



Pristina, 07 February 2022

ERO Code: V_1486_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 1.2, Article 47 and Article 48 of the Law on Energy Regulator (Law No. 05/L-084);
- Provisions of Article 16 of the Law on Electricity (Law No. 05/L-085);
- Rule ERO/No.15/2017 on Determination of Maximum Allowed Revenues for the Universal Service Supplier (Rule on USS Revenues);
- Legal provisions of the Rule ERO/No.03/2017 on Determination of Maximum Allowed Revenues of Transmission System and Market Operator (Rule on TSO/MO Revenues);
- Legal provisions of the Rule ERO/No.05/2017 on Determination of Maximum Allowed Revenues of Distribution System Operator (Rule on DSO Revenues);
- ERO's Notice No. 643/21, dated on 13.12.2021, on Extraordinary Review of Maximum Allowed Revenues for the regulated operators;
- Application of the operator licensed as Universal Service Supplier of electricity (USS/KESCO JSC) for Extraordinary Review of Maximum Allowed Revenues for the Universal Service Supplier, submitted on 28 December 2021 at ERO;
- Decision on Maximum Allowed Revenues of Transmission System and Market Operator TSO/MO, No. V_1484_2022;
- Decision on Maximum Allowed Revenues of Distribution System Operator –DSO, No. V_1485_2022;

in the session held on 7 February issued the following:

DECISION

- **APPROVAL OF MAXIMUM ALLOWED REVENUES (MAR)** for the Universal Service Supplier (USS), to be collected by USS through retail tariffs of electricity for regulated customers, from 09.02.2022 until the next tariff review.
- The Maximum Allowed Revenues of the Universal Service Supplier, which are covered by retail tariffs of electricity for relevant tariff year 2022, will be in the amount of 347,282,520 Euros.



- USS, according to this Decision, is instructed to prepare and submit to ERO the proposal for approval of regulated retail tariffs in line with this Decision.
- The tariffs proposed by the USS licensee shall be in accordance with the principles set in the Rule ERO/No.15/2017 on Determination of USS Revenues.
- This decision will be implemented by USS 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 the regulated operators, including the Universal Service Supplier (USS)
- ERO, according to its notice, evaluated that there are clear arguments, and in coordination with the latest tariff process, concluded 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 analysis made, concluded that due to high electricity prices in international stock exchanges, the security of electricity supply to final customers is jeopardized. As the costs of wholesale energy purchase are beyond the control of operators, in accordance with the legal framework of regulation, ERO initiated an extraordinary review of MAR for regulated operators, in order to maintain the security of supply for electricity customers and reflection of the supply costs.
- Therefore, based on the legal framework in force, opened the extraordinary review of Maximum Allowed Revenues for the Universal Service Supplier (USS).
- ERO, on 23 December 2021, received from the Transmission System and Market Operator (TSO/MO) the application for Extraordinary Review of Maximum Allowed Revenues of the Transmission System and Market Operator.
- ERO, on 28 December 2021, received from the Distribution System Operator (DSO) the application for Extraordinary Review of Maximum Allowed Revenues of Distribution System Operator.
- ERO, on 28 December 2021, received from the Universal Service Supplier (USS) the application for Extraordinary Review of Maximum Allowed Revenues for the Universal Service Supplier.
- ERO, on 17 January 2022, published the Consultation Report - Extraordinary Review of Maximum Allowed Revenues of Electricity for Regulated Operators.
- The Consultation Report presented ERO's positions on extraordinary review of MAR, to cover the significant difference in energy purchase costs and restore electricity supply to customers. The report was published along another consultation report which aims to get the positions of stakeholders on ERO's proposal regarding the change of tariff structure, in order to increase the efficiency of electricity consumption.



- Energy Regulatory Office (ERO), on 17 January 2022 published the Consultation Report - Review of Tariff Structure for Regulated Household Customers supplied by USS.
- The Consultation Report presented ERO's positions on required restructuring of tariffs to fulfill the electricity purchase costs to restore electricity supply to customers. Among others, ERO reviewed the extent to which the current tariff structure led to an inefficient increase of electricity demand and proposed the alternative tariff structure which encourages the optimal consumption of electricity.
- ERO received comments from stakeholders, including the regulated operators of electricity sector, Energy Community Secretariat, individual customers, Office of the President of the Republic of Kosovo, INDEP, Balkan Green Foundation - BGF, Kosovo Flour Millers Association, Comments of LDK, PG LVV, Comments of AAK, Ministry of Economy, Ministry of Finances, Labour and Transfers and the Request of the Municipality of Obiliq.
- In the final evaluation of USS MAR, ERO has taken into account the allocation of the additional subsidy of 10 million euros, according to the Decision of the Government of the Republic of Kosovo No. 05/55, dated on 21.01.2022, as well as the decision of the Government of the Republic of Kosovo for subsidization of additional 90 million euros, in line with decision No. 01/60, dated on 05.02.2022.
- ERO, during public consultation, handled all comments from stakeholders, and all other comments sent to ERO, which were included in the Final Report for Maximum Allowed Revenues for regulated operators and USS tariff structure.
- The final report of extraordinary review of Maximum Allowed Revenues for regulated operators and Tariff Structure for regulated household customers supplied by USS, includes the final evaluations and responses to the comments of stakeholders.
- ERO Board, following the evaluation and analysis of relevant reports and the review of comments received from 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 enters into force on the date of approval by the Board of ERO and the same will be published on ERO's official website.

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