



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

## Electricity Tariff Review 2008 – Responses to Comments

15 April 2008

### DISCLAIMER

These responses have been prepared by ERO for information purposes only. This is not a decision document and should not be considered to represent a decision by ERO.

## Table of Contents

<b>1</b>	<b>Introduction .....</b>	<b>1</b>
<b>2</b>	<b>Summary of amendments to ERO’s preliminary proposals .....</b>	<b>2</b>
<b>3</b>	<b>KEK comments .....</b>	<b>2</b>
3.1	Inability to verify assumptions .....	4
3.2	Comparisons with 2007 allowed revenues and costs .....	4
3.3	Treatment of commercial losses .....	4
3.4	Exclusion of bad debts .....	4
3.5	Cost-reflectiveness of tariffs .....	5
3.6	Time-of-day tariffs.....	5
3.7	Rising block tariffs .....	6
<b>4</b>	<b>KOSTT comments.....</b>	<b>6</b>
4.1	Timing of tariff reviews .....	7
4.2	Reconciliation of revenues .....	7
4.3	Cost of capital equivalence .....	8
4.4	Adjustment to composition of allowed revenues .....	8
<b>5</b>	<b>SHUKOS comments.....</b>	<b>9</b>
<b>6</b>	<b>Kosova Flour Millers Association comments .....</b>	<b>10</b>
<b>7</b>	<b>MEM Position Paper.....</b>	<b>11</b>
<b>8</b>	<b>ERO draft final tariff proposals.....</b>	<b>11</b>
8.1	Retail tariffs .....	11
8.2	Transmission charges .....	14

## 1 Introduction

The Energy Regulatory Office (ERO) is currently conducting a review of retail electricity tariffs to be charged by KEK JSC and transmission charges applied by KOSTT JSC<sup>1</sup>. The review covers both the level of allowed revenues to be recovered by KEK and KOSTT in 2008 from regulated tariffs and charges and the structure of those tariffs and charges.

In a Consultation Paper published on **10 March 2008**, ERO set out its analysis of the tariff applications received from KEK and KOSTT and its preliminary proposals for new tariffs. These were:

- Energy and demand charges are increased by 5% on average for all customers.
- Customer (fixed) charges are increased for larger customers, representing the higher costs of metering, billing and collection services for these customers.
- Reactive power charges are equalized for all customer categories at the rate previously applied to 0.4 kV customers (tariff category 3) of €c1.53/kVAh.

Stakeholders were invited to submit written comments on ERO's analysis, the preliminary proposals and any other related issues. As of 20 March 2008, the deadline for submissions, comments had been received from:

- KEK
- KOSTT
- "SHUKOS" (Water and Sewage Association of Kosova)
- Kosova Flow Millers Association

ERO would like to thank each of the above.

Copies of all submissions received are available from ERO's website ([www.ero-ks.org](http://www.ero-ks.org)).

ERO has also received a position paper from the Ministry of Energy and Mining (MEM) setting out the Government's views on the principles that should guide the tariff review. This was provided to KEK, KOSTT and ERO. Those parts relevant to ERO's decision-making are contained in the appropriate section of this paper. This Responses Paper provides a summary of the comments received and ERO's responses to them. It also explains other modifications to ERO's preliminary proposals. It then sets out ERO's draft final proposals for new retail tariffs and transmission charges for 2008. ERO will reach its final decision on approved tariffs following further review of these

---

<sup>1</sup> The independent owner and operator of the electricity transmission system in Kosova and the operator of the wholesale electricity market.

proposals by its Board. It is ERO's intention that new tariffs should apply from 1 April 2008. However, it may not be possible to issue a decision by this date due to the current lack of a Board quorum<sup>2</sup>.

## **2 Summary of amendments to ERO's preliminary proposals**

Based on the comments received as well as further internal review of allowed revenues, ERO proposes to make three amendments to its preliminary proposals:

1. Allowed technical losses for 2008 are reduced from 18% to 17.4%--the actual level reported for 2007.
2. Energy charges for domestic customers in the first consumption block (up to 200kWh per month) are increased by 2.5%, rather than by 5% as in ERO's preliminary proposals.
3. Reactive power charges for all customers liable for these (tariff categories 1, 2 and 3) are harmonized at €c 0.64/kVAh, rather than at €c 1.53/kVAh as in ERO's preliminary proposals.

