



Republika e Kosovës
Republika Kosova - Republic of Kosovo

ZYRA E RREGULLATORIT PËR ENERGJI
REGULATORNI URED ZA ENERGIJU
ENERGY REGULATORY OFFICE



Consultation Report

Annual Adjustments of TSO/MO Maximum Allowed Revenues

Relevant tariff year 2026

DISCLAIMER

This Consultation Report is prepared by ERO with the purpose of informing stakeholders. The report does not represent a decision of ERO and shall not be interpreted as such.

10 April 2026



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Introduction

The Energy Regulatory Office (ERO) is mandated to carry out Regular Annual Adjustments of the Maximum Allowed Revenues (MAR) to be recovered by regulated enterprises. Through this process, ERO prepares an initial proposal for the updated MAR for the Transmission System and Market Operator (TSO/MO, KOSTT) and the Distribution System Operator (DSO, KEDS), and determines the revenues of the Universal Service Supplier (USS). This initial assessment is based on the proposals submitted by the regulated companies, as well as on the decisions on Maximum Allowed Revenues for the 2023–2027 regulatory period for the TSO/MO, DSO and input value for Universal Service Supplier (USS) for the 2023–2027 regulatory period.

This year (2026) for the Regular Annual Adjustments, ERO has carried out a detailed review process, which included verification and validation of the data submitted by the licensees. During this process, it was identified that the applications required additional clarifications, updates, and corrections to ensure that the data used in the calculations is complete, accurate, and properly consolidated. Furthermore, the updated Energy Balance received from KOSTT and other relevant parties has been incorporated, reflecting the latest developments in the sector, including changes related to the availability of generation capacities (maintenance outages in TPP units). The integration of this updated balance into the respective models required additional time and has affected the values used in determining the allowed revenues. These steps were necessary to ensure that regulatory decision-making is based on updated and reliable data, thereby enabling a fair, transparent, and robust assessment of costs.

Annual Regular Adjustments

Regular adjustments are key regulatory mechanisms that allow revenues to be updated to reflect differences between forecast and actual cost values that are outside the control of regulated enterprises.

Since 2012, electricity tariffs have been set on a multi-year basis. This approach increases revenue predictability for licensees, enabling easier and more affordable financing of capital investments, while also promoting stable and sustainable prices for customers. These revenues are established during Periodic Reviews, conducted every five years, which determine several revenue components that do not change significantly from year to year and are mainly related to the capital and operating expenditures of regulated enterprises.

During Periodic Reviews, ERO also sets efficiency, loss reduction, and performance improvement targets aimed at enhancing the operational efficiency of companies, ultimately resulting in more reasonable prices for customers.

As part of the Periodic Review for the regulatory period 2023–2027, ERO also determines key regulatory input parameters such as the Weighted Average Cost of Capital (WACC), asset categorization and useful asset lives, depreciation methodologies, and other assumptions



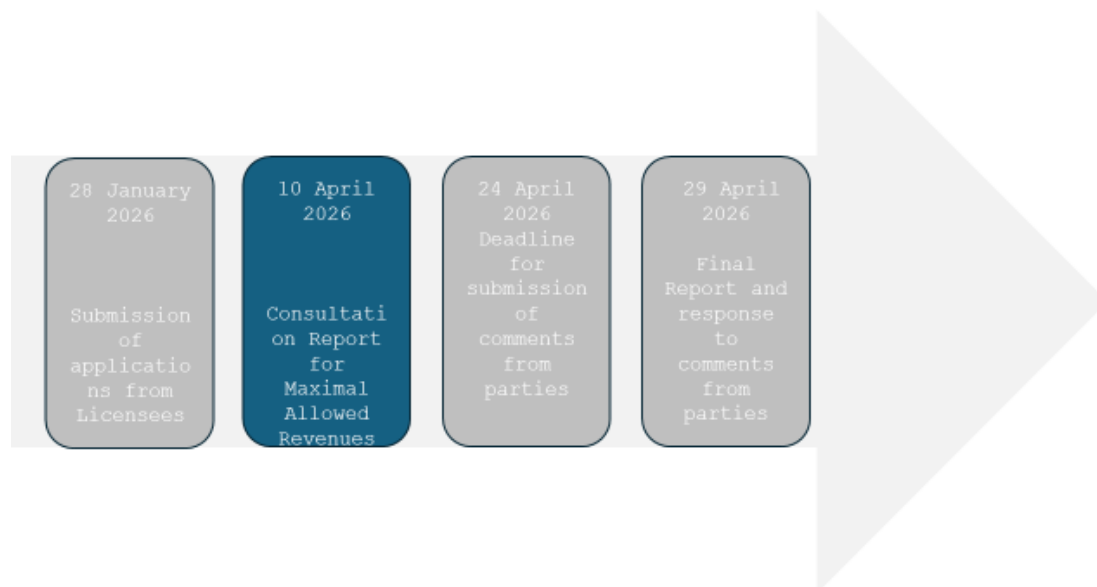
used to calculate the Regulatory Asset Base (RAB). These parameters are generally fixed for the duration of the regulatory period and provide the foundation for calculating allowed returns and capital recovery.

However, some cost components may vary significantly from year to year. These typically include costs largely outside the control of regulated operators, such as inflation, energy purchase costs, energy volumes served, changes in legislation, taxes, and similar factors. Despite the multi-year tariff framework, these components must be adjusted annually to ensure that companies neither gain nor incur losses due to factors beyond their control.

