



Republika e Kosovës
Republika Kosova - Republic of Kosovo

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REGULATORNI URED ZA ENERGIJU
ENERGY REGULATORY OFFICE



Final Report on Maximum Allowed Revenues of TSO/MO

Eleventh Electricity Tariff Review

ETR11 (2017-2018)

DISCLAIMER

This Consultation Paper has been prepared by ERO for the purpose of informing stakeholders. It does not represent a decision by the ERO and should not be interpreted as such.

March 2017



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1 Summary

Following the preliminary evaluation of the Application regarding the Maximum Allowed Revenues (MAR) for the Transmission System Operator and Market Operator (TSO/MO, KOSTT), the licensee and other stakeholders were enabled to represent their comments through public consultation within a two weeks period.

With the purpose of representing a fair evaluation for TSO/MO Maximum Allowed Revenues, representatives from ERO and Transmission System Operator and Market Operator held several meetings to provide explanations regarding the calculations on preliminary evaluation. This interacting process of communications resulted in several supplements which did not have a substantial impact in changing the preliminary evaluation.

This document presents responses to comments submitted by interested parties, and ERO's final evaluation on TSO/MO's Maximum Allowed Revenues.

Regarding the preliminary evaluation of TSO/MO Maximum Allowed Revenues, ERO did not receive any comments from any other party, except for comments received from TSO/MO which are included below:



2 Ancillary Services

KOSTT comments

KOSTT claims that the deduction applied for the non-realization of the costs of ancillary services for 2016 is unfair based on the fact that the realization of these costs has been outside of company's influence and competence, and being a well-known political issue, KOSTT requires that this discount on behalf of interest should not be applied.

Also, KOSTT emphasizes that the available ancillary service fund is no longer 3.9 million euros as it was in 2015 but 3.3 million, since 0.58 million euros have been deducted from 2016 revenues on behalf of interest.

ERO's Response

ERO agrees that allowed revenues for the cost of ancillary services have not been spent for reasons outside the control of KOSTT. However, the adjustment of interest has been strictly applied to compensate customers, by applying one of the basic principles of regulation.

3 Transmission losses and Loss Sharing Factor

KOSTT's Comment

KOSTT requires from ERO to carry out the calculations according to the Loss Sharing Factor determined during the Periodic Review, namely the 50/50 factor.

KOSTT requires that the percentage (1.75%) should not to be taken into account in calculating the revenues of 2017, but, instead of that, to take into account the level set for transmission losses during the periodic review (1.80%).

ERO's Response

ERO has set the transmission loss target at the level of 1.8%, as an input parameter for the multi-year periodic review (2013-2017), but KOSTT in its application has demanded a loss level of 1.75%. For this reason, ERO has taken this level of losses in calculating loss costs. Likewise, the loss factor is the introductory regulatory parameter set at the periodic review 50% with 50% as the incentive mechanism for reducing transmission losses.

ERO received these two comments in the calculation of the costs of losses.



4 Other revenues

KOSTT's Comment

Revenues reported by scrap sale for 2016 are 1,319 euros. The report creates the impression that they are calculated as 0.1 million euros during the adjustments and is therefore required by ERO to verify the value included in the adjustment from this category.

ERO's Response

In its initial application, KOSTT reported revenues from the sale and remission of assets in the amount of 104 thousand euros however, after receiving the draft financial statements and consultations with KOSTT it was considered that this value is 125 thousand euros. Also, during communication and consultation with KOSTT regarding revenues from customer contributions in an amount of 708 thousand euros, it is clarified that it is about the transferred assets.

ERO reflected these updates in the final evaluation.

5 Revenues from transit

KOSTT for the first time reported through the application for transit revenues for 2016 in a net value of 144,132 euros, and after receiving the draft financial statements it is noticed that KOSTT for 2016 has realized net transit revenues in the amount of 171 , 000 euros.

6 KOSTT Maximum Allowed Revenues

In order to evaluate the Maximum Allowed Revenues for the TSO / MO, ERO carefully analyzed each cost element. Their assessment was made based on the Rule on Determination of Maximum Allowed Revenues of the TSO / MO (Annex 1).

KOSTT's MAR for 2017 is proposed to be 35.93 million euros, which represents a significant increase in relation to the value of 22.4 million euro as it was in 2016. This increase comes as a result of legal changes in terms of regulation of the energy sector in Kosovo.

Starting from 1 April 2017, KOSTT will be responsible for handling the energy from Renewable Sources and the management of RES Fund in the amount of 6.7 million euros, an amount which will be managed by the Market Operator within the framework of KOSTT.

An increase in the KOSTT MAR for 2017 is attributed to the cost of losses in the North of Kosovo, which for 2017 are forecast to be in the amount of 8.7 million euros.

Negative adjustments to the KOSTT MAR are mainly attributed to the return of money to allow the ancillary service costs allowed in 2016. Adjustment of revenues through the KREV adjustment factor about 1 million euros, net income from ITC for 2016 and 2017 in the amount of € 0.27 million and other revenues realized in 2016 in the amount of € 0.125 million.



The following table presents the proposal for TSO/MO Maximum Allowed Revenues within ETR 11

Table - KOSTT MAR

KOSTT MAR		ETR10 Allowed	ETR11 Allowed
Indexing Parameters			
Efficiency factor	%	4.00%	4.00%
Profiling factor		0.00	0.00
Inflation	%	0.43%	0.2%
Euribor	%	0.25%	-0.1%
S-factor	%	15.00%	15.00%
Interest rate	%	15.25%	14.9%
Operational and Maintenance Costs (OPMCt)			
$OPMC_t = OPMC_{t-1} * (1 + CPI_{t-1}) * (1 - E_t) * (1 - P_t)$	€m	6.66	6.47
Allowed Depreciation(DEPCt)			
$DEPC_t = DEPC_{t-1} * (1 + CPI_{t-1}) * (1 - P_t)$	€m	6.97	7.64
Allowed Return(RTNCt)			
$RTNC_t = RTNC_{t-1} * (1 + CPI_{t-1}) * (1 - P_t)$	€m	3.26	3.95
Ancillary Services			
Ancillary Services	€m	-0.57	-0.58
RES Fund			
RES Fund	€m		6.67
Losses in the North			
Losses in the North	€m		8.71
Adjustment of KEK costs			-10.71
Allowed Losses(LSSCt)			
LSSAt	%	1.80%	1.80%
REUEt	GWh	6,331.8	6,389.5
WHEAt	€/MWh	34.1	35.4
LSSCat-1	€m		
LSSCft-1	€m	3.89	4.07
LSACT-1	€m		
LSSCt	€m	3.89	4.17
KREV (including adjustments)			
	€m	2.17	-1.00
Revenues from ITC Mechanism			-0.10
KOSTT MAR			
Total Maximum Allowed Revenues	€m	22.37	25.22