

Final Report

Rule on Renewable Energy Support Mechanism

Response to Comments

DISCLAIMER

This Response to Comments Paper has been prepared by ERO to inform stakeholders. The report does not represent an ERO decision and should not be interpreted as such.

5 December 2025

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1 Introduction

The Energy Regulatory Office (ERO) is in the process of drafting the Rule on Renewable Energy Support Mechanism (Rule on the Support Mechanism). This Rule establishes a transparent and structured framework for financing the support provided to incentivize investments in renewable energy capacities, in line with Kosovo's renewable energy targets. The development of this Rule is a legal obligation deriving from the Law No. 038/L-258 on the Promotion of the Use of Renewable Energy Sources (RES Law).

This Report presents a summary of the comments received from stakeholders and ERO's responses to these comments. The Report is structured as follows:

- Chapter 2 provides an overview of the process of drafting the Rule on the Support Mechanism;
- Chapter 3 provides a summary on the feedback provided by stakeholders;
- Chapter 4 provides ERO's responses to the comments received.

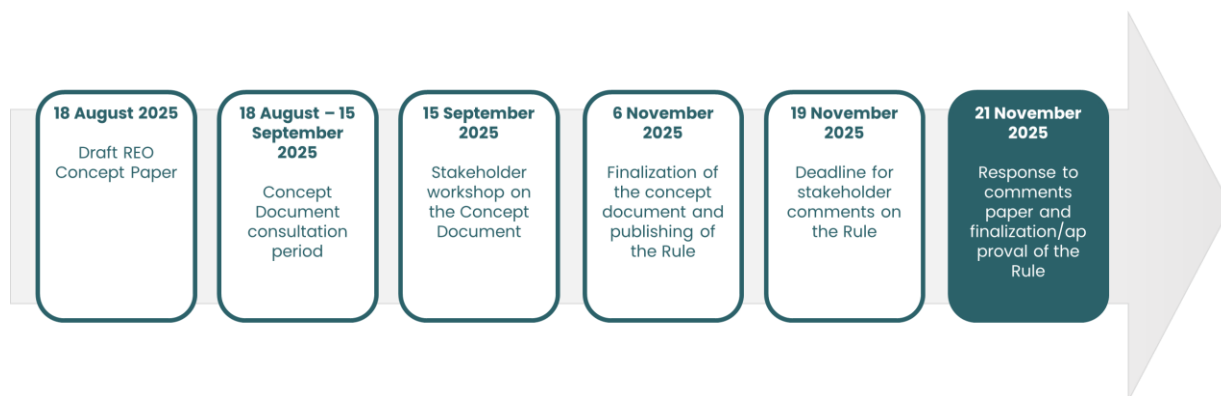
The amended Rule reflecting the accepted comments will be published on ERO's web-site alongside this Report.

2 An overview of the process

This chapter of the Report summarizes the process of drafting the Rule on the Support Mechanism for Renewable Energy Sources.

- On 3 July 2025, with technical assistance from the European Bank for Reconstruction and Development (EBRD), ERO initiated the drafting of the Concept Document for the Rule on the Support Mechanism.
- On 18 August 2025, ERO published the Concept Document to facilitate a structured discussion on the roles and responsibilities of the Renewable Energy Operator (REO). During the public consultation period, ERO received comments from the Association of Kosovo Banks (KB), the Albanian Power Exchange (ALPEX), and the Kosovo System, Transmission and Market Operator (KOSTT).
- On 15 September 2025, ERO organized a roundtable as a discussion platform to present the concept and collect stakeholder feedback. The roundtable brought together 48 participants from 19 organizations, including chambers of commerce, financial institutions and energy sector stakeholders.
- On 6 November 2025, ERO published the draft Rule on the Support Mechanism for stakeholder consultation. The draft reflected the Concept Document as well as the comments submitted during the earlier consultation phase.
- On 2 December 2025, ERO participated in a meeting with representatives of the Ministry of Economy and KOSTT, with the aim of clarifying the comments received from the parties. During this meeting, the parties provided additional comments, which have been incorporated into this document.

Figure 1 Process of drafting the Rule on the Support Mechanism



Other relevant documents directly related to the content of this Report.