The purpose of this Consultation Report

This Consultation Report presents ERO's initial proposals for the TSO/MO's Maximum Allowed Revenues for the upcoming tariff year. The report aims to gather stakeholder comments on ERO's proposals which it will consider in its final tariff decision. The process and indicative timetable for Regular Adjustments is set out in Figure 1, below.

Figure 1 The Process and Indicative Schedule of Regular Adjustment for the TSO/MO



ERO strongly believes that public consultation lies at the heart of sustainable regulatory policies. Through this report, ERO invites regulated enterprises, customers, and other stakeholders to review the data and views presented in this Consultation Report and to provide their feedback where they may disagree. Stakeholders are encouraged to submit comments by identifying and correcting any factual errors, presenting reasoned counter-arguments, or providing additional data and evidence that ERO may not have considered.

This Consultation Report does not constitute a final decision. Following the consultation period, the Energy Regulatory Office will review all comments received and may revise its proposals where justified by the evidence provided. The final decision on the Maximum



Allowed Revenues will be approved by the Board of the Energy Regulatory Office and will be published together with a summary of stakeholders' comments and the responses of the Energy Regulatory Office.

Consultation Report - ERO proposal can be commented as follows:

The parties wishing to submit their comments on ERO's proposals are invited to send their written comments at ero.pricing-tariffs@ero-ks.org by 24 April at the latest. Comments can also be sent by mail at the following address:

Energy Regulatory Office
Tariffs and Pricing Department
St. Bekim Fehmiu (former Fazita Building), 2nd floor
Pristina, 10000, Kosovo

Relevant documents

This Consultation Report refers to several other documents which are accessible through the following links.

Rule on Maximum Allowed Revenues for the Transmission System and Market Operator	http://ero-ks.org/2017/Rregullat/Rregulla%20per%20te%20Hytrat%20e%20OST_OT.pdf
Final Evaluation of TSO/MO MAR within the Periodic Review MYT 3 2023-2027	https://www.ero-ks.org/zrre/sites/default/files/Publikimet/Pjesemarresit%20One%20Treg/Furnizim/KOSTT_Final%20Report%20on%20Maximum%20Allowed%20Revenues%20for%20TSO-MO_Responses%20to%20comments.pdf
KOSTT's Application for 2026	https://www.ero-ks.org/zrre/sites/default/files/Publikimet/Pjesemarresit%20One%20Treg/OSSH/eng.%20260128_KOSTT_Aplikacioni%20i%20KOSTT%20p%C3%ABr%20azhurnimet%20vjetore%20t%C3%AB%20t%C3%AB%20hyrav...%20(1).pdf
Consultation Report on USS Maximum Allowed Revenues for 2026	Consultation Report - USS MAR Annual Adjustment.pdf
Consultation Report on DSO Maximum Allowed Revenues for 2026	Consultation Report - DSO MAR .pdf



The structure of this Consultation Report

This document is structured as follows:

- Chapter 1 indexes the Operating and Maintenance Costs for the Efficiency Factor and for Annual Inflation based on the Harmonized Index of Consumer Prices (HICP) published for Eurozone countries;
- Chapter 2 updates the allowed costs of ancillary services;
- Chapter 3 updates the allowed costs of losses;
- Chapter 4 applies the differences between the Allowed and Realized Revenues in the Relevant Previous Year (t-1), including the excluded revenues; and,
- Chapter 5 updates the request for new projects.
- Chapter 6 sets the TSO/MO MAR for the next relevant year.

In addition, the report explains the key assumptions, data sources, and regulatory methodologies applied in the calculation process, as well as the potential implications for network tariffs and market participants.

1 Indexation of costs for 2026, with inflation rate

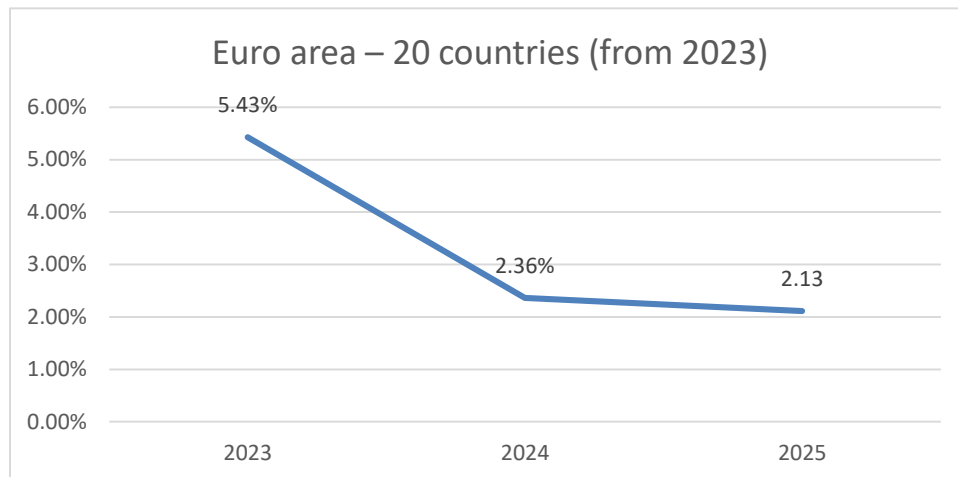
The Allowed Operating and Maintenance Expenses, Depreciation Cost and Allowed Return are determined by ERO during periodic reviews on a real basis (excluding inflation). Consequently, these costs should be indexed to the inflation rate during each regular annual adjustment. The Rule on Allowed Revenues of the TSO/MO stipulates that the costs should be indexed to the rate of the Harmonized Index of Consumer Prices HICP, published by Eurostat for the 20 countries of the Eurozone, which for the year 2025 was **2.13%**.¹

¹ Source: Eurostat,

https://ec.europa.eu/eurostat/databrowser/view/prc_hicp_aind/default/table?lang=en



Figure 2. Harmonized Index of Consumer Prices HICP



The adjustments resulting from the application of the inflation rate to each of the components of the allowed costs in 2025 were then added to the initial cost evaluation for 2023. The details of these calculations are presented in the Table 1 below.

