



Electricity Tariff Review 2008 – Reconciliation of April and May Revenues

19 June 2008

DISCLAIMER

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1 Reconciliation of April and May Revenues

The Energy Regulatory Office (ERO) completed its review of proposed tariffs for the 2008 tariff year (1 April 2008 – 31 March 2009) in March 2008. However, to date it has not been possible for ERO to issue a decision approving the new tariffs due to the continuing inquorate status of the Board of ERO. As a result, KEK JSC and KOSTT JSC have continued to apply existing tariffs which are set at levels below those considered necessary by ERO to recover their costs.

The Assembly of Kosovo has adopted Law no.03/L-080 on amendment of the Kosova Assembly Law 2004/9 on Energy Regulator. The Board of ERO may now take decisions on tariff approval.

ERO now proposes to approve new tariffs that will take effect from 1 June 2008 (ie, bills issued in July 2008 for consumption in June 2008 will apply the new tariffs). This means that KEK JSC and KOSTT JSC will have experienced a shortfall between those revenues allowed by ERO and incorporated into proposed new tariffs and actual revenues from existing tariffs for the period 1 April 2008 – 31 May 2008.

Approximately 47% of total sales by volume take place in the summer tariff period (1 April – 30 September). Assuming these are evenly distributed across the period, 15.7% of total sales take place in April and May. This shortfall can be calculated by comparing revenues for April and May 2008 calculated using existing tariffs and ERO's proposed tariffs applied to projected sales volumes in this period. This calculation is shown in Table 1, below.

Reconciliation of April and May Revenues

Table 1: Shortfall in revenues (April - May 2008)

	000 €	April - May revenues		
		Existing tariffs	New tariffs	Shortfall
0. Category - 110 kV	000 €	626	658	31
1. Category - 35 kV	000 €	229	256	28
2. Category - 10 kV (20 kV)	000 €	1,297	1,388	92
3. Category I - 0.4 kV - commercial with reactive power	000 €	1,367	1,383	15
4. Category II - 0.4 kV commercial no reactive power	000 €	3,171	3,321	150
5. Category 0.4 kV households 2 rate meter	000 €	8,093	8,408	315
6. Category 0.4 kV households 1 rate meter	000 €	1,588	1,648	60
7. Category 0.4 kV households without meter	000 €	665	701	36
8. Category - Public Lighting	000 €	116	121	6
Total	000 €	17,152	17,884	732
				4.3%
KEK	000 €	14,633	15,119	485
KOSTT	000 €	2,518	2,765	247

The total shortfall over the two months is approximately €732,000. Of this, €485,000 is attributable to KEK JSC and €247,000 (including the costs of transmission losses) to KOSTT JSC.

If this shortfall were to be recovered over the remainder of the 2008 tariff year (ie, from 1 June 2008 – 31 March 2009), it implies an increase of €c 0.03/kWh or approximately 0.75% on existing energy tariffs. Added to the already proposed increases of 2.5% in energy tariffs for the first block of residential consumption and 5% for all other energy tariffs, this would imply a total required tariff increase from 1 June 2008 of 3.25% and 5.75% respectively. This calculation is shown below.

Table 2: Calculation of shortfall adjustment

Existing average tariff (energy only)	€/kWh	4.56
Shortfall	000 €	732
Sales (Jun 2008 - Mar 2009)	GWh	2,160.9
Required adjustment	€/kWh	0.03
		0.74%
I&C increase		5.74%
<i>Domestic increase</i>		
First block		3.24%
Other blocks		5.74%

The alternative is to permit KEK JSC and KOSTT JSC to add this shortfall to allowed revenues in the 2009 tariff year (starting from 1 April 2009). ERO considers that this approach is to be preferred. It implies no change to ERO's proposed tariffs which have already been extensively consulted on and avoids the risk of seeming to reopen a review that has already concluded.

ERO, therefore, proposes to add the calculated shortfall in revenues resulting from the delayed adoption of new tariffs to allowed revenues to be recovered by KEK JSC and KOSTT JSC in the 2009 tariff year.

Final tariffs proposed by ERO that will take effect from 1 June 2008 are the same as those presented in Responses to comments on electricity tariff review for 2008 on 15th of April 2008.

Reconciliation of April and May Revenues

Table 3: Approved retail tariffs for KEK JSC, with effect from 1 June 2008

Tariff Group	Voltage level of supply	Tariff elements	Unit	Time-of-day	2008 approved	
					High season 1 October - 31 March	Low season 1 April - 30 September
0	110kV	Standing (customer) charge	€/customer/year		981.00	
		Standing (demand) charge	€/kW		545.00	545.00
		Active energy (P), of which:	€/kWh	High tariff	6.33	1.87
			€/kWh	Low tariff	2.63	1.54
Reactive energy (Q)	€/kVArh		0.00	0.00		
1	35kV	Standing (customer) charge	€/customer/year		130.00	
		Standing (demand) charge	€/kW		567.00	567.00
		Active energy (P), of which:	€/kWh	High tariff	6.62	2.87
			€/kWh	Low tariff	3.50	2.59
Reactive energy (Q)	€/kVArh		0.64	0.64		
2	10kV	Standing (customer) charge	€/customer/year		54.00	
		Standing (demand) charge	€/kW		489.00	489.00
		Active energy (P), of which:	€/kWh	High tariff	7.42	3.31
			€/kWh	Low tariff	4.00	3.01
Reactive energy (Q)	€/kVArh		0.64	0.64		
3	0.4kV Category I (large reactive power consumers)	Standing (customer) charge	€/customer/year		30.00	
		Standing (demand) charge	€/kW		284.00	284.00
		Active energy (P), of which:	€/kWh	High tariff	8.24	4.58
			€/kWh	Low tariff	5.20	4.32
Reactive energy (Q)	€/kVArh		0.64	0.64		
4	0.4kV Category II	Standing (customer) charge	€/customer/year		34.00	
		Standing (demand) charge	€/kW		0.00	0.00
		Active energy (P)	€/kWh	Single tariff	10.16	6.57
		Active energy (P), of which:	€/kWh	High tariff	12.22	8.01
€/kWh	Low tariff		6.11	4.00		
5	0.4kV (domestic 2-	Standing (customer) charge	€/customer/year		24.00	
		Active energy (P), for consumption: <200kWh/month (First Block):	€/kWh	High tariff	4.53	3.25
			€/kWh	Low tariff	2.27	1.62
		200-600 kWh/month (Second Block):	€/kWh	High tariff	6.27	4.49
			€/kWh	Low tariff	3.14	2.25
		>600 kWh/month (Third Block):	€/kWh	High tariff	9.10	6.52
€/kWh	Low tariff		4.55	3.27		
6	0.4kV (domestic, 1-	Standing (customer) charge	€/customer/year		24.00	
		Active energy (P), for consumption: <200kWh/month (First Block):	€/kWh	Single tariff	4.04	2.89
			€/kWh	Single tariff	5.59	4.00
		>600 kWh/month (Third Block):	€/kWh	Single tariff	8.11	5.81
7	0.4kV (domestic unmetered)	Estimated consumption <200kWh/month	€/customer/month		21.00	
		Estimated consumption 200-600kWh/month	€/customer/month		38.00	
		Estimated consumption >600kWh/month	€/customer/month		64.00	
8	Public lighting	Standing (customer) charge	€/customer/year		34.00	
		Active energy (P), for consumption:	€/kWh	Single tariff	8.21	8.21

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Table 4: Approved transmission charges for KOSTT JSC, with effect from 1 June 2008

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