Law on the Promotion of the Use of Renewable Energy Sources <https://tinyurl.com/4xumafhx>

Rules for self-consumers of Renewable Resources <https://tinyurl.com/3vrxktm6>

Concept Document for the RES Support Mechanism <https://tinyurl.com/4esayevu>

Draft Rule on the RES Support Mechanism <https://tinyurl.com/mus8e6v8>

3 Stakeholder Comments

This chapter of the Report provides a summary of stakeholder comments, ordered according to the chronology of receipt of these comments.

- Chapter 3.1 provides comments of the Kosovo Chamber of Commerce;
- Chapter 3.2 provides comments of the Transmission, System and Market Operator (KOSTT);
- Chapter 3.3 provides comments of the Ministry of Economy.

3.1 Comments of the Kosovo Chamber of Commerce

The Kosovo Chamber of Commerce (KCC) considers the proposed Regulation as an essential step towards the operationalization of the Law No. 08/L-258 on Renewable Energy Sources. This Regulation establishes the institutional and financial basis for supporting energy producers through the Renewable Energy Support Fund. KCC emphasizes that the Rule is in line with European Union practices and offers modern support instruments such as Contracts for Difference (CfDs) and Premium (FiP). However, according to KCC:

- The legal status of the Support Fund and the Fund's relations with the ERO and Market Operator are not fully clear. In neighbouring countries such as Albania and North Macedonia, the counterparty is a separate entity or under the TSO

administration, with separate accounts and with direct supervision by the Regulator. Consequently, KCC recommends clarifying the legal status and governance structure of the REO to avoid conflicts of interest.

- Support Mechanisms such as CfD and FiP are welcome, but the reference prices referred to in these schemes should be based on clear sources such as market prices on the Albanian Power Exchange (ALPEX) or its equivalent office in Serbia (SEEPEx) until Kosovo fully establishes its own organized market. The liquidity buffer should be built up over a long-term period, and the financial statements should be audited.
- The liquidity buffer exceeds the values of the countries in the region, especially of Albania and Macedonia, which have presented lower liquidity values. Also, the liquidity level should be reached in a transitional period to avoid an immediate increase in the Renewable Energy Obligation.
- Before applying the Renewable Energy Obligation, we must ensure that the Guarantees of Origin system is operationalized to avoid abuses and difficulties in verification. The impact of the tariff on consumers in need should be analysed, and compensation mechanisms should be considered.

At the end of the document, KCC provides an overview of the comparison of the ERO proposal with regional practices in Albania and North Macedonia and a set of recommendations that complement the comments described above.

3.2 Transmission, System and Market Operator (KOSTT) comments

The Transmission, System and Market Operator (KOSTT) notes that the rule introduces operational uncertainties, financial risks and potential inconsistencies with the Law on Renewable Energy Sources (RES). KOSTT's primary concern relates to the proposal that the Renewable Energy Operator (OER) should act as the Balancing Responsible Party (BRP) for excess electricity injected into the grid by self-consumers. KOSTT stresses that, under Article 28, paragraph 2.5 of the RES Law, self-consumers are required to sign a contract with their supplier. In KOSTT's view, this provision implies that self-consumers must belong to the supplier's balancing group and that any compensation for excess generation should be carried out through suppliers.

KOSTT further notes that designating the REO as the BRP for the excess energy of self-consumers would create additional operational and financial consequences. These include, among others, the limitation of bilateral contracts between self-consumers and Suppliers, thus limiting market development; the transformation of REO into a "*single buyer*", which limits competition and increases inefficiency. According to KOSTT, this obligation exposes them financially by jeopardizing the company's operation, increasing administrative costs (and, therefore, increasing fees), and implies new requirements for information technology services at KOSTT.

In addition, KOSTT raises concerns regarding the RES Fund. KOSTT proposes to amend Article 8.1, which requires that revenues from the Renewable Energy Obligation Tariff (RET) be *equal* to the approved Fund, requiring them to be "*as much as possible to equal*". KOSTT also requests clarification of the definition of "Relevant Year" and states that the rule on the sharing of commercially sensitive information between REO and the Market Operator (Article 7) is not possible to apply.

