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24.04.2026

**Comments on the ERO Consultation Report on Annual Adjustments of TSO/MO
Maximum Allowed Revenues for 2026**

April 2026

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Introduction

On April 14, 2026, KOSTT received the Report published by ERO on Annual Adjustments of TSO/MO Maximum Allowed Revenues for the relevant tariff year 2026.

KOSTT hereby presents its comments on this report.

1. OPERATING COSTS

As regards the operating costs, KOSTT has provided the following comments concerning the cost of procuring transmission losses, the cost of ancillary services and Other Operating Expenses (OPEX).

1.1 Transmission loss procurement cost

We estimate that the forecasted prices for energy used in loss coverage from April onwards are underestimated. The forecast is based on monthly market averages, which do not reflect the procurement profile for losses (focused on peak hours and higher prices), and does not sufficiently address cross-border restrictions that reduce competition and increase prices in ALPEX. Moreover, recent geopolitical developments, including wars and energy crises in the region and beyond, have significantly increased volatility and uncertainty in energy markets, putting additional pressure on prices. Any deviation from the availability of regulated electricity prices (KEK) further increases market exposure. Consequently, there is a significant risk that actual costs will exceed allowed levels. KOSTT requests a review of the loss-purchasing price in light of the real market situation.

1.2 Costs of ancillary services

ERO has emphasized that the level of expenses incurred for 2025 represents a reasonable and efficient standard for 2026, proposing to allow costs in the amount of €39.64 million. However, the data observed in the first three months of 2026 clearly indicate that this assumption does not reflect the current reality of system operation.

In particular, market developments and operational conditions this year have resulted in considerable deviations from forecasts, leading to an increase in balancing costs beyond planned levels. This indicates that using 2025 as a reference base for 2026 is no longer sustainable and does not take into account the current market dynamics and operational challenges that the system is facing.

Taking into consideration these developments, we consider that the approach proposed by the Regulator underestimates the real costs necessary for the safe and efficient operation of the system and, as such, should be reviewed. A more realistic assessment should be based on current data for 2026 and recent market trends, in order to avoid the creation of a financial gap and the risk to the sustainable functioning of the system.

Detailed data on implementation, compared to the planning for the first three months of 2026, are presented in the table below.

Table 1. Realisation of auxiliary services in the first three months of 2026

Month	January - March 2026 Planning			January - March 2026 Realisation		
	aFRR	mFRR	Total	aFRR	mFRR	Total
January	2,938,056.00	962,259.84	3,900,315.84	2,986,705.51	913,466.70	3,900,172.21
February	2,653,728.00	876,529.92	3,530,257.92	2,999,056.58	853,797.36	3,852,853.94
March	2,938,056.00	1,001,379.36	3,939,435.36	3,389,211.67	949,983.74	4,339,195.41
Total Planning KOSTT 2026			11,370,009.12	Total Realisation KOSTT 2026		12,092,221.56

As it can be seen, for the first three months of this year, actual costs exceed planning by €722,212.14, respectively, by 6.35%.

1.3 Other operating expenses (OPEX)

In the Consultation Report on Annual Adjustments of TSO/MO Maximum Allowed Revenues, ERO has proposed a level of operating expenses (OPEX) for KOSTT in the value of €8,105,564.64. Meanwhile, according to the data collected, during 2025 KOSTT has recorded operating expenses in the value of €9,157,650.11, which represents a significant difference between the proposed and the actual level.

In this context, KOSTT requests from ERO to approve operating expenses in accordance with the level achieved for 2025, given that this level more realistically and verifiably reflects the necessary costs for the safe, sustainable and efficient operation of the electricity system.

It is important to note that the period in question is characterized by persistent inflationary pressures, which have directly impacted the increase in the costs of key inputs, including energy, utilities, materials and maintenance costs. Moreover, the energy sector labour market is facing significant challenges in

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terms of retaining and attracting qualified staff, making it necessary to review salary levels and benefits, in order to ensure continuity and quality of operations.

The increase in personnel costs should not be seen only as a financial burden but as a necessary investment in human capital, which is critical for the uninterrupted and secure operation of the transmission system. Failure to reflect these costs in the allowed level of revenues may result in operational difficulties, reduced staff motivation, and increased risk of professional staff departure.

It is also important to stress that the achieved level of expenditure for 2025 already represents a proven and auditable standard, which takes into account the realistic operating conditions and current market challenges. In this respect, the use of a lower level of OPEX, as proposed by ERO, would create an unjustified financial gap and would undermine KOSTT's ability to meet its legal and operational obligations.

In conclusion, KOSTT considers that the approval of operating expenses in line with the 2025 realization is necessary to ensure financial stability, to guarantee safe and efficient operation of the system, as well as to adequately cope with recent economic and commercial developments. Consequently, ERO is requested to reconsider its proposal and fully reflect the realistic and reasonable operating costs.