Table 1. Adjustments for inflation

Line	Unit	a) Allowed 2025	b) Adjustment for Inflation	c) Initial evaluation MYT 3 ² (2023)	KOSTT proposal 2026	ERO Proposal allowed 2026
OPEX	mil€	7.857	0.167	7.664	9.158	8.106
Depreciation	mil€	14.489	0.309	14.145	14.376	14.381
Allowed return	mil€	10.963	0.234	10.703	11.233	11.236

In its application, the TSO/MO has requested the inclusion of additional projects and a change in the financing source for one project. During the 2023–2027 revenue review, only about 50% of KOSTT’s proposed capital investments were approved. Considering the dynamic needs of the transmission network, KOSTT has proposed seven new projects for implementation in 2027, all included in the approved Ten-Year Network Development Plan, with financing discussions ongoing with the European Bank for Reconstruction and Development (EBRD).

²https://www.ero-ks.org/zrre/sites/default/files/Publikimet/Pjesemarresit%20ne%20Treg/Furnizim/KOSTT_Final%20Report%20on%20Maximum%20Allowed%20Revenues%20for%20TSO-MO_Responses%20to%20comments.pdf



2 Adjustment of ancillary services cost for 2026

Legal and regulatory framework defines the obligation of Transmission System Operator to secure the “procurement of balancing services for balancing the system, based on market principles and the principles of transparency and non-discrimination”, as well in compliance with Grid Code and the obligations arising from the KOSTT-ENTSO-E Connection Agreement.

In 2025, the realized cost for ancillary services was in the amount of €39.64 million, while those allowed by the Regulator were in the amount of €37.72 million. The TSO/MO has submitted the request for ancillary services for 2026 in the amount of €45.00 million.

These costs are attributed to the automatic and manual reserve (aFRR and mFRR) in both directions (increase and decrease). As presented in application for MAR, KOSTT is obligated to provide tertiary regulation for increase (+mFRR – Manual Frequency Restoration Reserves) in the amount of +197 MW and tertiary regulation for decrease (-mFRR – Manual Frequency Restoration Reserves) in the amount of -50 MW, these amounts are needed for balancing the Kosovo SEE in the event of shortages and surpluses of electricity in the Kosovo SEE.

The automatic aFRR reserve in 2025 was provided by the Albanian TSO through a weekly auction, with the value requested by the TSO/MO of +/- 40 MW/h, with a total price of €25.43 million, according to the prices contracted through tendering procedures.

Meanwhile, the manual mFRR reserve for 2025 was contracted with the Service Provider (KESH), with capacities of +197 MW for increase and -50 MW for decrease, with a total price of €14.21 million.

After analysing the realized costs for 2025, the Regulator considers that this level of expenditure represents a reasonable and efficient benchmark for 2026 and therefore proposes to allow costs of €39.64 million. This approach reflects a prudent regulatory assessment aimed at protecting customers from unnecessary cost increases while ensuring system security and compliance with operational requirements. The Regulator notes that balancing costs are subject to market volatility and operational uncertainties and may be reviewed in future adjustments if justified by actual developments.

Based on the preliminary information received from KOSTT for the first two months of 2026, the realized costs for ancillary services are lower than those forecasted. This further indicates that the level of costs proposed by the Regulator is more reasonable and justified than the amount requested by KOSTT.

The details of these calculations are presented in the Table 2 below:



Table 2. Costs of ancillary services and adjustment

Costs of Ancillary Services	Unit	Allowed 2025	Proposed KOSTT 2026	Proposed ERO 2026
Forecast	mil €	37.72	45.00	39.640
Realized	mil €	39.64		
Difference	mil €	1.92		

3 Adjustment of the forecast of allowed losses (LSSCt) for TSO in 2026

3.1 Electricity Balance 2026

The electricity balance for 2026 represents the projected flows of electricity in the Kosovo power system, including domestic generation, imports, consumption, and network losses at the transmission and distribution level. The differences between the figures submitted by KOSTT and those used by ERO arise from updates to the energy balance during the assessment process, based on new assumptions and data provided by relevant stakeholders.

In particular, these differences are related to the revision of the schedule for major rehabilitations at TPP Kosova A and TPP Kosova B, which have affected the availability of generation units. As a result, ERO's assessments reflect an increase in domestic generation and a decrease in reliance on imports compared to KOSTT's initial projections.

It should be emphasized that the electricity balance has not yet been officially approved and remains subject to public consultation; therefore, it may undergo further changes, which will be reflected in the tariff review process.

The forecast of electricity balance for 2026 is presented in the following Table 3:

Table 3. Electricity flows at transmission level

	Unit	KOSTT 2026	ERO 2026
Kosova A – Production at the entry of transmission	GWh	1,827.96	2,121.52
Kosova B - Production at the entry of transmission	GWh	2,625.97	2,580.74
Ujmani + Kaskada e Lumbardhit+PE KITKA+PE Selaci	GWh	563.64	570..66
Import	GWh	2,320.19	2,158.00
Total energy at the entry of transmission	GWh	7,337.76	7,430.93
Allowed losses in transmission		1.75%	1.75%
Allowed losses in transmission	GWh	128.41	130.04

The electricity losses in the transmission network planned in the Electricity Balance are 130.04 GWh or 1.75% of the total amount of energy entering the transmission.