The first amendment has been proposed based on a reassessment by ERO of the expected impacts of KEK's requested maintenance and capital expenditures for its distribution business on its performance. ERO does not consider it reasonable to assume that technical losses on the distribution network will increase from their actual levels in 2007, despite very significant increases in allowed maintenance and capital expenditures for its distribution business.

The basis for the proposed second and third amendments is described at the appropriate points in this paper.

## **3 KEK comments**

KEK's comments relate to the methodological approach adopted by ERO, the determination of allowed revenues and the proposed changes in retail tariff structures. In summary, the main comments are:

- KEK has been unable to review the reasonableness of many of the assumptions made by ERO due to:
  - The complexity and size of the revenue and tariff model (RTM) used to assess allowed revenues and tariffs.
  - The use of estimated values in many cases.

---

<sup>2</sup> Under the Law on the Energy Regulator, at least four members of ERO five-member Board must be present for a quorum to exist. Without this, ERO is unable to issue a legally valid decision. The ERO Board currently has three members in place and two vacancies. New Board members to fill these vacancies are expected to be appointed in the near-future.

- The lack of documentation of sources for some assumptions.
- KEK considers that comparisons between 2007 actual costs and allowed revenues and 2008 allowed revenues are misleading and that tariffs should be solely based on costs and revenues for 2008. KEK notes that this approach was previously agreed with ERO.
- KEK disagrees with ERO's proposed reduction in assumed commercial losses in 2008 and also considers that any reduction would not necessarily result in increased sales but may, instead, lead to lower imports. KEK argues that a proportion of these losses are associated with electricity supplies that are unbilled in the minority areas.
- KEK disagrees with the exclusion of collection losses (bad debts) from allowed revenues. KEK argues that all utilities have some level of bad debts and, in most cases, regulators permit these to be recovered from regulated tariff revenues.
- KEK considers that ERO's proposed retail tariffs fail to increase the cost-reflectiveness of tariffs:
  - ERO has not accepted KEK's proposed adjustments to customer charges for smaller customers (tariff categories 4, 5, 6 and 8), but has for larger customers. This is inconsistent with a move to cost-reflective tariffs.
  - Applying a uniform increase in energy and demand charges of 5% means that there is no reduction in cross-subsidies between consumer categories.
- KEK has presented further evidence that the current time-of-day tariff for smaller customers cannot be correctly applied due to time clocks in meters not matching the actual time as a result of supply interruptions<sup>3</sup>. KEK also states that ERO's proposed solution of installing new meters would be excessively costly.
- KEK has clarified that its proposal for replacement of the three-block tariff structure for domestic customers (tariff categories 5, 6 and 7) does not involve the elimination of the block tariff but instead its replacement with a two-block tariff for which only vulnerable customers would be eligible.

ERO's responses to each comment are set out below.

ERO does not see any need to amend its preliminary proposals on retail tariffs in the light of these comments. However, ERO has identified a number of issues for further discussion with KEK ahead of the next tariff review.

---

<sup>3</sup> Existing two-rate meters for smaller customers do not have battery back-ups. Therefore, when supply is interrupted, the time clocks in these meters stop, restarting when electricity supply is restored.

### **3.1 Inability to verify assumptions**

The original assumptions used in the RTM were developed for the 2006-07 tariff review by ERO and KEK working in co-operation with the assistance of a World Bank-funded consultants to ERO. The consultancy was overseen by a steering committee comprising representatives from KEK, KOSTT, ERO and MEM.

Over the course of the current tariff review, ERO has sought to document all major changes in assumptions and data used in the RTM. ERO has also made amendments to the RTM in order to improve the conciseness and clarity of the calculations made using it.

ERO will continue to review and revise the RTM in advance of the next tariff review. ERO also intends to review the various assumptions used in the RTM in order to update and document these prior to the next tariff review. ERO expects that KEK will contribute to this process to ensure that all assumptions used are as up-to-date, accurate and reliable as possible.

### **3.2 Comparisons with 2007 allowed revenues and costs**

ERO's determination of allowed revenues for KEK for 2008 has been based, as agreed with KEK, on estimated costs for 2008. However, ERO considers it useful to present comparisons with 2007 allowed revenues and costs in order to assist stakeholders in understanding the main drivers behind changes in the allowed revenues to be recovered from retail tariffs.