2. CAPITAL EXPENDITURES

KOSTT appreciates the approval of several projects at this stage but emphasizes that not all projects that are of significant importance for the development and improvement of the transmission network have been included.

KOSTT continues to maintain the same position as in the previous request with regard to the inclusion of the proposed projects in this process. This position is consistent and based on the technical and strategic analyses that we have presented previously, as well.

The list of approved projects is as follows:

- SS Klina – Rehabilitation of the substation and installation of the second transformer TR2 110/10(20) kV, 40 MVA
- SS Gjilani 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 Gjilani 1 – Replacement of transformer TR2 110/35/10(20) kV, 40 MVA
- SS Prizreni 1 and SS Vitia – 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

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- 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 fields and associated equipment
- SS Burimi – Rehabilitation of the substation
- SS Prishtina 1 – Replacement of transformer TR2
- SS Skenderaj and NS Gjakova 2 – Replacement of the respective transformers

However, it is worth noting that the **SS Vallaq Project: Reconstruction of 110 kV fields (5 line fields + 2 transformer fields + connection fields, double busbars, own supplies)** is not included in the list of approved projects, although it is part of the 10-year Transmission Development Plan and has been previously supported by ERO.

In this context, KOSTT strongly emphasizes the importance of the inclusion of this project and requests that it be approved as soon as possible, in order to enable the immediate start of the relevant procedures. This is particularly important taking into consideration that the project is planned to be funded within the framework of the EBRD project package, and any delay in its approval could directly affect the timely implementation and securing of funds.

SS Vallaqi is one of the earliest substations built in Kosovo, and as such represents an important node of the transmission network. The revitalization of this substation is necessary, considering that five 110 kV transmission lines are connected to its 110 kV busbars, including the line that carries the power generated by the Ujmani HPP. The current technical condition of the substation is not at a satisfactory level and poses a risk to the operational safety and reliability of electricity supply to consumers.

The revitalization project envisages a complete modernization of the infrastructure, including the replacement of 110 kV high-voltage equipment, the reconstruction of the busbar and portal system, as well as the transition to a configuration with double busbars and a connection field, which allows for greater flexibility and safety in operation.

- The expected benefits from the implementation of this project are:
 - Increasing the safety and reliability of substation operation
 - Optimization of operation after the transition to a double-busbar system
 - Reduction of undelivered energy to consumers
 - Increased safety for operation and maintenance personnel

Taking into consideration all that is stated above, the inclusion and early approval of this project remain critically important for the stable and secure operation of the electricity system.

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ERO has not approved several other projects, which KOSTT considers of particular importance for the security and development of the electricity system.

Reconstruction of the 6.3 kV cable line SS Kosova B – TC Kosova B - SS Kosova B constitutes one of the most critical and vital nodes for the functioning of the Kosovo power system. The two main generators of TC Kosova B (B1 and B2) as well as important interconnection lines are directly connected to this substation. For this reason, any interruption or uncertainty in supply poses a serious risk to the stability of the entire country's power system.

The initial configuration was based on two independent 6.3 kV sources, but the line from TC Kosova A is already beyond reliability standards due to severe technical degradation and lack of rehabilitation. Consequently, the substation has remained almost dependent on a single source – the cable line from TC Kosova B, which since July 2025 has suffered repeated defects and is considered unstable for safe operation.

Currently, the supply relies on diesel generators and emergency connections from the KEDS network, which are not a sustainable solution and present a high risk of failure. This situation is beyond any acceptable operational standard and poses an immediate risk of complete disruption of supply, with direct consequences for the TC Kosova B production and the stability of the system.

In this context, the construction of the new 6.3 kV cable line is no longer a development investment, but an emergency necessity. The value of the project is minimal in relation to the risk that is eliminated, whilst any delay significantly increases the probability of an energy crisis with serious consequences. For this reason, handling of this matter with absolute priority is required.

Provision of two mobile substations - In recent years, the power system of the Republic of Kosovo has faced a continuous and structural increase in the demand for electricity, which already represents a long-term trend. This increase is directly related to economic development, the expansion of the private sector, the increase in household consumption and the progressive electrification of various sectors. Consequently, the existing network is increasingly operating under high load conditions, thereby reducing the operational safety margin.

In this context, 110/35/10(20) kV substations constitute critical system points, where any technical failure can cause widespread supply disruptions and significant economic and social consequences. The lack of reserve capacities, especially of power transformers, significantly increases the exposure of the system to operational risks.