3.3 Comments of the Ministry of Economy

The Ministry of Economy (ME) emphasizes the importance of ensuring that the Rule is fully harmonized with the existing legal framework and that the operational responsibilities of the REO are clearly defined. With respect to Article 5 of the Rule, the Ministry proposes amendments to require suppliers to be responsible for balancing self-consumers, in line with Article 30 of the Law on Renewable Energy Sources. Additionally, regarding the revenues of the Fund, the Ministry recommends aligning the provisions of the Rule with Article 12, paragraph 1.3, and Article 3, paragraph 1.39 of the Law on Renewable Energy Sources to ensure legal consistency.

With respect to Article 11, paragraph 1.9, which refers to “the costs associated with the financing of any additional costs of the support scheme,” the Ministry of Economy notes that the wording is unclear. The Ministry suggests providing examples of the types of costs that may be covered, even if the list is not exhaustive, to improve clarity and predictability. Regarding the provision on “allowed bad debt,” the Ministry highlights that it is not clear what may cause such bad debt to occur. The Ministry requests additional clarification of this provision.

3.4 Comments received during the consultative meeting from the Ministry of Economy and KOSTT

At the meeting of 2 December 2025, the Ministry of Economy and KOSTT emphasised the need to clarify the legal basis for the compensation of Self-Consumers accepted into support schemes for self-consumption. It was also requested to clarify for which self-consumers the compensation of suppliers by the OER applies, and to elaborate why ALPEX is used as the basis in the calculation of compensation.

The Ministry of Economy requested that point 2 of Article 15 of the Rule be amended from “... or other financing instruments” to “... or other financial instruments”.

4 Responses to stakeholder comments

This Chapter of the Report presents ERO's responses to stakeholder comments.

- The comments of the Kosovo Chamber of Commerce will be addressed in Chapter 4.1.
- The comments of KOSTT and ME regarding the balancing responsibilities and the necessary changes to the self-consumer support scheme are addressed together in Chapter 4.2.
- Other comments of KOSTT and ME are addressed in Chapters 4.3, respectively 4.4.

4.1 Responses to the comments of the Kosovo Chamber of Commerce

ERO appreciates the constructive engagement of the business community in its policymaking process and their contribution to improving ERO's regulatory policy.

4.1.1 Legal status, governance structure of REO and relations with EROs

Regarding the comment on the legal framework and responsibilities of the REO, the ERO highlights the clarification provided in Chapter 4.1 of the Concept Document on the Support Mechanism for

Renewable Energy¹. The establishment and operation of the REO as the counterparty of renewable energy producers receiving support, as well as the management of the RES Fund, are based on the provisions of the RES Law and are regulated in the secondary legislation and Market Rules adopted by ERO. In coordination with the ERO, the Ministry of Economy proposed that REO functions be transferred to an existing entity, and the Government by Decision No. 08/236 assigned KOSTT to exercise these functions under its Market Operator license. KOSTT, as a State-Owned Enterprise under the supervision of the Assembly, has been administering the RES Fund since 2017.

In exercising the functions of the REO, KOSTT will operate under the framework of the economic regulation of the ERO, in accordance with Articles 60 and 61 of the Law on RES and Articles 15 and 26 of the Law on Energy Regulator, which give ERO the mandate for monitoring and regulation of licensed entities. ERO is entitled to a full financial, contractual and operational audit of REO's activities related to the implementation of support schemes, in accordance with the relevant legislation, the Rule on the Support Mechanism and Regulatory Accounting Guidelines.

4.1.2 Reference price of contracts for difference

ERO agrees with the KCC proposal that the reference prices of the support contracts be based on liquid day-ahead markets. This is in line with ERO's proposal to use the reference price of the day market of the National Power Exchange (ALPEX). ERO does not agree with the KCC proposal to reference the Serbian Power Exchange SEEPEX, despite the higher level of liquidity, due to the blocking of the commercial allocation of cross-border lines between Kosovo and Serbia.

4.1.3 Liquidity reserve

ERO agrees with KCC's assessment that the liquidity buffer, as defined by the formula in the Rule, may affect the increase of the RES Fund and, consequently, the renewable energy obligation. However, during the meetings with financial institutions, ERO has learned that the most favourable option, i.e. covering the cost of financing working capital, is possible in the financial market in Kosovo.