### **3.3 Treatment of commercial losses**

ERO notes that commercial losses derive from a variety of sources. ERO expects that reductions in these losses would arise from reductions in thefts and metering errors rather than from reductions in unbilled supplies, which make up only a part of these losses. Such measures are within KEK's control. ERO also notes that it would generally be expected that reductions in thefts and metering errors would convert into increased sales rather than reduced power purchase requirements—demand remains largely unchanged but sales are now recorded.

### **3.4 Exclusion of bad debts**

ERO notes that the principle that collection losses (bad debts) are excluded from allowed revenues was established during the previous electricity tariff review in 2006-07. ERO also notes that KEK's low collection rate means that the impacts of including these losses in allowed revenues would be very significant. In 2007 KEK's collection rate was approximately 75%. Allowing the resulting collection losses of 25% of billed revenues to be included in retail tariffs would require these to be increased by 33% for this reason alone.

An increase in retail tariffs of this magnitude, where it is caused by a need for paying customers to also pay for electricity consumed by non-paying customers, it is not reasonable and would be likely to worsen existing collection problems. Passing collection losses into allowed revenues and regulated retail tariffs would also reduce the incentives on KEK to improve its collection rate.

ERO does not, therefore, consider it appropriate at this time to include collection losses in allowed revenues.

ERO notes that any provision for recovering bad debts through allowed revenues should also be consistent with the principles set out in UNMIK Regulation 2004/51 Corporate Income Tax. This only permits bad debts to be written-off where they are worthless and, most importantly, where there is evidence of substantial efforts to recover the bad debts. ERO would expect that any future application for inclusion of bad debts in allowed revenues would be accompanied by this evidence.

### **3.5 Cost-reflectiveness of tariffs**

ERO notes that approving KEK's proposals on changes to customer charges in full would result in customer charges for all tariff categories rising very substantially (eg, by 170% for domestic customers in tariff category 5). ERO is concerned that such large increases are regressive in that customers with low levels of consumption would have a much higher total cost per unit of electricity consumed than those with high levels of consumption.

ERO also notes that KEK has provided evidence on the relative costs of metering, billing and collection services for differing tariff categories but not on the absolute costs of these services used to derive its proposed customer charges. ERO's preliminary proposals would retain these relative weightings, except where they would lead to apparently erratic results. For example, the customer charge for tariff category 1 (35kV customers) under ERO's preliminary proposals would be 5.4 times larger than that for tariff category 5 (domestic two-rate customers). This accords with the relative costs of providing metering, billing and collection services to these two customer categories as provided by KEK to ERO.

### **3.6 Time-of-day tariffs**

In their comments, KEK has provided a comparison of the share of system demand falling under each tariff period and the share of billed sales to domestic customers with two-rate meters (tariff category 5). KEK has noted that, as this tariff category accounts for over 55% of retail electricity sales, it would be expected that the shares would be similar. However, they are noticeably different.

ERO accepts that existing meters with time-of-day measuring capability might be unreliable. However, ERO understands that KEK is intending to pursue an extensive programme of replacing existing customer meters. An allowance for the costs of this programme has been included in allowed revenues for KEK for 2008. ERO has previously requested and continues to request that KEK provide evidence on the additional costs associated with procuring new meters for domestic customers with reliable time-of-day measuring capability compared to meters without this capability. It will then be possible for ERO to determine whether the benefits of time-of-day tariffs in terms of incentives for demand side management by customers are outweighed by these additional costs.

In the absence of this evidence, ERO does not consider it appropriate to approve the ending of the existing time-of-day tariff. Doing so creates the risk that time-of-day tariffs for smaller customers

are firstly replaced with single-rate tariffs which are subsequently replaced again with time-of-day tariffs. Such an outcome would be inconsistent with delivering predictable and stable electricity tariffs.

### **3.7 Rising block tariffs**

ERO accepts KEK's clarification on the intentions underlying the proposed changes to the rising block tariff for domestic customers. However, ERO notes that it continues to be unable to evaluate the impacts of KEK's proposals on customers with a clearer understanding of the criteria used to determine whether a customer would be eligible for the rising block tariff. ERO also notes that such criteria would need to be issued prior to the introduction of the new tariff, meaning that, even if approved, it would not be possible to apply this tariff from 1 April 2008.

At this time, therefore, ERO continues to reject KEK's proposal to amend the rising block tariff. However, ERO intends to discuss with KEK in advance of the next tariff review what eligibility criteria might be applied under KEK's proposed amended structure, following which it will be possible to better assess whether these proposals should be accepted in future.