3.2 Forecast of power purchase costs and prices for import in 2026

ERO's preliminary evaluation of the costs of purchasing energy to cover losses is based on:

- The forecast amounts of electricity purchased from KEK and imports,
- The loss profile from historical TSO data,
- Forecasts of electricity prices from KEK and energy purchases from ALPEX, based on HUDEX (Hungarian Power Futures) data³, and
- The differences in average price between ALPEX and HUPEX, based on historical intraday market data.

Forecasts of electricity prices from energy exchanges in the region should be based on the analysis of historical price trends from the previous year, as well as price projections for the current year.

In Figure 3, the prices for 2025 from two power exchanges (PX) are presented: the Hungarian power exchange HUPX and the joint Albanian power exchange ALPEX

Figure 3. The difference in prices between HUPEX and ALPEX

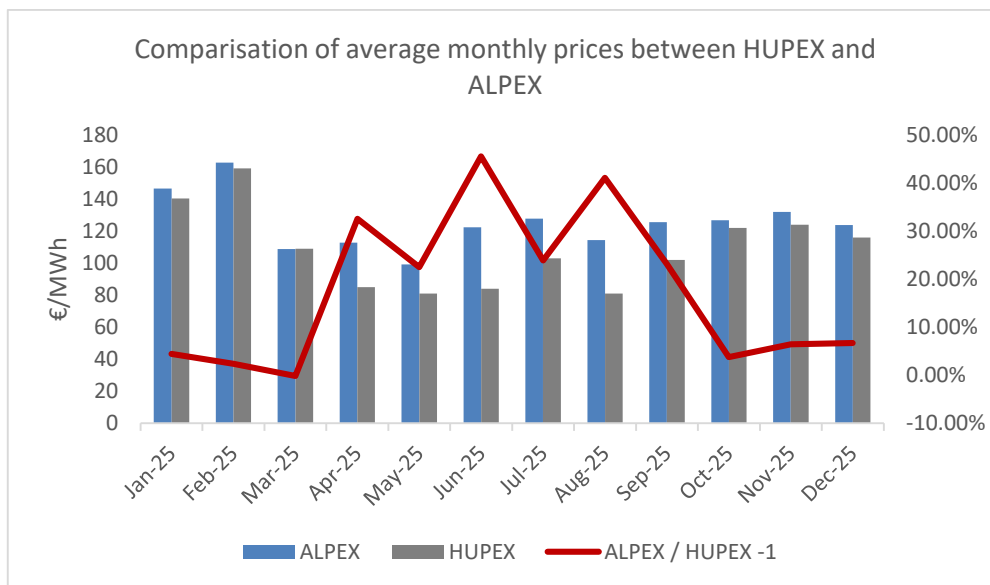


Figure 3 shows the historical price difference between the Hungarian power exchange (HUPEX) and the Albanian power exchange (ALPEX). The analysis indicates that ALPEX prices generally follow regional trends observed in HUPEX, with deviations due to market conditions and cross-border constraints. This spread is used to adjust HUDEX-based forecasts to better reflect expected prices in the Kosovo region.

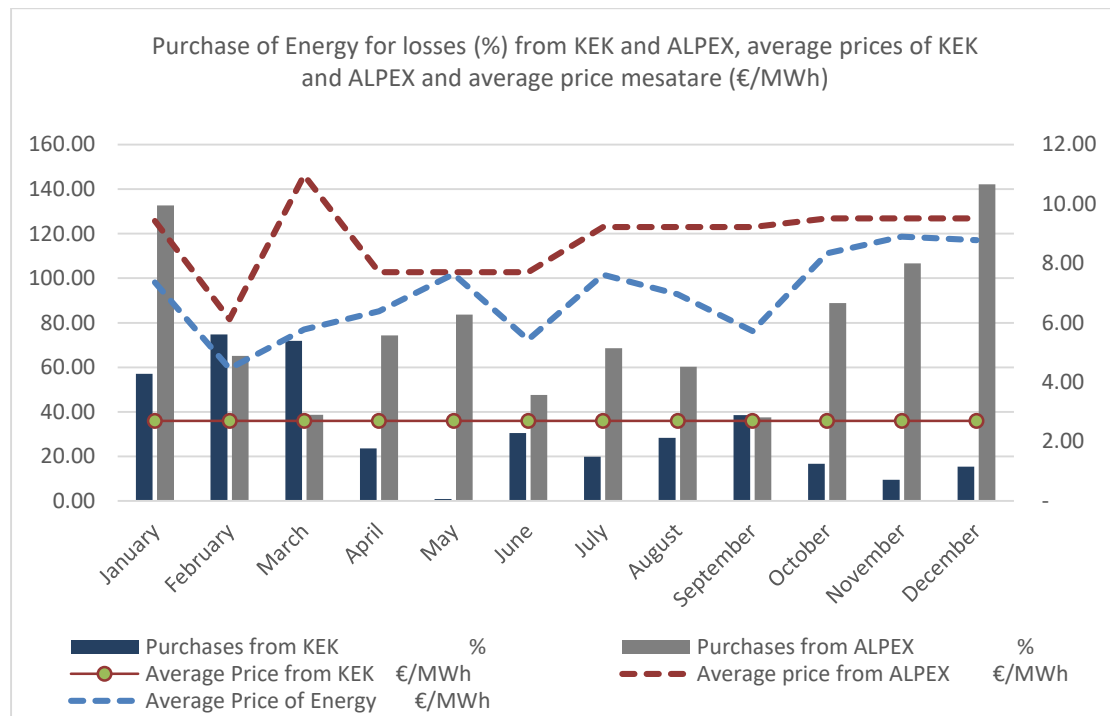
³ HUDEX Reports: <https://hudex.hu/en/market-data/power/reports>



Based on this analysis, the forecast average electricity price to cover TSO losses in 2026 is estimated at €93.14/MWh. This estimate is based on forward market indicators and historical price relationships, while acknowledging potential market volatility.