The liquidity buffer is activated only in the absence of these financial instruments and should be set at a level that maintains the credibility of REO as a counterpart in the RES contracts. This is a fundamental requirement to ensure the bankability of the support scheme and to provide sufficient security for investments in the RES sector, in line with the national RES targets. ERO also agrees with the concerns regarding the impact on consumers in need and emphasizes its limited legal responsibility in this regard compared to the Ministry responsible for social welfare. ERO cannot comment on the comparison with the relevant mechanisms in Albania and North Macedonia, in the absence of citations and official data regarding liquidity reserves in these countries. The Council of Ministers' decision establishing the Renewable Energy Operator does not specify the size, percentage or a specific calculation formula for the liquidity fund or the reserves of the Renewable Energy Operator².

¹ Concept Document for the Renewable Energy Support Mechanism published on the website of ERO [https://www.ero-ks.org/zrre/sites/default/files/Publikimet/Komunikatat/20250815_Concept%20Document%20\(ERO\).pdf](https://www.ero-ks.org/zrre/sites/default/files/Publikimet/Komunikatat/20250815_Concept%20Document%20(ERO).pdf)

² [Qeveria Shqiptare Keshilli i Ministrave](#)

4.1.4 Renewable Energy Obligation

The Renewable Energy Obligation has been implemented since the establishment of the RES support scheme and the RES Fund. The RES Law does not allow the suspension or non-implementation of the obligation as long as the support scheme is active.

As for the Guarantees of Origin (GO) system Kosovo is operationalizing this system in accordance with the legal requirements. Since Kosovo's membership in the Association of Organizations Issuing Guarantees of Origin (AIB), GOs will be internationally recognized, harmonizing with the European EECs standard, which ensures transparency of renewable energy generation.

The comment regarding the reporting period for self-consumers is not addressed in this Rule as the Mechanism does not prejudice the conditions obtained by the parties who benefit from the respective support schemes. The reporting period in this rule applies to the reporting obligations of suppliers to the REO in relation to liabilities, balances and benefits of self-consumers.

4.2 Balancing responsibilities for self-consumers

The Ministry of Economy (ME) and the System, Transmission and Market Operator (KOSTT) have commented on the ERO proposal for the methodology of integrating self-consumers in the Support Framework for RES. KOSTT's main comment is that self-consumers should not be part of the REO and specifically that REO should not be responsible for the energy surpluses generated by self-consumers. The Ministry of Economy emphasizes that the entire responsibility for balancing, and not only the responsibility for the energy consumption of self-consumers, should be borne by the suppliers. This chapter of the Report specifically addresses these comments of KOSTT and ME, which relate to the way self-consumers are integrated into the Support Mechanism. Other comments of KOSTT and ME are addressed in Chapters 4.3 and 4.4 of the Report.

4.2.1 Inclusion of self-consumers in the Support Mechanism

ERO emphasises the importance of including self-consumers with support schemes in the Support Mechanism in accordance with Article 30 of the Law on the Promotion of Renewable Energy, as well as in line with the legacy contracts of the support schemes for self-consumers (based on the 2017 and 2023 Rule on self-consumers with Renewable Sources).

Self-consumers, particularly those benefiting from the net-metering support scheme, can create additional costs for suppliers in the open market if their treatment is not clearly defined within the support framework. Because suppliers are legally obliged to serve self-consumers, any policy that does not neutralize the additional costs associated with supplying them results in market distortions and undermines the competitive position of the affected suppliers. By including self-consumers in the Support Mechanism, these additional costs are allocated across all market participants in a fair and non-discriminatory manner, leveling the playing field among suppliers and supporting a more efficient and competitive retail electricity market.

ERO notes of maintaining regulatory predictability and safeguarding the rights arising from existing support schemes, as these are essential for the credibility of regulatory policy in the energy sector. To preserve long-term credibility and protect the bankability of investments, changes in policy must not

retroactively affect contracts or rights already granted under established support schemes. Any such impact would undermine the rights that self-consumers enjoy under their existing net-metering contracts, creating legal uncertainty and increasing the risk of deviation from core principles of regulatory stability. By including self-consumers in the Support Mechanism, ERO ensures that the rights from current schemes are upheld, thereby reducing regulatory risk and maintaining the predictability of regulatory policies.