## **4 KOSTT comments**

KOSTT submitted comments covering a range of issues related to both the tariff review process and the proposed allowed revenues and transmission charges. Of these, the most significant are:

- A comment that there has been significant uncertainty and variability in the timing of tariff reviews to date and a request that a 'proper and robust' timetable is adopted for future reviews.
- A request that the period over which allowed revenues are determined in future tariff reviews is aligned with the financial year in Kosova (ie, 1 January to 31 December).
- A comment that, contrary to the Tariff Methodology, the allowed revenues proposed by ERO do not allow for the reconciliation of differences between actual and allowed revenues recovered by KOSTT that result from differences between forecast and actual volumes transmitted. KOSTT request that the reconciliation amounts should be added to allowed revenues for 2009.
- A comment that KOSTT does not accept that the cost of capital is necessarily the same between KEK and KOSTT, contrary to ERO's assumption.
- A requested variation in the components of allowed revenues, whereby operating expenditures are reduced and substituted by an increase in capital expenditures. This represents initial work on installing a new 150MVA transformer at Prizreni 2 or Prishtina 4 sub-station. The variation would not change total allowed revenues for 2008 and nor would it change the proposed transmission charges.

ERO's responses to each comment are set out below.

ERO does not see any need to amend its preliminary proposals on transmission charges in the light of these comments.

#### **4.1 Timing of tariff reviews**

ERO concurs that predictability and consistency in the timing of tariff reviews is important in creating a stable regulatory framework. However, there appear to be inconsistencies in this comment by KOSTT and its request that, in future, decisions on allowed revenues and tariffs apply for a period starting from 1 January rather than, as under the current review, from 1 April. Implementing KOSTT's request would imply either that:

- Transmission charges taking effect on 1 April 2008 remain unchanged until 1 January 2010 (ie, after 21 months).
- Transmission charges taking effect on 1 April 2008 are potentially adjusted on 1 January 2009 (ie, after nine months).

The former would imply a further significant change in the tariff review timetable, given that ERO has now adopted a general principle that reviews take place at 12-month intervals. The latter would appear to conflict with the requirement in the Law on Electricity that transmission charges are proposed once every 12 months (Article 25.2).

ERO agrees that it would be desirable to align the period over which allowed revenues are determined under tariff reviews with the Kosovan financial year. However, it is not clear from the proposals how this might best be achieved.

ERO proposes to consult further with KEK, KOSTT and other stakeholders on these issues.

#### **4.2 Reconciliation of revenues**

ERO accepts that no reconciliation for differences in KOSTT revenues resulting from differences between actual and forecast volumes transmitted and peak demand has been applied in determining allowed revenues for KOSTT for 2008.

ERO estimates that in 2007, KOSTT's actual revenues exceeded allowed revenues approved, calculated on a calendar year<sup>4</sup> basis. Applying this adjustment implies that allowed revenues for 2009 should be reduced further by approved amount.

---

<sup>4</sup> Comparing revenues under approved transmission charges from 1 May 2007 using actual and forecast demand and energy transmitted for the 12 months from 1 January 2007 to 31 December 2007.

### 4.3 Cost of capital equivalence

ERO agrees that there may be reasons why the cost of capital would differ between KEK and KOSTT (for example, due to differing risk profiles associated with the activities of the two firms). ERO notes that KOSTT has not, at this tariff review, presented evidence to show any such difference may exist. However, ERO is willing to consider submissions arguing for differing costs of capital as part of subsequent tariff reviews.

### 4.4 Adjustment to composition of allowed revenues

KOSTT's proposed changes to the composition of allowed revenues in 2008 are shown below.

**Table 1: KOSTT proposed changes to allowed revenues composition**

Error! No index entries found.

€000s	
Operating expenditures – Maintenance	-286.2
Capital expenditures	+3,476.6
<i>resulting in</i>	
change in depreciation allowance	+49.7
change in allowed return	+236.5
<b>Net change in allowed revenues</b>	<b>0.0</b>

ERO has two concerns with respect to the proposed changes:

- It is not clear whether KOSTT's proposal to replace maintenance expenditures with capital expenditures is made because:
  - KOSTT considers that the proposed capital expenditures are equally as effective as the previously allowed maintenance expenditures in meeting desired network reliability and security standards, or
  - KOSTT considers it possible to reduce maintenance expenditures below the levels previously requested and accepted by ERO without adversely affecting network reliability and security.
- KOSTT, in its comments submitted to ERO, states that it accepts the adjustment proposed by ERO to allowed revenues for unfunded capital expenditures. Under this adjustment, proposed capital expenditures for which external financing from government or donor sources has not been identified are excluded from the allowed revenues calculation for 2008. However,

KOSTT's request to adjust the composition of allowed revenues appears contrary to this principle by including capital expenditures for which no external financing source has yet been identified.