The forecast of the average import price (WHEAT) by ERO is presented in the Figure 4 and Table 4 below.

Figure 4. Forecast of the price of purchases for losses



The following Table 4 presents monthly purchases from KEK and ALPEX in %, the monthly average price from KEK and ALPEX, as well the average price KEK & ALPEX.



Table 4. Forecast of energy price in 2026

	Purchase from KEK %	Purchase from ALPEX %	Average price from KEK €/MWh	Average price from ALPEX €/MWh	Average price KEK & ALPEX €/MWh
January	4.28	9.66	36.00	125.63	98.10
February	5.62	5.96	36.00	81.64	59.50
March	5.78	3.41	36.00	146.31	76.92
April	1.90	5.35	36.00	102.64	86.16
May	0.07	6.01	36.00	102.64	101.95
June	2.45	2.95	36.00	102.64	72.42
July	1.60	4.91	36.00	122.94	101.59
August	2.28	4.31	36.00	122.94	92.85
September	3.10	2.67	36.00	122.94	76.24
October	1.34	6.39	36.00	126.86	111.12
November	0.76	7.68	36.00	126.86	118.64
December	1.24	10.28	36.00	126.86	117.10
Average energy price (WHEAT), €/MWh			93.14		

Most of the energy is expected to be purchased from ALPEX at variable market prices, while KEK provides smaller volumes at a stable lower price (36 €/MWh), while the average forecasted purchase prices from ALPEX is 118.12 €/MWh. Higher ALPEX shares in winter lead to higher monthly prices. The resulting weighted average price for 2026 is €93.14/MWh.

3.3 Forecast of costs for TSO losses in 2026

Table 5 shows that both KOSTT and ERO apply the same allowed loss rate of 1.75%, as approved by ERO. However, ERO uses a revised electricity balance updated due to the previously mentioned changes which results in slightly higher allowed losses in GWh. ERO also assumes a lower average energy price (€93.14/MWh compared to KOSTT's €122.72/MWh), leading to significantly lower total loss costs. Consequently, ERO proposes loss costs of €12.11 million, compared to €15.76 million proposed by KOSTT.

In its initial application, KOSTT stated that no alternative agreement for the procurement of energy to cover losses exists other than the agreement with KEK, which has been in force since the previous year and of which ERO has been duly informed. Regarding projections for the current year, KOSTT relied on official notifications received from KEK concerning the amendment of the existing energy purchase agreement for loss coverage. According to this notification, from April onward KEK anticipated sourcing energy from the ALPEX power exchange, which resulted in a higher projected price for loss coverage and, consequently, higher loss costs.

It is assumed that KOSTT will procure losses primarily through the power exchange ALPEX. Therefore, the price forecasts for 2026 are based on market data from ALPEX, using the historical quarterly price levels observed in 2025 as a reference point for the forecast.



The Regulator has updated the assumptions regarding the price and volume of energy to reflect the realized data for January and February 2026. For the remaining months of 2026, the forecasted prices submitted by KOSTT have been taken into consideration, along with the updated balance provided by KOSTT. This approach ensures alignment with actual market outcomes where available, while maintaining consistency with forward estimates for the remainder of the year.

Table 5. Forecasts of costs for TSO losses

TSO	Unit	KOSTT Proposal 2026	ERO Proposal 2026
REUE_t	GWh	7,337.76	7,430.93
LSSA_t	%	1.75%	1.75%
Total allowed losses	GWh	128.41	130.04
WHEA_t	€/MWh	122.72	93.14
Costs of losses LSSC_t	mil€	15.76	12,11

Where:

$LSSC_t$	<i>Allowed cost of losses in relevant year t</i>
$LSSA_t$	<i>Allowed losses, presented as a share of energy entering distribution in relevant year t</i>
$REUE_t$	<i>Energy units (MWh) or (GWh) entering the transmission system in relevant year t</i>
$WHEA_t$	<i>Average of wholesale energy price (€/MWh) in relevant year t</i>

3.4 Referent price 2026

The basic principles for determining the reference price are as follows:

- The amount of demand displaced is based on the merit order of demand, where the most expensive generating source is replaced first and the cheapest source is replaced last.
- The hourly reference price is based on the volume of generation from RES and the costs of the alternatives displaced at that time for that volume.
- The calculation of the annual reference price is based on the current values of the displaced electricity sources per hour, for the entire year, and divided by the expected volume of generation from RES per hour, for the entire year.

In its initial application, KOSTT did not update the reference price and applied the 2025 value of €65.12/MWh. ERO subsequently requested KOSTT to update the reference price in accordance with the Methodology for Calculating the Reference Price for Electricity



Generated from Renewable Energy Sources. Based on this methodology, the updated reference price amounts to €88.58/MWh.

