

Prishtina, 30th May 2007

Reconsideration of Decisions D_29_2006, D_39_2007 and D_41_2007

Background note

1 Introduction

This note summarises the background to ERO’s decision on the reconsideration of Decisions D_29_2006 of 21st December 2006 on “Allowed Revenues for KEK JSC and KOSTT JSC for the Pricing Review Period 2007-2009”, D_39_2007 of 15th March 2007 “On Approval of Proposed New Retail Tariffs of KEK JSC” and D_41_2007 of 15th March 2007 “On Approval of Proposed Transmission Tariffs for KOSTT JSC”.

Subsequent to the issuing of these decisions, reconsideration was requested by both KEK JSC and KOSTT JSC on the grounds that new information suggested that the approved allowed revenues could be lower than those required by each entity in 2007 under Decisions from point 1.

Following a consultation period, ERO issued Decision D_47_2007 on 7th May 2007. This decision determined that reconsideration was justified and invited comments on the appropriate adjustments to allowed revenues for KEK JSC and KOSTT JSC and the corresponding amendments required to the approved retail and transmission tariffs. ERO also invited KEK JSC and KOSTT JSC to submit their own proposals for amendments to the approved tariffs. These were received and posted on ERO’s website (www.ero-ks.org).

The following sections of this note summarise the justification for the changes ERO proposes to make to allowed revenues for KEK JSC and KOSTT JSC following reconsideration, the consequent changes ERO proposes to make to approved retail and transmission tariffs and the submissions received as part of the consultation on the reconsideration.

2 Reconsideration of allowed revenues

The justification provided for reconsidering allowed revenues and ERO’s initial proposals on these were set out in a note accompanying Decision D_47_2007. No comments were received on these proposals. ERO, therefore, sees no reason to modify its initial proposals.

2.1 KEK JSC

KEK JSC requested ERO to reconsider the approved allowed revenues and retail tariffs taking into account:

- KEK JSC's inability to undertake refurbishment work on Kosovo A3 and A4 in 2007, resulting in a reduction of capital expenditures of EUR 76.46 million from those previously planned. In order to mitigate retail tariff increases and, thereby, respond to public concern, KEK JSC has asked that the allowed revenues and, consequently, approved retail tariffs for 2007 are adjusted accordingly.
- KEK JSC's belief that further reductions in commercial losses from the target level of 22% in 2007 are possible. KEK JSC has indicated that at least a further 1% reduction can be achieved.
- KEK JSC's expectation that it will agree a 5% discount on charges payable to KOSTT JSC for the use of the transmission network and its services as system and market operator. This decrease would represent KOSTT JSC's contribution to the perceived need to mitigate retail tariff increases¹. ERO is awaiting confirmation from KOSTT JSC of its assent to this discount.
- KEK JSC's intention, contrary to its previous application, to retain for the present time of day tariffs for household customers with two-rate meters, due to its concerns over the lack of acceptability of a shift to a single-rate tariff and potential resulting affordability problems for low-income households².

ERO proposes to approve these adjustments to allowed revenues. This would result in the following change to allowed revenues to be recovered from regulated retail tariffs in 2007:

Table 1: Revised allowed revenues for KEK JSC, 2007

<i>EUR 000s</i>	Approved (21 st December 2006)	Proposed revision
Allowed revenues to be recovered from regulated retail tariffs for 2007	141 899	134 982

2.2 KOSTT JSC

KOSTT JSC, in a letter to ERO dated 7th May 2007, identified the following adjustments to its allowed revenues for 2007 that it would like taken into account:

A reduction in personnel costs of EUR 150,000.

A reduction in the costs of purchase of ancillary services of EUR 210,000.

¹ The obligation on KOSTT not to discriminate between customers requires that any discount is also applied to eligible customers.

² There is anecdotal evidence that low-income households have taken measures to reduce their electricity costs by shifting consumption to off-peak periods.

A reduction in the costs of maintenance of EUR 120,000,

ERO proposes to approve these adjustments to allowed revenues.

