



Prishtina, 23rd May 2007

KEK JSC Retail Tariff Supplementary Application

ERO Proposed Tariffs

1 Introduction

1 This note reviews options for new retail tariffs that conform to the adjusted allowed revenues following reconsideration. To avoid confusion, the following terms are used in this note:

- i) ***Existing tariffs*** refers to the tariffs approved on 1st July 2000, and which are currently in effect.
- ii) ***ERO Proposed tariffs*** refers to the new retail tariffs proposed by ERO in this note.

2 For each set of tariffs, comparative information has been provided on:

- i) The average tariff in each customer category and the change from existing levels.
- ii) The average tariff for customers in category 5 (0.4kV voltage-connected domestic customers with two-rate meters), with monthly consumption of 200kWh (defined as ‘minimum needs’ customers), of 600kWh (approximately equal to the ‘average’ customer) and 1,000 kWh (‘large’ customers).

3 This comparative information is provided on two different bases:

- i) ***‘Full year’***, showing the changes that would result if the new retail tariffs applied from 1 January to 31 December 2007. For a customer calculating the impact on their bills, this would be the perceived impact (as customers are not expected to correct for the delayed introduction of the new tariffs). This is also the appropriate measure if the next price review and introduction of 2008 tariffs is expected to be delayed, so that the new retail tariffs will continue to apply for the first part of 2008.
- ii) ***‘Part year’*** showing the changes that would result if the new retail tariffs applied from 1 April to 31 December 2007, with the existing tariffs applying prior to that

date. This is the actual change expected in customer bills for 2007 as a whole, after allowing for the delayed introduction of the new tariffs.

2 ERO Proposed tariffs

4 Under these proposed tariffs, revenues recovered from each of customer categories 0 to 4 and 8 (non-household customers) remain unchanged from those under the Approved tariffs. Total revenues recovered from customer categories 5 to 7 (household customers) are reduced to match the overall reduction in allowed revenues to be recovered from regulated retail tariffs following the reconsideration.

5 The adjustments applied to individual customer categories are described below.

Category 0 – 110kv

6 No change from Approved tariffs.

Category 1 – 35kV

7 No change from Approved tariffs.

Category 2 – 10kV

8 No change from Approved tariffs.

Category 3 – 0.4kV large commercial

9 Following discussions with KEK JSC, a demand charge has been reintroduced for these customers. This responds to KEK JSC's concerns that their revenues are overly-dependent on energy charges and to KEK JSC's revised view that abuse of maxigraphs is not a serious problem.

10 A common scaling factor has been applied to cost-reflective demand and energy charges calculated in the model, to ensure that the total revenues recovered from this customer category are equal to those recovered under the Approved tariffs. This results in a reduction in energy charges from the levels under the Approved tariffs, offset by the revenues from the reintroduced demand charge.

Category 4 – 0.4kV small commercial

- 11 Concern was expressed that the energy rate for these customers (which includes capacity-related costs which, for other industrial and commercial customers are recovered through demand charges) insufficiently differentiated between high and low periods. They have, therefore, been adjusted to leave total revenues recovered from this customer category unchanged but to apply the same ratio of high to low period energy charges (of 2 times) as applies for domestic two-rate metered customers (category 5).

Category 5 – 0.4kV domestic (two-rate meters)

- 12 A two-rate tariff has been reinstated for these customers, replacing the temporary introduction of a one-rate tariff under the Approved tariffs in response to a request from KEK JSC. This reflects the concerns of KEK JSC over opposition to the suspension of two-rate tariffs and ERO's concerns that these customers will no longer have the opportunity to adjust consumption patterns to reduce their electricity bills (and, therefore, to also reduce total system costs).
- 13 The standing (customer) charge has been increased to €2/customer/month (€24/customer/year). This responds to concerns over the practical difficulties of implementing the previous charge (of €20/customer/year) under the Approved tariffs using KEK JSC's current billing system.
- 14 Following these adjustments, the cost-reflective energy charges calculated in the model for customers in the first block (0-200kWh/month) have been scaled by a common factor so that the average tariff for a customer consuming at the top of this block (ie, 200kWh/month) remains unchanged from the level under the Existing tariffs (calculated on a whole-year basis). This is consistent with the approach adopted for the Approved tariffs. The calculation takes into effect all charges payable by the customer, including energy charges, demand charges and standing customer charges.
- 15 The cost-reflective energy charges calculated in the model for customers in the second block (201-600kWh/month) have been scaled by a common factor so that the average tariff for a customer consuming at the top of this block remains unchanged from the level under the Existing tariffs (calculated on a whole-year basis). This reflects ERO's view that the average household customer (with a consumption of approximately 570kWh/month) should see their tariffs remain broadly unchanged.
- 16 The cost-reflective energy charges calculated in the model for customers in the third block (>600kWh/month) have been scaled by a common factor so that the total revenues recovered from regulated retail tariffs for 2007 equal those approved by ERO following reconsideration (taking into account adjustments to tariffs for other customers, as below).

