

**Energy Regulatory Office  
UNMIK-EU Pillar**

**24<sup>th</sup> January 2005  
Ref: 05-01-03-40**

**Bajram Kelmendi St. No. 75  
38000, Prishtina, Kosovo  
Attention Mr Nick F Frydas**

**Subject: KEK's submission of proposal to charge consumers for electricity theft**

Sir

With reference to the meeting held at KEK's offices the 18<sup>th</sup> January 2005 we hereby submit KEK's proposal for recuperation of loss of income due to energy theft.

**1. Consumers illegally connected to the KEK network on a 0.4kV voltage level**

The illegally connected consumers falling in this category will be consumers connected through 1 or 3 phase supplies to the network with current not exceeding 60A three phase.

KEK would ask the Regulator to define the consumer that falls in this category, we suggest the following definition: *"An electricity user that does not have a commercial contract with KEK for the supply of energy or where KEK could not gain access to read the consumers meter for more than 1 year"*

1. KEK wants to recover two cost components through this strategy:
  - Compensation for stress on the network as a result of illegal connections.
  - Loss of energy due to theft.
  - Connection cost.

**1.1 Normalisation cost**

2. KEK at present is developing a capacity charge that will be charged (with approval from the Regulator) to all new customers applying for a service connection. We estimate that these charges will be in place in the next 6 months. KEK however cannot wait for the development of these cost structures and propose that the fine charged to illegal consumers be defined as a normalisation cost.
3. If the Supply infrastructure poses any threat to the safety of the consumer or the public then KEK will immediately disconnect the consumer.
4. The normalisation cost recuperated will enable the Networks Division to use these funds to inspect supply cables, connection to network and metering infrastructure.
5. We propose that this cost be made up as follows:
  - € 100 for the service cable
  - € 30 for the connection to the network
  - € 100 for the meter
  - Total: € 230
6. The reason for simplification of the cost is as follows:

- The sheer scale of the problem requires a simple and fair strategy that can be automated in the billing system.
- The income from the normalisation cost will allow KEK to systematically upgrade the service connections of these consumers and to fund network refurbishment.
- One of the reasons for this situation is KEK's policy not to complete any infrastructure work or install service connections and no clear procedure for customers to apply for a service connection, this KEK will resolve in the next few months.
- KEK is of the opinion that it is fair and transparent and still penalises the consumer sufficiently to deter consumers from connecting to the network illegally.

## 1.2 Energy cost

7. KEK do not have the resources to estimate the consumption of each of consumer illegally connected to the network and definitely is not equipped to accomplish this in a fair and transparent way.
8. It is our proposal to use the flat rate tariff to calculate the energy consumed by a consumer.
9. There will be five different categories, as follows:
  - Group-A: Residential (Two bedrooms or less)
  - Group-B: Residential (Between 3 and 5 bedrooms)
  - Group-C: Residential (More than 6 bedrooms)
  - Group-D: Commercial (Less than 60A 3 phase)
  - Group-E: Commercial (Kiosk or temporary construction)
10. Flat Rate tariff made up as follows:

Reference	Flat Rate Tariff (Excluding VAT)	VAT	Flat Rate Tariff (Including VAT)	Public Broadcasting Fee	Total Rate
9/1	€20.00	15%	€23.00	€3.50	€26.50
9/2	€36.00	15%	€41.40	€3.50	€44.90
9/3	€61.00	15%	€70.15	€3.50	€73.65

11. KEK will assume unless the consumer can prove differently that energy was consumed for a fixed period. This period should be more than 6 but less than 12 months.
12. It is imperative that consumers approach KEK to be legalised and it would therefore be one of KEK's objectives to make this an attractive and affordable option. KEK does not have the resources required to find these consumers and to disconnect them.

## 1.3 Connection cost

13. This is a standard cost KEK will charge to inspect the consumer's premises and to ensure that the Supply infrastructure is adequate and pose no danger to the public or the consumer. This cost will be €50.00 per consumer.

## 1.4 Worked example

14. A consumer falling in Category-A wishing to legalise his installation will be expected to pay the following to KEK if the assumed period for energy consumption is 12 months:

$$€50 + €230 + €26.50 \times 6 = €439$$

## 1.5 Paying off as debt

15. KEK will allow the consumer to pay off the amount over a few months as debt programmed. KEK therefore will recover the cost and can immediately commence with billing of the consumer.

## **16. Balance of consumers illegally connected to the KEK network**

17. Consumers connected to the network at a higher voltage than 0.4kV or with a supply requirement exceeding 60A 3 phase has to be dealt with differently. The impact of these consumers on the network is more severe and normalisation of their supply requires KEK to evaluate each consumer and to determine the cost of normalisation on a case by case basis. The old Yugoslavian law adequately addresses this issue and can be enforced by KEK (If the Regulator agrees).
18. The number of cases falling in this category can be handled by KEK.
19. The period for which energy can be recuperated should not exceed 12 months and should be calculated on the estimated load of the consumer.

We ask that you consider this proposal and if possible arrange a meeting with us to discuss it.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Pienaar', written in a cursive style.

**Francois Pienaar,**

**Director of Supply**

Cc: Mr. Sean McGoldrick, KEK, Executive Director Commercial & Regulatory