Network-related costs (including those for personnel and maintenance) for KOSTT JSC are recovered through revenues that are ‘smoothed’ over a three-year period. Therefore, the resulting adjustments to allowed revenues will not necessarily all take place in 2007 but will, instead, result in changes to allowed revenues over the period 2007-09. ERO has, therefore, recalculated the smoothed revenues for KOSTT JSC’s network-related income, taking account of the reductions to allowed costs proposed by KOSTT JSC³. In doing so, it has sought to ensure that the majority of the reduction falls in the first year of three-year smoothing period (ie, 2007).

The resulting proposed approved revenues for KOSTT JSC are shown below:

Table 2: Revised allowed revenues for KOSTT JSC, 2007

<i>EUR 000s</i>	Approved (21st December 2006)	Proposed revision
Allowed revenues to be recovered from regulated transmission tariffs for 2007	13 678	13 190

3 Amended retail tariffs

This section reviews ERO’s proposals 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) ***Approved tariffs*** refers to the new retail tariffs approved by ERO on 15th March 2007, implementation of which has been suspended while reconsideration progresses.
- iii) ***KEK Proposed tariffs*** refers to the new retail tariffs proposed by KEK JSC on 16th May 2007, which conform to the adjusted allowed revenues.
- iv) ***ERO Proposed tariffs*** refers to the new retail tariffs proposed by ERO in this note.

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

- v) The average tariff in each customer category and the change from existing levels.

³ This is done by resetting the initial price adjustment (P_0) and annual adjustment factor (X-factor) so that the present value of allowed revenues over the period 2007-09 equals the present value of allowed costs, all discounted at KOSTT JSC’s estimated cost of capital.

- vi) 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 1000 kWh ('large' customers supplied at the upper limit of the existing lower band for domestic consumers).

This comparative information is provided on two different bases:

- vii) **'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.
- viii) **'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.

Under ERO's 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.

The adjustments applied to individual customer categories are described below.

Category 0 – 110kv

No change from Approved tariffs.

Category 1 – 35kV

No change from Approved tariffs.

Category 2 – 10kV

No change from Approved tariffs.

Category 3 – 0.4kV large commercial

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.

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.

Following this change, the resulting breakdown of revenues recovered from each type of retail charge is shown in Figure 1, overleaf. The total share of retail tariff revenues recovered over a full year from standing (customer) and demand charges would be 13%, compared to 15% under the **KEK Proposed tariffs**, 11% under the **Approved tariffs** and 10% under the **Existing tariffs**.

Figure 1: Split of revenues by charge type

	Full year comparison				Part year comparison			
	Existing	Approved (15 March 2007)	ERO Proposed (17 May 2007)	KEK Proposed (16 May 2007)	Existing	Approved (15 March 2007)	ERO Proposed (17 May 2007)	KEK Proposed (16 May 2007)
Standing charges	3%	8%	9%	9%	3%	7%	8%	8%
Demand charges	7%	3%	4%	6%	7%	4%	5%	6%
Energy charges	89%	89%	87%	85%	89%	89%	87%	86%
Reactive power charges	1%	0%	0%	0%	1%	1%	1%	1%

Category 4 – 0.4kV small commercial

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)

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).

The standing (customer) charge has been increased to €/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.

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.

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.

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)

The same standing (customer) charge has been applied as for customers under category 5.

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.

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:

- ix) 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.
- x) 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.

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)

The cost-reflective monthly charges calculated in the model for these customers have been scaled by the same factor as applied to customers under category 5 in the same block (eg, cost-reflective charges for customers in the first block in both categories 5 and 7 are multiplied by a scaling factor of 0.83).

Category 8 – street lighting

No change from Approved tariffs.

The resulting retail tariffs are shown in Figure 2 overleaf, alongside the Existing tariffs and Approved tariffs. The following figures (Figure 3 and Figure 4) show the resulting change in average tariffs for each customer category on a full and part year basis and the resulting change in average tariffs for customers in category 5 at differing consumption levels on a full and part year basis.