4 Adjustments for revenues correction factor for the realized year 2025

In line with the Rule on Maximum Allowed Revenues, the Regulator makes the correction of the revenues of the previous year. The principle applied is related to the overall evaluation of the current allowed costs and the current realized revenues. These calculations are made according to the following formula:

$$KREV_t = (AAC_{at-1} - ARR_{t-1}) * (1 + I_t)$$

Where:

AAC_{at-1} Actual Allowed Cost as determined in Relevant Year t-1

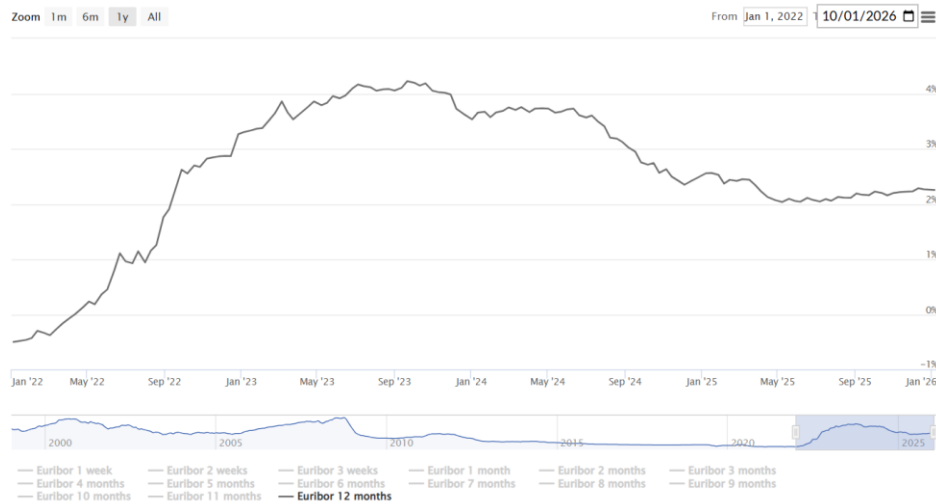
ARR_{t-1} Actual Regulated Revenues in Relevant Year t-1

I_t Interest rate for relevant year t, which is calculated based on EURIBOR plus S%, where S presents the value determined by ERO during periodic reviews which reflects the premium payable by the licensee for short-term loans.

The EURIBOR rate of **2.22%** for 2025 is the interest rate that reflects the cost of short-term loans that banks apply for a period of one year. This rate is EURIBOR plus the S factor which represents the value determined by ERO during periodic reviews (5.74%) that reflects the premium payable by the licensee for loans which serve as a basis for calculating the “It-interest rate” that they pay for loans taken to finance their investments or operations.



Figure 1. Annual average of 12-month EURIBOR⁴



As shown in Table 6, differences exist between the actual costs reported by KOSTT and those recognized by ERO for the year 2025. These differences result from the regulatory assessment process, through which ERO verifies that the reported costs comply with the regulatory framework and the principles of efficiency and cost eligibility.

The discrepancies are most evident in items such as the OPEX, purchase of energy for losses, which are sensitive to market conditions and operational factors during the year. Therefore, ERO recognizes only verified and justified costs for tariff-setting purposes.

Table 6. Annual adjustments 2025

in million €	Allowed costs t-1	Realized costs t-1	Allowed actual costs (AACat-1)
OPEX- Operating expenses	7.86	9.2	7.86
Depreciation	14.49	14.49	14.49
Return on investments	10.96	10.96	10.96
Purchase of energy for losses	13.11	14.59	13.65
Correction of the fund from t-1	17.34	-5.64	-5.64
Ancillary services	37.72	39.64	39.64
Corrections of unregulated revenues	-8.31	-15.75	-15.75
ITC Mechanism	-0.4	0.89	0.89
Adjustments for (2022 and PR2)	-5.42	-5.42	-5.42
Correction factor KREV t-1	0.85		0.85
Total with Fund	88.2	62.96	61.53
Total without fund	70.86	68.6	67.17

⁴ Euribor rates.eu, <https://www.euribor-rates.eu/en/euribor-charts/>



It should be noted that the correction factor KREV t-1, amounting to €0.85 million for 2025, was not taken into account in the actual costs presented by KOSTT, whereas the Energy Regulatory Office has included this value in the calculation of the actual costs.

Unregulated revenues are revenues that the TSO obtains from the use of regulated assets and which are deducted from the Maximum Allowed Revenues. Meanwhile, revenues associated with the provision of certain services (including revenues from capacity allocation, transit revenues, and other operational revenues) are deducted during the regular annual revenue adjustment process.

Table 7 shows the calculation of the Revenues Correction Factor (KREV) based on the difference between Actual Allowed Costs (AACT-1) and Realized Regulated Revenues (ARRt-1), adjusted by the applicable interest rate.

While both KOSTT and ERO use the same value for realized revenues (ARRt-1 = €63.77 million) and the same interest rate (7.96%), differences arise in the Actual Allowed Costs (AACT-1). KOSTT reports €62.96 million, whereas ERO recognizes €61.43 million after regulatory review.

As a result, KOSTT calculates a correction factor of –€0.884 million, while ERO determines a larger negative adjustment of –€2.527 million. The difference is therefore entirely driven by the lower level of allowed costs accepted by ERO. This difference arises as a result of the higher level of OPEX and loss costs reported by KOSTT, compared to the costs accepted by the Energy Regulatory Office. These differences are presented in Table 6, under the annual adjustments for 2025. This adjustment is carried forward into the determination of the MAR for the subsequent tariff year.

