices, where ERO during the public consultation received the realized data on energy consumption for January 2022, which in the initial evaluation were as a forecast based on the version 0.4 of the Energy Balance. Based on the Rule on DSO Revenues, ERO in the final evaluation has recognized the realization of consumption for January 2022, namely the realized cost of losses according to the level allowed during the Periodic Review.
- It also evaluated that electricity consumption during January 2022 had increased by about 8% compared to the forecast. Adding to this the collapse of the unit B2 of KEK, the system had significantly increased its dependence on electricity imports. It was originally planned that during January 2022, DSO would purchase 79.9 GWh of electricity from KEK, while the purchases made by KEK during January were only 8.4 GWh. The lack of energy from KEK of about 71.5 GWh was replaced by imports with an average realized price of 227.9 Euro/MWh. The cost of electricity import from the DSO for January amounts to 28.7 million euros, and as a result it is evaluated that there is a change in the cost of losses in the Distribution System from 99.6 million euros to 106.65 million euros. The average estimated price for the purchase of energy from the DSO for the relevant tariff year 2022 results in 115.6 euro/MWh, which comprises the weighted average of the domestic and import prices. The import price was calculated based on its share during peak and off-peak times, where it was concluded that from all comments on the DSO Revenues, ERO's final evaluation of the Maximum Allowed Revenues of DSO for the relevant tariff year 2022, is 179.56 million Euros.
- The Board of ERO, following the evaluation and analysis of relevant reports and after reviewing the comments received from the parties, based on the legal provisions mentioned in the introductory section of this Decision, decided as in the enacting clause of this Decision.
- The decision is issued and published on official languages of the Republic of Kosovo.



- The decision will enter into force on the date of approval by the Board of ERO and will be published on the official website of ERO.

Legal advice: The party dissatisfied with this decision may initiate an administrative dispute at the Competent Court, within thirty (30) days from the date of receipt of this decision or the date of its publication on ERO's website, whichever occurs last.

ERO Board

Ymer Fejzullahu, Chairman

Selman Hoti , Member

Izet Rushiti, Member

Lutfije Dervishi, Member

Gani Buçaj, Member

This Decision is sent to:

- KESCO,
- KEDS,
- KOSTT and
ERO Archive