Figure 2: ERO Proposed retail tariffs

Tariff Group	Voltage level of supply	Tariff elements	Unit	Time-of-day (a)	Existing		Approved (15 March 2007)		ERO Proposed	
					High season	Low season	High season	Low season	High season	Low season
					1 October - 31 March	1 April - 30 September	1 October - 31 March	1 April - 30 September	1 October - 31 March	1 April - 30 September
0	110kV	Standing (customer) charge	€/customer/year				34.00		34.00	
		Standing (demand) charge	€/kW		1,150.00	895.00	519.00	519.00	519.00	519.00
		Active energy (P), of which:	€/kWh	High tariff	2.68	2.11	6.03	1.78	6.03	1.78
			€/kWh	Low tariff	1.34	1.09	2.50	1.47	2.50	1.47
		Reactive energy (Q)	€/kVArh		1.41	1.15				
1	35kV	Standing (customer) charge	€/customer/year				30.00		30.00	
		Standing (demand) charge	€/kW		1,278.00	959.00	540.00	540.00	540.00	540.00
		Active energy (P), of which:	€/kWh	High tariff	3.20	2.56	6.30	2.73	6.30	2.73
			€/kWh	Low tariff	1.60	1.28	3.33	2.47	3.33	2.47
		Reactive energy (Q)	€/kVArh		1.28	0.96	0.04	0.04	0.04	0.04
2	10kV	Standing (customer) charge	€/customer/year				34.00		34.00	
		Standing (demand) charge	€/kW		1,278.00	959.00	466.00	466.00	466.00	466.00
		Active energy (P), of which:	€/kWh	High tariff	3.52	2.81	7.07	3.15	7.07	3.15
			€/kWh	Low tariff	1.76	1.41	3.81	2.87	3.81	2.87
		Reactive energy (Q)	€/kVArh		1.28	0.96	0.32	0.32	0.32	0.32
3	0.4kV Category I (large reactive power)	Standing (customer) charge	€/customer/year				29.00		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	9.83	5.40	7.85	4.36
			€/kWh	Low tariff	2.56	1.92	6.15	5.08	4.95	4.11
		Reactive energy (Q)	€/kVArh		1.28	0.96	1.53	1.53	1.53	1.53
4	0.4kV Category II	Standing (customer) charge	€/customer/year				34.00		34.00	
		Standing (demand) charge	€/kW		253.00	189.00				
		Active energy (P)	€/kWh	Single tariff	7.57	5.68	9.73	6.23	9.68	6.26
		Active energy (P), of which:	€/kWh	High tariff	9.47	6.94	11.05	6.35	11.64	7.63
			€/kWh	Low tariff	5.05	3.79	7.14	6.01	5.82	3.81
5	0.4kV (domestic 2-rate meter) (c)	Standing (customer) charge	€/customer/year				20.00		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	3.47	2.49	4.42	3.17
			€/kWh	Low tariff	2.40	1.92	3.47	2.49	2.21	1.58
200-600 kWh/month (Second Block) of which:	€/kWh	High tariff	4.80	3.83	4.76	3.42	5.97	4.28		
	€/kWh	Low tariff	2.40	1.92	4.76	3.42	2.99	2.14		
>600 kWh/month (Third Block) of which: (d)	€/kWh	High tariff	7.67	5.75	8.43	6.06	8.67	6.21		
	€/kWh	Low tariff	3.83	2.88	8.43	6.06	4.33	3.11		
6	0.4kV (domestic 1-rate meter) (c)	Standing (customer) charge	€/customer/year				20.00		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	3.47	2.49	3.94	2.82
		200-600 kWh/month (Second Block) of which:	€/kWh	Single tariff	3.99	3.20	4.76	3.42	5.32	3.81
200-600 kWh/month (Third Block) of which: (d)	€/kWh	Single tariff	6.39	4.80	8.43	6.06	7.72	5.53		
7	0.4kV (domestic unmetered)	Estimated consumption <400kWh/month	€/customer/month		20.00		23.00		20.00	
		Estimated consumption 400-800kWh/month	€/customer/month		36.00		42.00		36.00	
		Estimated consumption >800kWh/month	€/customer/month		61.00		71.00		61.00	
8	Public lighting	Standing (customer) charge	€/customer/year				34.00		34.00	
		>600 kWh/month (Third Block)	€/kW	Single tariff	8.21	6.31	7.82	7.82	7.82	7.82