Category 6 – 0.4kV domestic (one-rate meters)

- 17 The same standing (customer) charge has been applied as for customers under category 5.
- 18 Under the Approved tariffs, charges to customers in this category were set equal to those for customers in category 5 (who were temporarily moved to a one-rate tariff). This is no

longer the case following the changes described above to charges to customers in category 5.

19 Instead, energy charges to customers in this category have been set so that pricing signals to customers are the same as for those under category 5, as follows:

- i) The ratio of energy charges in each block to those in the following block (eg, the relative energy charge for consumption under the first block to consumption under the second block) is that same as for customers under category 5.
- ii) The ratio of energy charges in the high period under each block to those in the low period is the same as for customers under category 5.

20 Energy charges for each block have then been adjusted downwards so that the average charge payable by customers in this category falls by approximately 5%, bringing it closer to equivalence with charges to customers under category 5 (currently, the effective energy charge – the sum of energy and demand charges – paid by these customers is significantly higher than that paid by customers under category 5).

Category 7 – 0.4kV domestic (unmetered)

21 The prices for these customer group have been remained unchanged from the existing ones. Based on existing ones these prices are higher than those of different customer groups with installed meter, as for the aim for these customers without meters to install the meters .

Category 8 – street lighting

22 No change from Approved tariffs.

23 The resulting retail tariffs are shown in Figure 1 overleaf, alongside with the existing tariffs . The following figure (**Error! Reference source not found.**) shows the resulting change in average customers in category 5 at differing consumptions levels on a full and part year basis.

Figure 1: ERO Proposed retail tariffs

ERO Proposed (22 May 2007)

