

Monthly report Energy Regulatory Office (ERO)

Prishtina, June 2005

- **7th Meeting on Rehabilitation of Kosovo A in ERO's premises.** The purpose of the meeting was to discuss the options on Rehabilitation of Kosovo A units. Participants on the meeting: MEM, KEK/ESBI, KTA, ICMM, EAR and ERO presented their visions on rehabilitation, and the justifications of activities to be performed. The final conclusion of the meeting was that an ongoing techno-economic feasibility study would better define the options and cost of rehabilitations.
- **8-10th, Energy Week in Skopje; GIS workshop, SEETSO TF, CEER WG SEER and the 6th Athens Forum;**
 - Head and one Board member of ERO participated at GIS Workshop; in this workshop was presented the Final Generation Investment Study (GIS) by PWC. The lignite resources in Kosova were introduced as the best economic and most competitive solution for developing new generation capacity on regional basis.
 - After more than two years of opposition to KEK/TSO membership, ERO participates as invited party (observer) in SETSO TF meeting. ERO in this meeting required the full membership in the SETSO TF.
 - CEER WG SEER, Head of ERO rejected the market option papers for Congestion Management and Coordinated Auction prepared by SETSO TF because UNMIK as a signatory of Athens Memorandum and Treaty has not been considered. He asked again that this paper should be withdrawn and the Power System of Kosovo affiliates as independent entity in SETSO.
 - 6th Athens Forum; Head of ERO, two Board members, two Heads of Departments and Tariff Structure Expert of ERO participated in the 6th Athens Forum. In the Athens Forum session, UNMIK representative (Head of ERO) repeated the statement; expressing the legal base for full participation of ERO in the SETSO TF. He stressed that UNMIK is only interested in full membership within the legal framework of the Treaty. According to the legal mandate, ERO is the only entity to allocate border capacity in Kosovo and therefore SETSO TF in co-ordinate auctions, would be technically impossible without UNMIK's participation.
- **13-18th, Study Tour in Portugal;** EAR support project: One of the main objectives of ERO is the Institutional Building Support on the capacity building of the staff of ERO, which was implemented by KPMG consortium. Aiming to achieve these objectives, KPMG consultants organized the Study Tour to Portugal for 8 staff members of ERO. During the Study Tour staff of ERO visited: **ERSE** (Regulatory Authority of Energy Services) responsible for Tariff approval and economic regulation of energy sector in Portugal; **REN** (Transmission System Operator) responsible for the electricity transmission in Portugal and holds concession to operate the National Electricity Transmission Network; **TPP** (Thermo Power Plant) Ribatejo, new TPP plant using gas as resources, installed capacity 394 MW per unit (3 units), Investment needed for the construction of this PP was €590 mil. with a 25 years lifespan and the total number of employees operating this PP was 44. Time needed to build this PP is 3.5 years; **SODESA** (Electricity Private Supplier), in Portugal covers around 5% of the market/consumption

or supplying 2000 customers; **EDP** (Energy of Portugal) owner of 68 % of generation capacity in Portugal, Distribution 99% of market share and Supply 83.6 % of regulated market. Site visits, presentations made by staff of visited institutions/organizations and materials received will strengthen the overall knowledge of staff of ERO.

- **20th, Meeting on indigent electricity scheme;** Head and one Board Member of ERO had a meeting with Sean Mc Goldrick -KEK/ESBI and Stacy Lamon-UNMIK discussing the indigent electricity scheme for vulnerable customers.
- **22nd, Energy Incubation Meeting in Kosovo;** Head of ERO participated in the meeting with foreign investors and all stakeholders of energy sector in Kosovo (U.S. Office Compound)
- **23rd and 25th, Price Control Working Paper;** Consultant of KPMG organized a working meeting with staff of ERO on Price Control Working Paper, covering: Tariff Methodology Components, Public Supplier, Price control on KEK transmission/distribution etc.
- **24th, High Level Market Design Workshop;** Consultant of KPMG organized a workshop on Market Design of Electricity Market Model of Kosovo. Participants from MEM, KTA, KEK and ERO analyzed the proposed model and made questions to the international expert. The proposed model (NET POOL) is in compliance with Standard Market Model proposed by Athens Process. Consultant of MEM had some objections on the proposed model and required to have a simple model as transitional solution. Discussing on the proposed model, the consultant of KPMG and the Head of ERO emphasized the importance of this model for foreign investments.
- **27th, Tariff Structures Working Paper;** Consultant of KPMG organized a working meeting on Tariff Structures with ERO staff, covering: Tariff Methodology, Retail Tariffs, Transmission and Distribution Charges, Connection Charges, UOS Charges, Options for Kosovo, EU requirements.
- **Other regular activities accomplished by ERO;**
 - Review and comments on submitted drafts of secondary legislation and on Energy Strategy Paper prepared by MEM;
 - Finalized the Request for Proposal for short listed bidders for offer regarding the WB project for Development the Transmission and Retail Tariffs and Subsidiary Mechanism
 - Final review of Customer Connection Charges submitted by KEK to ERO.
 - Evaluation of bidders who expressed the interest for new EAR project: TA assistance to ERO.
 - Reviewed the Strategy Paper for refurbishment of Kosovo A prepared by KPMG consultant
 - Reviewed the Discussion Papers on Electricity Exchange Strategy Foundation (ESTAP II)
 - Completed the updated information's for the CEER Regulatory Benchmarking Report and Tariff Data Collection 2004 for ERRA.
 - Finalized Mid term Appraisal Process for all staff of ERO