Table 7 Revenues Correction Factor

Calculation of Revenues Correction Factor	KOSTT Proposed mil €	ERO Proposed mil €
AACT-1 Actual allowed costs for relevant year t-1	62.96	61.43
ARRt-1 Realized revenues in relevant year t-1	63.77	63.77
$I_t = 2,22\% + 5.74\%$	7.96%	7.96%
$KREV = (AACT-1 - ARRt-1) * (1 + I_t) - \text{Revenues Adjustment Factor}$	-0.884	-2.527

4.1 Adjustments of the Costs of Losses for 2025

As shown in Table 8, differences exist between the actual loss costs reported by KOSTT and those recognized by ERO for 2025. These differences are not related to the energy price, which is the same in both cases, but to the volume of losses used in the calculation.



KOSTT reports losses based on the actual realized energy losses, whereas ERO calculates the costs based on the allowed loss level of 1.75%, in accordance with the regulatory framework. Consequently, the loss volume recognized by ERO is lower, resulting in a lower total cost of losses and a smaller adjusted cost.

Table 8. Adjustments for costs of losses

Maximum Allowed Revenues for TSO/MO	Unit	KOSTT t-1 Actual 2025	ERO t-1 Actual 2025
Allowed % of losses	%	1.75%	1.75%
REUEt – Energy at the entry of TSO	GWh	7293.54	7243.78
RWMP – Price for purchase of energy (€/MWh)	€/MWh	106.97	106.97
Allowed losses	GWh	135.5	126.77
Cost of losses	mil €	14.59	13.56
Adjusted Cost comparing to allowed	mil €		1.03

4.2 RES Fund 2026

The initially proposed Fund cost of €18.68 million was based on the projected production of electricity from renewable energy sources and the calculation of support payments using the reference price of €65.12/MWh. Under the feed-in tariff scheme, the Fund cost is calculated as the difference between the Feed-in Tariff and the Reference Price, multiplied by the energy produced by each generating unit, with additional costs for fund management and imbalances included.

In its initial application, KOSTT did not update the reference price and applied the 2025 value of €65.12/MWh. For generators whose indexed feed-in tariff exceeds this value, the reference price of €65.12/MWh was applied, while generators with lower tariffs were remunerated at their respective lower price.

Following the review process, ERO requested KOSTT to update the reference price in accordance with the Methodology for Calculating the Reference Price for Electricity Generated from Renewable Energy Sources. Based on this methodology, the updated reference price for 2026 amounts to €88.58/MWh. The higher reference price significantly reduces the difference between the feed-in tariffs and the reference price, leading to a substantially lower RES Fund requirement.

Consequently, KOSTT revised its estimate to €5.45 million, while ERO's assessment results in a Fund cost of €6.85 million for 2026.

The details of these calculations are presented in Table 9.



Table 9. Fund costs and adjustment

Fund costs	Unit	KOSTT Proposed 2026	KOSTT Revised 2026	ERO Proposed 2026
Forecast	€mil	18.68	5.45	6.85

4.3 Corrections for non-tariff revenues 2025

KOSTT, in 2025, was allowed €8.31 million as non-tariff revenues, while, based on the draft financial statements for 2025, KOSTT has generated non-tariff revenues in the amount of €15.75 million. Revenues generated from unregulated activities, such as: revenues from capacity allocation and revenues from the ITC mechanism, are deducted from the maximum allowed revenues.

This difference in the value of revenues, of 6.15 € million, will be adjusted through the revenue correction mechanism for 2026.

The following table presents the details of unregulated revenues:

Table 10. Corrections of un-regulated revenues

Adjustments-Unregulated revenues	Allowed 2025 mil €	Realization 2025 mil €	Forecast 2026 mil €
Revenues from allocation of capacities and other revenues	-8.31	-15.75	-8.31
Revenues from ITC Mechanism	-0.40	0.89	-0.21
Total adjustments	-8.71	-14.86	-8.51
Difference		-6.15	

5 Request for New Projects

As part of the review of the Five-Year Transmission Investment Plan 2023–2027 and the application for the annual update of the Maximum Allowed Revenues (MAR) for 2026, ERO analyzed KOSTT's requests for new capital projects as well as the level of implementation of previously approved investments. The analysis indicates that the realization of capital expenditures during 2023–2024 has remained significantly below the levels approved by ERO, while a considerable number of projects have been postponed or not implemented in accordance with the approved plans.

At the same time, financial data show that KOSTT holds substantial cash balances and has the capacity to finance part of the capital investments using its own funds. Nevertheless, KOSTT continues to obtain loans from international financial institutions, including the European Bank for Reconstruction and Development (EBRD), to finance new projects. This situation



requires careful regulatory assessment, particularly in the context of the tariff-setting process and the justification of capital costs to be recovered through regulated tariffs.

Within the tariff application, KOSTT has submitted a list of investment projects. The Energy Regulatory Office has reviewed and verified these projects and has determined that the following projects are included and approved in the Five-Year and Ten-Year Transmission Development Plans. However, since the commissioning of these projects is expected to occur mainly beyond the current regulatory period, the related capital costs will not be included in the allowed revenues for the period 2023–2027. Instead, these investments may be incorporated into the Regulated Asset Base (RAB) and reflected in tariffs during future regulatory periods, subject to verification of their necessity, efficiency, and timely implementation.