Tariff Group	Voltage level of supply	Tariff elements	Unit	Time of day (a)	Existing		ERO Proposed (22 May 2007)		
					High season 1 October - 31 March	Low season 1 April - 30 September	High season 1 October - 31 March	Low season 1 April - 30 September	
0	110kV	Standing (customer) charge	€/customer/year				34.00		
		Standing (demand) charge	€/kW		1,150.00	895.00	519.00	519.00	
		Active energy (P), of which:	€/kWh	High tariff	2.68	2.11	6.03	1.78	
			€/kWh	Low tariff	1.34	1.09	2.50	1.47	
Reactive energy (Q)	€/kVArh		1.41	1.15					
1	35kV	Standing (customer) charge	€/customer/year				30.00		
		Standing (demand) charge	€/kW		1,278.00	959.00	540.00	540.00	
		Active energy (P), of which:	€/kWh	High tariff	3.20	2.56	6.30	2.73	
			€/kWh	Low tariff	1.60	1.28	3.33	2.47	
Reactive energy (Q)	€/kVArh		1.28	0.96	0.04	0.04			
2	10kV	Standing (customer) charge	€/customer/year				34.00		
		Standing (demand) charge	€/kW		1,278.00	959.00	466.00	466.00	
		Active energy (P), of which:	€/kWh	High tariff	3.52	2.81	7.07	3.15	
			€/kWh	Low tariff	1.76	1.41	3.81	2.87	
Reactive energy (Q)	€/kVArh		1.28	0.96	0.32	0.32			
3	0.4kV Category I (large reactive power)	Standing (customer) charge	€/customer/year				29.00		
		Standing (demand) charge	€/kW		852.00	631.00	270.00	270.00	
		Active energy (P), of which:	€/kWh	High tariff	5.11	3.83	7.85	4.36	
			€/kWh	Low tariff	2.56	1.92	4.95	4.11	
Reactive energy (Q)	€/kVArh		1.28	0.96	1.53	1.53			
4	0.4kV Category II	Standing (customer) charge	€/customer/year				34.00		
		Standing (demand) charge	€/kW		253.00	189.00			
		Active energy (P)	€/kWh	Single tariff	7.57	5.68	9.68	6.26	
			€/kWh	High tariff	9.47	6.94	11.64	7.63	
€/kWh	Low tariff		5.05	3.79	5.82	3.81			
5	0.4kV (domestic 2- rate meter) (c)	Standing (customer) charge	€/customer/year				24.00		
		Standing (demand) charge of which: (b)							
		<200 kWh/month (First Block)	€/kW		144.00	115.00	0.00	0.00	
		200-600 kWh/month (Second Block)	€/kW		144.00	115.00	0.00	0.00	
		>600 kWh/month (Third Block)	€/kW		192.00	144.00	0.00	0.00	
		Active energy (P), for consumption:							
			<200kWh/month (First Block) of which:	€/kWh	High tariff	4.80	3.83	4.42	3.17
				€/kWh	Low tariff	2.40	1.92	2.21	1.58
		200-600 kWh/month (Second Block) of which:	€/kWh	High tariff	4.80	3.83	5.97	4.28	
			€/kWh	Low tariff	2.40	1.92	2.99	2.14	
>600 kWh/month (Third Block) of which: (d)	€/kWh	High tariff	7.67	5.75	8.67	6.21			
	€/kWh	Low tariff	3.83	2.88	4.33	3.11			
6	0.4kV (domestic, 1- rate meter) (c)	Standing (customer) charge	€/customer/year				24.00		
		Standing (demand) charge of which: (b)							
		<200 kWh/month (First Block)	€/kW		144.00	115.00	0.00	0.00	
		200-600 kWh/month (Second Block)	€/kW		144.00	115.00	0.00	0.00	
		>600 kWh/month (Third Block)	€/kW		192.00	144.00	0.00	0.00	
		Active energy (P), for consumption:							
			<200kWh/month (First Block) of which:	€/kWh	Single tariff	3.99	3.20	3.94	2.82
			200-600 kWh/month (Second Block) of which:	€/kWh	Single tariff	3.99	3.20	5.32	3.81
		>600 kWh/month (Third Block) of which: (d)	€/kWh	Single tariff	6.39	4.80	7.72	5.53	
		7	0.4kV (domestic unmetered)	Estimated consumption <400kWh/month	€/customer/month		20.00	20.00	20.00
Estimated consumption 400-800kWh/month	€/customer/month			36.00	36.00	36.00			
Estimated consumption >800kWh/month	€/customer/month			61.00	61.00	61.00			
8	Public lighting	Standing (customer) charge	€/customer/year				34.00		
		>600 kWh/month (Third Block)	€/kW	Single tariff	8.21	6.31	7.82	7.82	

a High Tariff applies 07:00-22:00 Monday-Saturday during the High Season and 05:00-23:00 Monday-Saturday during the Low Season
 b Where no maxigraph is installed (categories 4-6), the standing (demand) charge is calculated as energy volumes consumed under the High Tariff divided by 100
 c Customers registered as social cases are charged at a zero rate
 d Under existing tariffs, this tariff applies to consumption >800 kWh/month

Figure 2: Household tariff changes – ERO Proposed

Impact on household customers of new tariffs

Approved (15 March 2007)

0.4kV Household Customer (2-rate tariff)	Monthly consumption kWh	Existing		Full year comparison			Part-year comparison (new tariffs take effect from 1 April 2007)				
		Annual bill	Average charge	Annual bill	Average charge	Change	Bill (period 1)	Bill (period 2)	Annual bill	Average charge	Change
		€	€/kWh	€	€/kWh		€	€	€	€/kWh	
Minimum needs	200	92	3,84	93	3,86	0,4%	27	65	92	3,84	0,0%
Average customer	600	277	3,84	292	4,05	5,4%	81	203	284	3,94	2,7%
Large customer	1.000	508	4,23	652	5,44	28,5%	154	441	595	4,96	17,2%

ERO proposed 22 May 2007

0.4kV Household Customer (2-rate tariff)	Monthly consumption kWh	Existing		Full year comparison			Part-year comparison (new tariffs take effect from 1 April 2007)				
		Annual bill	Average charge	Annual bill	Average charge	Change	Bill (period 1)	Bill (period 2)	Annual bill	Average charge	Change
		€	€/kWh	€	€/kWh		€	€	€	€/kWh	
Minimum needs	200	92	3,84	92	3,84	0,0%	27	65	92	3,84	0,1%
Average customer	600	277	3,84	276	3,84	-0,1%	81	193	274	3,81	-0,9%
Large customer	1.000	508	4,23	544	4,54	7,2%	154	371	525	4,37	3,4%