ERO supports KOSTT's efforts to begin to finance new investments from internal sources and commercial borrowing to which the proposed adjustment to the composition of allowed revenues would contribute. However, ERO does not consider that, for this price review, it is appropriate to accept this proposal:

- It is not possible to determine whether the proposed changes to the composition of allowed revenues would have a detrimental impact on the transmission network, due to reduced maintenance expenditures.
- The proposed changes appear contrary to the principles regarding unfunded capital expenditures established by ERO for this price review and accepted by KOSTT.

## **5 SHUKOS comments**

In their submission, SHUKOS has expressed concern over the impact of tariff increases on its members. SHUKOS states that:

- Water suppliers are already experiencing difficulties in covering their operating costs due to a lack of institutional support for reductions in losses and increases in collection rates.
- Electricity accounts for around 25% of the operating costs of water suppliers.
- Electricity costs rose by 20-25% in 2007 as a result of the new tariffs introduced in 2007.
- The preliminary tariff proposals would result in a further 5-6% in electricity costs for water suppliers.
- Unless water suppliers are allowed to revise their tariffs (which are regulated by the Water and Wastewater Regulatory Office, WWRO) to take account of increased electricity costs, their financial viability and ability to maintain water supplies to customers is endangered.

SHUKOS proposes that the solution to this problem is for a new tariff category to be created for water suppliers and for no tariff increase to be applied for this category.

The general principle in defining tariff categories is that these should group customers with similar characteristics (voltage level of supply and load profiles) together. Tariff categories should not be designed to favour one particular consumer group over others by offering lower tariffs when these cannot be justified by differences in the costs of supply between consumers.

For water suppliers to be classified as separate tariff category, it would, therefore, be necessary to demonstrate that their load profile is different to other industrial and commercial customers at each

voltage level. If water suppliers consider this to be the case, the appropriate procedure would be for them to discuss the matter with KEK, who is responsible for proposing changes in tariff categories for approval by ERO.

In the event that water suppliers are able to demonstrate that their characteristics justify the establishment of a distinct tariff category, it does not, therefore, follow that tariffs for this category should not be increased when the costs of electricity supply increase. Decisions on regulated water tariffs and whether these are adjusted to take account of increased electricity costs should be made by WWRO. It would be inappropriate for ERO to anticipate that WWRO would not adjust regulated water tariffs and to respond by not approving increased electricity tariffs for water suppliers.

ERO does not, therefore, see any need to amend its preliminary tariff proposals to take account of these comments. However, ERO is willing to co-operate with SHUKOS and KEK in examining whether the introduction of a separate tariff category for water suppliers, based on their demand characteristics, is appropriate.

## **6 Kosova Flour Millers Association comments**

The Kosova Flour Millers Association has raised concerns over the impacts of tariff increases on the viability of the milling industry. In particular, the Association states that:

- The tariff category applied to millers with their own substations and group metering has been changed twice. Previously, these aggregated consumers were eligible for energy tariffs set at 50% of the level applicable to domestic consumers due to their large consumption. As a result of the category changes, energy tariffs have risen by 200% for these customers.
- These category changes were made without consultation with the milling industry.

ERO appreciates the concerns raised by the Millers Association. However, ERO notes that the tariff categories currently applied are the same as those in place prior to 2007 and that ERO's preliminary proposals for 2008 involve no adjustments to these categories. Therefore, any change in the tariff category applied to millers would appear to be due to reallocation by KEK of these customers from one category to another. Ensuring adequate consultation on such a reallocation would be the responsibility of KEK.

ERO does not, therefore, see any need to amend its preliminary tariff proposals to take account of these comments. However, ERO is available to discuss in more detail the Millers Association's concerns as regards reallocation of mills between tariff categories and, if appropriate, to investigate this matter further.