The list of projects is presented below:

- SS Klina – Rehabilitation of the substation and installation of the second transformer TR2 110/10(20) kV, 40 MVA
- SS Gjlani 5 – Installation of the second transformer TR2 110/10(20) kV, 40 MVA
- SS Gjakova 1 – Replacement of transformer TR2 110/35/20 kV, 40 MVA
- SS Gjlani 1 – Replacement of transformer TR2 110/35/10(20) kV, 40 MVA
- SS Prizreni 1 and SS Viti – Replacement of the respective transformers
- SS Vitia – Replacement of transformer TR1 110/35/10(20)/35 kV, 40 MVA
- SS Prizreni 3 – Replacement of transformer TR1
- New 110 kV cable line SS Prizreni 1 – SS Prizreni 2
- Revitalization of the 110 kV line SS Prizreni 1 – SS Prizreni 3
- SS Vushtrri 1 – Reconstruction of 110 kV bays and associated equipment
- SS Burimi – Substation rehabilitation
- SS Prishtina 1 – Replacement of transformer TR2
- SS Skenderaj and SS Gjakova 2 – Replacement of the respective transformers

In addition, the tariff application also includes several new projects that are not incorporated in the approved transmission development plans. In accordance with the regulatory framework and development planning procedures, investment projects must first be included and approved in the relevant development plans before they can be considered within the tariff process.

Consequently, the Energy Regulatory Office considers that the following projects cannot be considered for approval in principle at this stage of the tariff process until they are included and approved in the relevant transmission development plans. The list of projects is presented below:

Construction of a metal structure for GIS protection at 110 kV SS Palaj

- SS Prizreni 3 – Replacement of transformer TR2 110/10(20) kV, 40 MVA
- Supply of a mobile substation
- Reconstruction of the 6.3 kV cable line SS Kosovo B – TC Kosovo B



ERO emphasizes that the inclusion of such projects in the tariff review is carried out in line with their incorporation and approval in the transmission development plans, as well as following their assessment under the relevant investment planning procedures. Given that ERO is currently in the public consultation phase, the projects in question may be subject to further review and, upon completion of this process, may be included and approved within the framework of the development plans and the corresponding tariff treatment.

ERO will continue to monitor the progress of these projects and may request additional clarifications from KOSTT regarding implementation schedules, financing arrangements, and investment priorities before recognizing them for tariff purposes.

The Regulator supports the implementation of investments financed by the European Bank for Reconstruction and Development. Such investments may be recognized by the Energy Regulatory Office within the tariff review process once they have been completed and commissioned, in accordance with the applicable regulatory requirements.

6 Proposal for TSO/MO Maximum Allowed Revenues

The Maximum Allowed Revenues for TSO/MO are calculated according to the following formula:

$$MAR_t = OPMC_t + DEPC_t + RTNC_t + ASVC_t + LSSC_t + LICC_t - ITCR_{t-NTFR} + ADJ_t + KREV_t$$

MAR_t Maximum Allowed Revenues in relevant year t

$OPMC_t$ Allowed Operating and Maintenance Costs in relevant year t

$DEPC_t$ Allowed Depreciation in relevant year t

$RTNC_t$ Allowed Return on Capital in relevant year t

$ASVC_t$ Allowed Costs for Ancillary Services in relevant year t

$LSSC_t$ Allowed Cost of Losses in relevant year t

$LICC_t$ Cost of Licensing Tax in relevant year t

$ITCR_t$ Net Revenues of TSO/MO from inter-TSO compensation in relevant year t

ADJ_t Adjustment of Costs

$KREV_t$ Revenues Correction Factor in relevant year t

Table 11 presents a comparison between the Maximum Allowed Revenues (MAR) proposed by KOSTT and those determined by ERO for 2026, following the application of regulatory adjustments to each cost component. The main differences between the two proposals are primarily related to ancillary services costs, loss costs, the RES Fund, operating expenditures, and the revenue correction factor (KREV).



The largest difference is observed in ancillary services, where KOSTT proposes €45.00 million, while ERO recognizes €39.64 million based on actual costs and regulatory assessment of real needs. Significant differences also arise in the cost of losses, as KOSTT applies a higher energy price, whereas ERO uses a lower average price and a revised energy balance, resulting in lower loss costs.

A major discrepancy is also evident in the RES Fund, where KOSTT forecasts €18.68 million, while ERO recognizes only €6.85 million based on updated projections and corrections from previous periods. Operating expenditures (OPMC) are also lower in ERO's proposal due to the application of regulatory indexation and efficiency factors.

Finally, the revenue correction factor (KREV) is more negative in ERO's calculation, further reducing the MAR. As a result of these differences, the MAR proposed by ERO (€76.065 million) is significantly lower than KOSTT's proposal (€99.38 million).

Table 11. Proposal for KOSTT Maximum Allowed Revenues for year 2026

Komponenti	Njësia	Lejuar ZRRE	Propozimi KOSTT	Propozimi ZRRE
		2025	2026	2026
OPEX	€ mil	7.86	9.16	8.11
Deprecation	€ mil	14.49	14.38	14.38
Allowed Return	€ mil	10.96	11.23	11.24
Phurchase Energy for Losses Humbjet	€ mil	13.11	15.76	12.112
RES Fond	€ mil	17.34	18.68	6.85
Ancillary Services	€ mil	37.71	45.00	39.64
Regulated Revenues	€ mil	-8.31	-8.31	-8.31
Revenues fro ITC Mechanism	€ mil	-0.4	-0.21	-0.21
Adjustmens for (2022 and PR2)	€ mil	-5.42	-5.42	-5.42
KREVT = (AACat-1 – ARRT-1) * (1+ It)	€ mil	0.848	-0.88	-2.53
Totali	€ mil	88.198	99.383	75.858