4.2.2 Legal basis for the integration of self-consumers

KOSTT and the Ministry of Economy have questioned the consistency of ERO's proposal with the obligations set out in the Law on the Promotion of the Use of Renewable Energy Sources. After reviewing these comments, ERO notes the following:

- ERO agrees with KOSTT's finding on Article 28.2(5) of the RES Law that self-consumer is entitled to *"enter into a supply contract with its supplier, according to a support scheme adopted by the Regulator"*. However, ERO emphasizes that this comment has not affected the change of ERO's proposal since – according to ERO's proposal – self-consumers continue to have their contracts signed with their supplier, as requested in article 30, paragraph 1 of the RES Law. The counterparty of the REO, according to the proposal of the ERO, is not the self-consumer but their supplier.
- ERO agrees that the proposed model for the allocation of balancing responsibility for the self-consumer is not in line with the Ministry of Economy's interpretation of Article 30 of the Law on Energy Regulator. ERO considers that the proposal to transfer responsibility for surpluses to REO is in line with the general spirit of the law, including other categories of self-consumers such as (i) self-consumers located in the same building, including multi-apartment buildings and (ii) renewable energy communities, ensuring consistency access between self-consumers and producers accepted in other support schemes.
- The Draft Rule on the Renewable Energy Support Mechanism, in accordance with Article 26, paragraph 1, ensures that rights acquired under self-consumption support schemes are not infringed and that self-consumers are not adversely affected, insofar as such a right has been acquired under the applicable legislation. The Law on Renewable Energy Sources (RES), Article 3, paragraph 39, provides that the Renewable Energy Sources Fund shall cover the costs of the support schemes, which in this case also includes support schemes with net-metering or net-billing approved through secondary legislation by ZRrE, namely ZRrE/Rule No. 10/2017 and ZRrE/Rule No. 03/2023.

To ensure that the Support Mechanism ensures full legal compliance, ERO proposes to allocate the responsibility for the imbalances to the suppliers of self-consumers, in full compliance with Article 30 of the law. This change imposes some conceptual changes in Rule, which we explain in the following Chapter.

4.2.3 Compensation for self-consumers

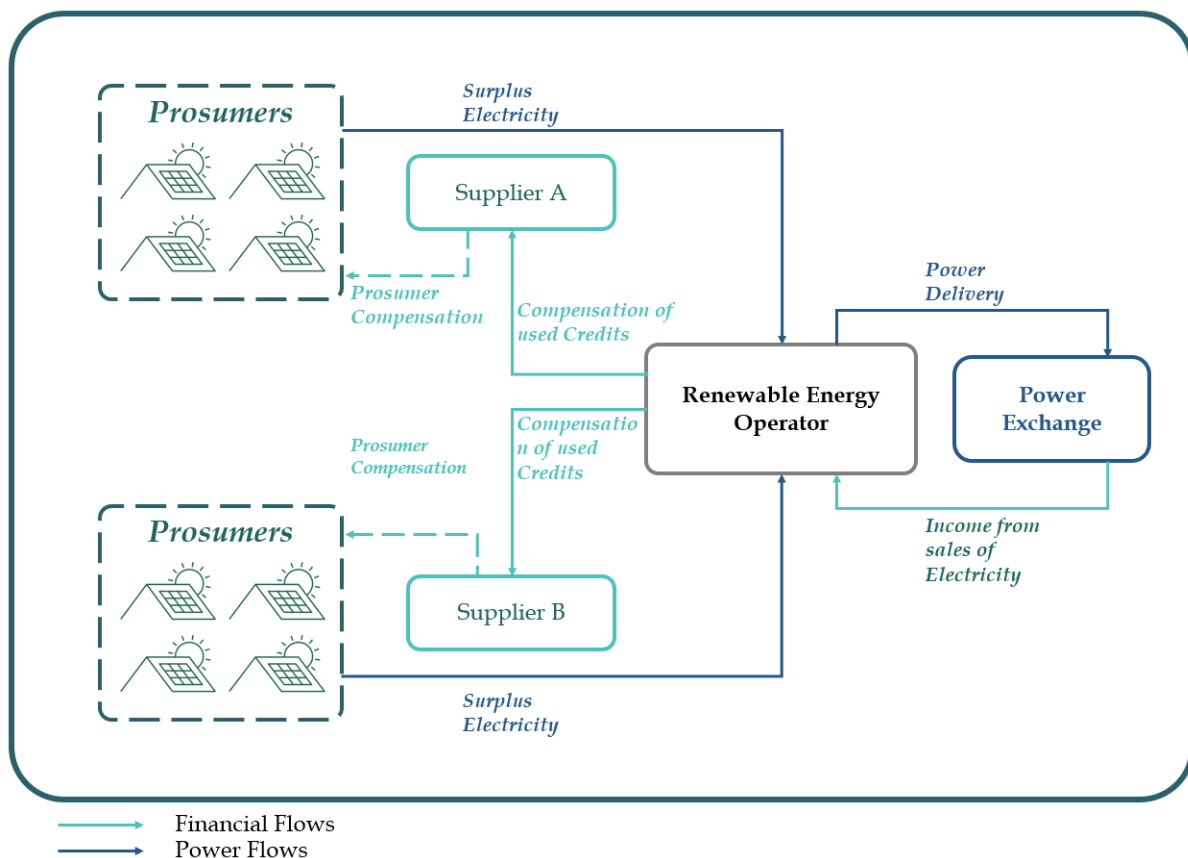
This sub-chapter clarifies the approach of compensation for the cost of self-consumers. In sub-chapter 4.2.3.1, we clarify the compensation proposed by the ERO in the concept document and in the Rule on the Support Mechanism; In sub-chapter 4.2.3.2 we clarify the necessary changes to transfer the balancing responsibility to self-customer suppliers.