## **7 MEM Position Paper**

ERO has received written a position paper from MEM on the principles that the Government considers should be taken into account in the tariff review. This paper was contained in a letter to ERO, KEK and KOSTT. Only those parts relating to ERO's decision-making are set out in this paper.

The written guidance states that:

- Tariffs should reflect costs of supply and eliminate cross-subsidies between customer categories. However, tariff increases for domestic customers should be gradual and consider affordability issues.
- Tariffs for the first consumption block for domestic customers (up to 200kwh/month) should remain unchanged or be increased at a lower rate than other tariffs. Tariffs for the second consumption block (200-600kWh per month) should reflect the cost of domestic energy production but, possibly, not the costs of imported supplies.

ERO considers that regulators should take account of Government policies where this is consistent with their legal duties.

On this basis, ERO considers that it is appropriate to reflect Government concerns over the affordability of electricity supplies for poorer domestic consumers in its proposals. ERO proposes to do so by increasing energy tariffs for the first consumption block for domestic consumers (tariff categories 5, 6) at a lower rate of 2.5%, rather than the 5% increase contained in ERO's preliminary proposals.

The actual average increases in electricity bills for domestic consumers would be slightly lower than this level, as customer (fixed) charges would not increase.

Energy and demand tariffs for other customers, including higher consumption blocks for domestic consumers, will be increased by 5%, as in ERO's preliminary proposals. Taking into account ERO's expectations that KEK is able to maintain distribution technical losses at their 2007 level, ERO's projection is that KEK will continue to recover its allowed revenues for 2008 in full after this adjusted tariff increase.

## **8 ERO draft final tariff proposals**

### **8.1 Retail tariffs**

As well as the amendments described in preceding sections of this paper, during further internal review of its preliminary proposals, ERO has also identified a need to adjust the proposed reactive power tariff applied to customers in tariff categories 1, 2 and 3.

In the Consultation Paper, ERO identified its concern that current reactive power charges for customers at 35kV and 10kV (tariff categories 1 and 2) are excessively low and do not appear to be

cost-reflective. ERO's preliminary proposals was to address this concern by harmonizing reactive power charges for all tariff categories at the level applied to for customers at 0.4kV with reactive power metering (tariff category 3) of €c1.53/kVArh. ERO notes that, in its comments, KEK has agreed with this approach while also identifying the need for further work to determine the actual costs of reactive power provision for these customers.

ERO's further review has shown that its preliminary proposal leads to a significant over-recovery of the costs of KEK's distribution business. Revenues collected from reactive power charges would be excessive and would need to be offset by reductions in other charges<sup>5</sup>.

ERO has, therefore, amended its preliminary proposals on reactive power tariffs. The amended proposals are as follows:

- A uniform reactive power charge will be applied to all customers liable for this charge (tariff categories 1, 2 and 3).
- The uniform reactive power charge will be set at €c0.64/kVArh. This level avoids the problem of over-recovery of allowed revenues for KEK distribution.

ERO's resulting draft final proposals on regulated retail tariffs for 2008, taking into account the adjusted rates of increase for domestic tariffs and the corrected reactive power tariffs described above, are shown below.

---

<sup>5</sup> If reactive power charges are not cost-reflective but other charges are then reducing these charges to compensate for over-recovery of allowed revenues would worsen the cost-reflectiveness of tariffs as a whole.