- a High Tariff applies 07:00-22:00 Monday-Saturday during the High Season and 08:00-23:00 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 3: Average tariff changes - ERO Proposed

Full year comparison

Tariff Group		Average Tariff						
		Existing €/kWh	Approved (15 March 2007) €/kWh	Change	ERO Proposed €/kWh	Change	KEK Proposed (16 May 2007) €/kWh	Change
0	110kV	3.45	3.69	6.9%	3.69	6.9%	3.52	1.9%
1	35kV	4.46	5.17	15.8%	5.17	15.8%	5.06	13.3%
2	10kV	5.37	6.06	12.8%	6.06	12.8%	5.94	10.7%
3	0.4kV Category I (large reactive power consumers)	5.84	7.06	20.8%	6.91	18.3%	6.87	17.6%
4	0.4kV Category II	8.64	8.67	0.3%	8.65	0.1%	8.67	0.3%
5	0.4kV (domestic 2-rate meter) (c)	4.37	4.95	13.2%	4.33	-1.0%	4.41	1.0%
6	0.4kV (domestic, 1-rate meter) (c)	5.55	5.02	-9.6%	5.26	-5.2%	4.60	-17.2%
5-6	<i>All metered households</i>	4.54	4.96	9.1%	4.46	-1.8%	4.44	-2.3%
7	0.4kV (domestic unmetered)	4.23	4.92	16.2%	4.23	0.0%	4.24	0.1%
All households		4.53	4.96	9.5%	4.45	-1.7%	4.43	-2.2%
8	Public lighting	7.33	7.96	8.6%	7.96	8.6%	7.96	8.6%
Average across all customers		5.07	5.50	8.5%	5.13	1.2%	5.10	0.6%

Part-year comparison (new tariffs take effect from 1 April 2007)

Tariff Group		Average Tariff						
		Existing €/kWh	Approved (15 March 2007) €/kWh	Change	ERO Proposed €/kWh	Change	KEK Proposed (16 May 2007) €/kWh	Change
0	110kV	3.45	3.36	-2.7%	3.36	-2.7%	3.36	-2.7%
1	35kV	4.46	4.72	5.8%	4.72	5.8%	4.74	6.3%
2	10kV	5.37	5.59	4.1%	5.59	4.1%	5.59	4.1%
3	0.4kV Category I (large reactive power consumers)	5.84	6.44	10.3%	6.44	10.3%	6.44	10.4%
4	0.4kV Category II	8.64	8.56	-0.9%	8.56	-1.0%	8.56	-0.9%
5	0.4kV (domestic 2-rate meter) (c)	4.37	4.74	8.5%	4.32	-1.3%	4.39	0.4%
6	0.4kV (domestic, 1-rate meter) (c)	5.55	5.15	-7.2%	5.32	-4.2%	4.89	-11.9%
5-6	<i>All metered households</i>	4.54	4.80	5.7%	4.46	-1.8%	4.46	-1.8%
7	0.4kV (domestic unmetered)	4.23	4.75	12.2%	4.23	0.0%	4.24	0.1%
All households		4.53	4.80	5.9%	4.45	-1.7%	4.45	-1.8%
8	Public lighting	7.33	7.81	6.5%	7.81	6.5%	7.81	6.5%
Average across all customers		5.07	5.29	4.4%	5.05	-0.5%	5.05	-0.5%