4.2.3.1 Compensation of self-consumers in the existing draft

Under the draft presently published for public consultation, the compensation of self-consumers accepted in a support scheme is structured as follows:

- Self-consumers sign a contract with their supplier, who is responsible for balancing the consumption of self-consumers;
- The self-customer's supplier allocates all excess production to REO, which sells this energy in the day-ahead market and becomes responsible for balancing the production of self-consumers;
- REO's revenues from the sale of this energy are deducted to the RES Fund and – consequently – lead to a reduction of the Renewable Energy Obligation.
- OER compensates the supplier for the credits used by the self-consumer.
- The supplier compensates the self-consumer for the credits used by him.

Figure 2 Compensation of self-consumers according to the existing draft



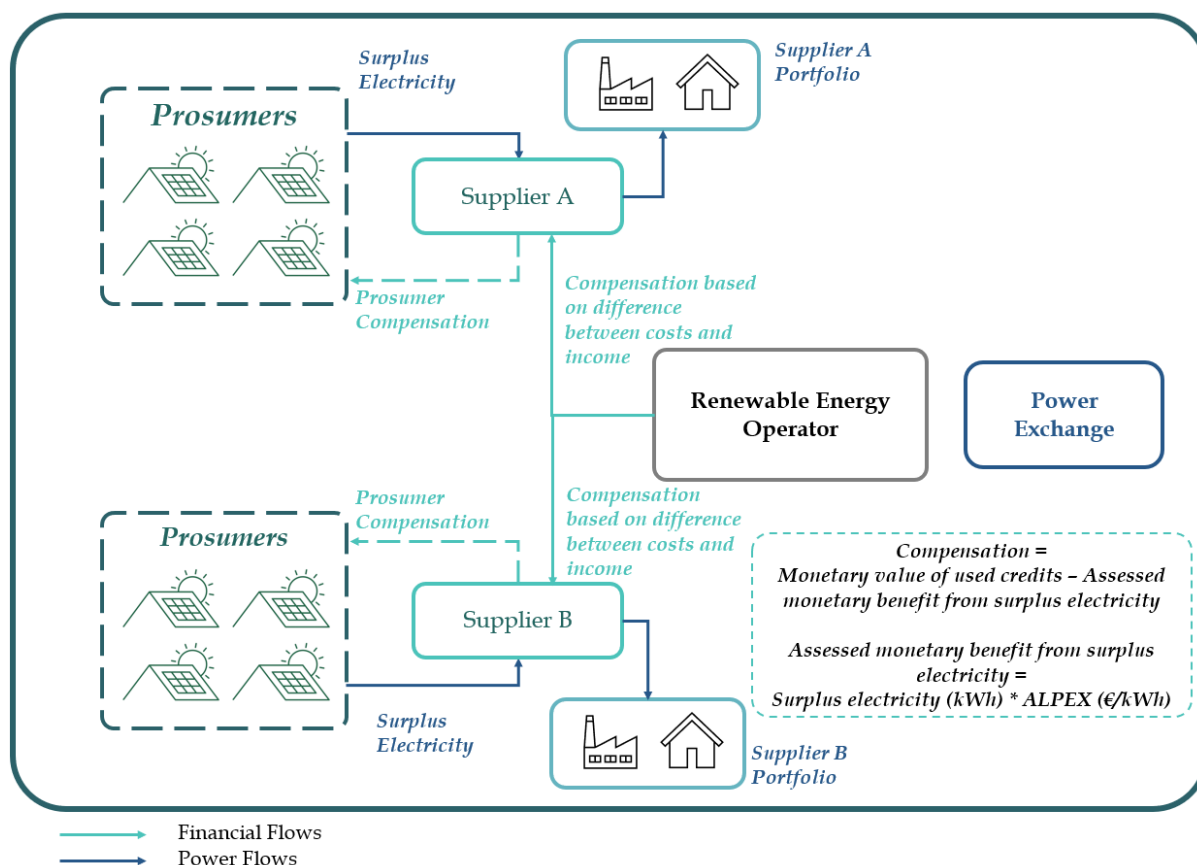
In addition to ensuring the support scheme benefited by self-consumers, the proposed scheme eliminates distortions in the market and establishes clear lines of compensation between energy sales and purchases since the party responsible for allocating this energy on the power exchange is REO itself. ERO agrees that one of the deficiencies of this scheme lies in the fact that the balancing responsibility is shared between different parties for consumption (supplier) and production (REO), which may be subject to legal interpretation.

4.2.3.2 Transfer of balancing responsibility to the supplier of the self-consumer

Assigning the full self-consumer balancing responsibility to their supplier requires a clear and precise definition of how self-injected surpluses are treated. The most appropriate approach, consistent with the current draft framework for self-consumers and aligned with Article 30 of the RES Law, is to treat the self-consumer's surplus energy as electricity sold at actual produced volumes and actual wholesale market prices. Under this arrangement, the compensation of self-consumers would function as follows:

- Self-consumers sign a contract with their supplier, who is responsible for balancing the consumption and production of the self-consumers.
- The supplier credits the self-consumer for surplus energy on the basis of support schemes (net metering or net billing) in accordance with the ERO rules.
- The supplier applies the credits used by the self-consumer on the self-consumer's bill.
- The REO compensates the self-consumer's supplier (or vice versa) for the difference between the credits used by self-consumers under a support scheme (the supplier's costs) and the revenues from the sale of the self-consumer's surplus energy (the supplier's benefits).

Figure 3 Compensation of self-consumers when the responsible parties for balancing are their suppliers



Transferring the balancing responsibility to suppliers requires that revenues from the sale of self-consumer surpluses be properly reflected. Under this arrangement, REO compensates the supplier for the difference between the monetary value of the credits used by the self-consumer and the revenues obtained from selling the surplus energy on ALPEX. The revenues from surpluses are calculated as the product of the self-consumer's surplus volume (kWh) and the applicable reference price on the national energy exchange (ALPEX). A potential shortcoming of this approach, when compared to the existing draft, is that the ALPEX price may differ from the supplier's weighted average wholesale power purchase costs. However, there is no indication that such differences would be systematic or biased in a way that would disadvantage self-consumers, suppliers, or REO. Furthermore, incentives for selling surplus energy in line with market incentives remain with suppliers, so as not to create market distortions. Considering the improved legal alignment achieved by this adjustment, ERO proposes transferring the balancing responsibility to suppliers rather than the REO and amending the draft Regulation accordingly.

4.3 Comments of the Transmission, System and Market Operator of Kosovo (KOSTT)

This chapter of the Report addresses other comments of KOSTT which are not related to the balancing responsibility of self-consumers energy.