**Table 2: ERO proposed retail tariffs**

Tariff Group	Voltage level of supply	Tariff elements	Unit	Time-of-day	Existing		2008 ERO-proposed	
					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		981.00	
		Standing (demand) charge	€/kW		519.00	519.00	545.00	545.00
		Active energy (P), of which:	€/kWh	High tariff	6.03	1.78	6.33	1.87
			€/kWh	Low tariff	2.50	1.47	2.63	1.54
	Reactive energy (Q)	€/kVAh		0.00	0.00	0.00	0.00	
1	35kV	Standing (customer) charge	€/customer/year		30.00		130.00	
		Standing (demand) charge	€/kW		540.00	540.00	567.00	567.00
		Active energy (P), of which:	€/kWh	High tariff	6.30	2.73	6.62	2.87
			€/kWh	Low tariff	3.33	2.47	3.50	2.59
	Reactive energy (Q)	€/kVAh		0.04	0.04	0.64	0.64	
2	10kV	Standing (customer) charge	€/customer/year		34.00		54.00	
		Standing (demand) charge	€/kW		466.00	466.00	489.00	489.00
		Active energy (P), of which:	€/kWh	High tariff	7.07	3.15	7.42	3.31
			€/kWh	Low tariff	3.81	2.87	4.00	3.01
	Reactive energy (Q)	€/kVAh		0.32	0.32	0.64	0.64	
3	0.4kV Category I (large reactive power consumers)	Standing (customer) charge	€/customer/year		29.00		30.00	
		Standing (demand) charge	€/kW		270.00	270.00	284.00	284.00
		Active energy (P), of which:	€/kWh	High tariff	7.85	4.36	8.24	4.58
			€/kWh	Low tariff	4.95	4.11	5.20	4.32
	Reactive energy (Q)	€/kVAh		1.53	1.53	0.64	0.64	
4	0.4kV Category II	Standing (customer) charge	€/customer/year		34.00		34.00	
		Standing (demand) charge	€/kW		0.00	0.00	0.00	0.00
		Active energy (P)	€/kWh	Single tariff	9.68	6.26	10.16	6.57
		Active energy (P), of which:	€/kWh	High tariff	11.64	7.63	12.22	8.01
€/kWh	Low tariff		5.82	3.81	6.11	4.00		
5	0.4kV (domestic)	Standing (customer) charge	€/customer/year		24.00		24.00	
		Active energy (P), for consumption:						
		<200kWh/month (First Block):	€/kWh	High tariff	4.42	3.17	4.53	3.25
			€/kWh	Low tariff	2.21	1.58	2.27	1.62
		200-600 kWh/month (Second Block):	€/kWh	High tariff	5.97	4.28	6.27	4.49
			€/kWh	Low tariff	2.99	2.14	3.14	2.25
>600 kWh/month (Third Block):	€/kWh	High tariff	8.67	6.21	9.10	6.52		
	€/kWh	Low tariff	4.33	3.11	4.55	3.27		
6	0.4kV (domestic)	Standing (customer) charge	€/customer/year		24.00		24.00	
		Active energy (P), for consumption:						
		<200kWh/month (First Block):	€/kWh	Single tariff	3.94	2.82	4.04	2.89
		200-600 kWh/month (Second Block):	€/kWh	Single tariff	5.32	3.81	5.59	4.00
	>600 kWh/month (Third Block):	€/kWh	Single tariff	7.72	5.53	8.11	5.81	
7	0.4kV (domestic unmetered)	Estimated consumption <200kWh/month	€/customer/month		20.00		21.00	
		Estimated consumption 200-600kWh/month	€/customer/month		36.00		38.00	
		Estimated consumption >600kWh/month	€/customer/month		61.00		64.00	
8	Public lighting	Standing (customer) charge	€/customer/year		34.00		34.00	
		Active energy (P), for consumption:	€/kWh	Single tariff	7.82	7.82	8.21	8.21

High Tariff applies 07:00-22:00 Monday-Saturday during the High Season and 08:00-23:00 Monday-Saturday during the Low Season

## 8.2 Transmission charges

ERO has not identified any changes required to its preliminary proposals on transmission charges to apply from 1 April 2008. These, therefore, remain unchanged from those presented in the Consultation Paper. The proposed transmission charges are shown below.

*Table 3: ERO proposed transmission charges*

Tariff Group	Voltage level of connection	Tariff elements	Unit	Existing	2008 ERO-proposed
Generator	400kV / 220kV	Use of system (capacity) charge	€/MW/year	0.000	0.000
		System operator charge	€/MWh	0.834	0.853
		Market operator charge	€/MWh	0.013	0.013
Generator	110kV	Use of system (capacity) charge	€/MW/year	0.000	0.000
		System operator charge	€/MWh	0.834	0.853
		Market operator charge	€/MWh	0.013	0.013
Generator	Distribution	Use of system (capacity) charge	€/MW/year	0.000	0.000
		System operator charge	€/MWh	0.305	0.289
		Market operator charge	€/MWh	0.013	0.013
Supplier	400kV / 220kV	Use of system (capacity) charge	€/MW/year	3.025	3.618
		System operator charge	€/MWh	0.834	0.853
		Market operator charge	€/MWh	0.013	0.013
Supplier	110kV	Use of system (capacity) charge	€/MW/year	6.792	7.878
		System operator charge	€/MWh	0.834	0.853
		Market operator charge	€/MWh	0.013	0.013