Total revenues in year (€000s)	135,688	141,899		135,045		135,049	
Allowed revenues for year (€000s)	135,046	135,046		135,046		135,046	
Difference (€000s)	642	6,853		-1		2	

Figure 4: Household tariff changes – ERO Proposed

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 €/kWh	Annual bill €	Average charge €/kWh	Change	Bill (period 1) €	Bill (period 2) €	Annual bill €	Average charge €/kWh	Change
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%
KEK Proposed (16 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 €/kWh	Annual bill €	Average charge €/kWh	Change	Bill (period 1) €	Bill (period 2) €	Annual bill €	Average charge €/kWh	Change
Minimum needs	200	92	3.84	101	4.22	9.8%	27	73	100	4.15	8.0%
Average customer	600	277	3.84	269	3.74	-2.6%	81	189	270	3.75	-2.3%
Large customer	1,000	508	4.23	554	4.62	9.1%	154	378	532	4.43	4.7%
ERO Proposed (18 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 €/kWh	Annual bill €	Average charge €/kWh	Change	Bill (period 1) €	Bill (period 2) €	Annual bill €	Average charge €/kWh	Change
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%

4 Amended transmission tariffs

ERO proposes to make no changes to the allocation of allowed revenues to be recovered from transmission tariffs between voltage levels and charging types. ERO also does not propose to make any changes to the structure of transmission tariffs.

The approach to calculating of amended transmission tariffs to take account of the proposed amended allowed revenues for KOSTT JSC is therefore unchanged from that previously applied and described in KOSTT JSC's original application for approval of its transmission tariffs, submitted in January 2007.

The resulting proposed amended transmission tariffs are shown below:

Figure 5: ERO Proposed transmission tariffs

Tariff	Unit	Approved (15 March 2007)	Amended
Infrastructure charge			
- 400/220kV	EUR / kW /year ^a	3.119	3.025
- 110kV	EUR / kW /year ^{a b}	7.001	6.792
System Operator charge	EUR / MWh	0.872	0.849
Market Operator charge	EUR /MWh	0.013	0.014

a Applied to average of demand at time of five highest maximum system demands in year. Only suppliers are liable for this charge.

b Includes 400/220kV charge

5 Submissions received

In addition to KEK JSC and KOSTT JSC, submissions were received from the Regional Water Supply Company "Pristina" (KURP) and the Public Water Supply Companies' Association of Kosovo (SHUKOS). Both submissions related to the large increases in electricity bills for water companies expected under the proposed tariffs. Concerns were expressed that, without adjustments, these increases would either require larger subsidies from Government or increases in water tariffs.

SHUKOS calculated these increases under the Approved tariffs as follows:

- Prishtina 23.35%
- Mitrovica 24.98%
- Gjakova 19.38%
- Gjilani 21.96%
- Peja 21.55%

KURP calculated the increase in its electricity bill under the KEK Proposed tariffs as being 21.92%.

These increases result from both a small overall increase in average tariffs for industrial and commercial customers and the rebalancing of tariffs for these customers between demand and energy charges to better reflect the relative contributions of demand and energy-related costs of supply to these customers in KEK JSC's total costs.

ERO appreciates the concerns of SHUKOS and KURP. It notes that, under the ERO Proposed tariffs, these concerns would be partially addressed (the resulting increase in KURP's electricity bill is calculated at 10.98% rather than the higher value calculated by KURP under the KEK Proposed tariffs).

ERO notes that its legal duties require it to introduce cost-reflective tariffs subject to ensuring adequate customer protection. It has no specific duties to take into account the impact of its decisions on customers of other utilities. Indeed, it would be inappropriate for it to do so—as this would inevitably lead to it being required to favour one group of customers over another in breach of its legal obligations not to permit discrimination.

ERO does not, therefore, consider that it can reduce tariffs charged to water suppliers without reducing charges to all customers in the same category. ERO has no basis for making such a reduction on the information provided to it on the level and structure of KEK JSC's costs and to do so would appear to breach its legal duties.