4.3.1 Additional costs of KOSTT for managing REO responsibilities

ERO acknowledges that the additional responsibilities of the REO may result in higher operational and maintenance costs, particularly those related to information technology. These costs are already accounted for in the formula proposed by ERO for determining the allowable expenditures of the RES Fund. ERO will work closely with KOSTT throughout the cost-determination process to ensure that KOSTT can recover reasonable and necessary costs for the efficient management of the Fund.

4.3.2 Operational challenges of energy surplus management

According to ERO's proposal in Chapter 4.2.3.2 of this report, the responsibility for balancing energy surpluses lies with the supplier. However, the benefits to suppliers from the sale of surplus energy will be transferred to the REO, but this is not expected to present additional challenges in the technical implementation of the support mechanism.

4.3.3 Relevant Year and Calculation of the RES Fund

The definition of the Relevant Year is consistent with the same definition in the Rule for Setting the Maximum Allowable Revenues for OST/OT. The list of definitions of the Rule defines the "Relevant Year" in Article 2.1.14 which means the period of 12 consecutive calendar months between the Regular Adjustments (1 April - 31 March).

ERO does not agree with KOSTT's proposal that the calculation should be '*as much as possible to equal*'. The calculation of the Fund for RES has a direct impact on the Renewable Energy Obligation and ERO considers that this calculation should be accurate and systematically updated to present the changes in the cost of financing the support schemes.

ERO cannot comment on KOSTT's suggestion that the rule on sharing commercially sensitive information between the REO and the Market Operator (Article 7) cannot be applied since KOSTT has not provided any supporting evidence on the impossibility of implementing this Article.

4.4 Comments of the Ministry of Economy (ME)

This Chapter of the Report addresses ME's comments that are not related to the balancing responsibility of renewable self-consumers.

4.4.1 Clarification of costs related to support schemes

ERO agrees in principle with the suggestion of the Ministry of Economy for clarifying the support schemes for RES. However, ERO considers that it is not in its mandate to determine what other forms of support schemes can be defined by the Government of Kosovo to support renewable energy sources. The rule on the Support Mechanism for RES solely aims to establish the mechanism for covering the costs of support schemes, and not to define these schemes.

4.4.2 Harmonization with RES Law

The Ministry of Economy proposes that Article 12, Paragraph 1.3 of the Rule on the Support Mechanism be harmonized with Article 3, Paragraph 1.39 of the Law on Renewable Sources. The ERO considers that these two Articles have different purposes. While Article 12 of the Rule specifically

speaks about grants, donations and contributions which are considered as income of the RES Fund, Article 3 of the Law summarizes the entirety of funds under energy obligations. Literally harmonization with this Article could lead to double counting of some costs categories, which are included in Articles 12.1.1 and 12.1.2 of the Rule.

4.4.3 REO Allowed Bad Debt

The Ministry notes that it is unclear why the REO should be allowed to recover bad debt. ERO considers the inclusion of a bad debt allowance to be essential, as it provides coverage for the risk that a portion of the REO's invoices to suppliers may not be collected. This provision is particularly important in the context of Kosovo's energy market, which is still in the early stages of liberalization and is opening to new suppliers that do not yet have an established financial track record.

Consistent with ERO's established practices for the Universal Service Provider, the allowed level of bad debt for the REO will be determined by analyzing the actual challenges it faces in collecting invoices, while also providing incentives for the REO to enhance its operational efficiency in revenue collection.

4.4.4 Inclusion of financing or financial costs

The Regulator does not accept the amendment because the current term "other financing instruments" is more precise and limited only to instruments that serve directly to secure liquidity (loans, overdraft, revolving credit lines, factoring, etc.), in line with the purpose of Article 2, which is to guarantee timely payments to renewable energy producers. The proposed term "other financial instruments" is much broader, may include instruments not directly related to liquidity financing, and would unnecessarily expand the costs that could be passed on to the Fund and, ultimately, to payers of the Renewable Energy Obligation.

The use of a broader term ("financial instruments") would also require a far more detailed regulatory framework for risk management and the oversight of complex financial instruments, beyond the existing mandate of the Support Fund. Therefore, the current wording is considered sufficient, more protective of consumers, and consistent with the objective of the Article.