It should be emphasized that the time required for the replacement of a power transformer under normal conditions is very long (typically 6–18 months) due to the production, transportation and

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installation processes. In the absence of an alternative solution, this would result in prolonged supply disruptions for entire areas, with a direct impact on industry, public services, and the well-being of citizens.

From this perspective, provision of a mobile substation should be considered as a necessary preventive and strategic measure for the protection of the power system. This asset represents standard practice in modern systems, as part of security and continuity of operations plans.

The main benefits of this project include:

- Reducing response time in the event of a breakdown, from months to days or weeks
- Avoiding long outages by ensuring temporary supply
- Increased operational flexibility and the ability to reconfigure the network
- Support for planned maintenance without interruption of supply
- More efficient management of seasonal and emergency loads
- Increasing the system's resilience to unforeseen events

From an economic perspective, the investment of around 3,000,000.00 euros is reasonable in relation to the potential costs of a prolonged power outage, which could be many times higher. For this reason, this project should be considered as strategic insurance against high-impact risks.

In conclusion, the lack of a mobile substation represents a significant gap in the security of Kosovo's electricity system. The implementation of this project is a necessary step towards ensuring energy security, economic stability and the sustainable functioning of the country's critical infrastructure.

The list of projects does not include the following project:

Implementation of the Electricity Market Management System (EMMS) - which represents a strategic and necessary step towards the modernization of Kosovo's energy sector and the development of a transparent, efficient, and competitive electricity market. This project directly supports the objectives of KOSTT in its role as Transmission System Operator and Market Operator, and is at the same time in line with the EBRD's priorities of accelerating the digital transition and reducing the digital divide in the economies where EBRD invests.

Currently, the operation of the electricity market and the exchange of data between stakeholders rely largely on manual processes, such as the use of Excel and communication via email. These practices create operational inefficiencies, increase the risk of errors and delays, and significantly limit the opportunity for advanced analysis and strategic decision-making. Consequently, management is often

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faced with raw and fragmented data that do not support well-informed decisions oriented towards the long-term market development.

In the context of the liberalization of the electricity market, the need for an integrated digital platform becomes even more critical. EMMS will serve as a key pillar for the functioning of the liberalized market, enabling the automation and centralization of the collection, validation, processing and dissemination of market data. This will ensure equal, reliable and real-time access to relevant information for all market participants, including producers, suppliers, traders, storage operators, distribution operators and the regulator.

Through EMMS, KOSTT will gain advanced capabilities for real-time monitoring of market activities, use of dashboards with key performance indicators (KPIs), as well as detailed market trend analysis. This will significantly increase transparency and predictability, strengthen competition, and contribute to overall market stability. At the same time, the system will integrate regulatory requirements and market rules, enabling more effective supervision, automated reporting and a higher level of accountability to ERO.

The project's benefits extend beyond the technological aspect. EMMS will contribute to strengthening institutional capacities and developing a decision-making culture based on sound data and analysis. Through specialized training and professional development, staff will be oriented towards more analytical and strategic tasks, thereby increasing organizational efficiency, the quality of decision-making, and the ability for long-term planning and forecasting.

In conclusion, taking into account the regional role of KOSTT and the interconnection of the transmission system with neighbouring countries, the EMMS should be designed in a way that supports regional interoperability and gradual integration into the common electricity market of the European Union. This project will lay a solid foundation for a modern, transparent and integrated market, contributing to economic growth, energy security, and the long-term development of Kosovo.

As highlighted in the previous documentation, the projects in question constitute an essential component for the long-term development and modernization of the transmission network. They directly contribute to increasing transmission capacities, improving system stability and more efficient load management. Moreover, their implementation will contribute to increasing the security of electricity supply and reducing interruptions and technical losses, as well as ensuring a higher quality and more reliable service for consumers.

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Request for a new project: SS Shtime 110/35/10(20) kV

KOSTT also submits a request for the inclusion and approval of the new SS Shtime 110/35/10(20) kV project, which is assessed as necessary for guaranteeing security of supply and sustainable development of the network in this area.

The Municipality of Shtime is characterized by a gradual increase in the demand for electricity, with a significantly higher trend observed in the last three years compared to previous periods. Currently, the consumers of the Municipality of Shtime are supplied by the substation SS Shtime 35/10 kV, which has three installed transformers with a nominal capacity of 2x8 MVA + 4 MVA. This substation is supplied by the SS Lipjani 110/35/10 kV through a 35 kV line with a cross-section of 120 mm² and a nominal capacity of 404 A, respectively 24.5 MVA.

The increase in demand at SS Shtime is affecting the security of supply in this municipality, as a consequence of approaching the limits of the carrying capacity of the single 35 kV supply line SS Shtime - SS Lipjan during periods of maximum load. Furthermore, the risk of non-supply also increases due to the radial configuration of the supply of Shtime.

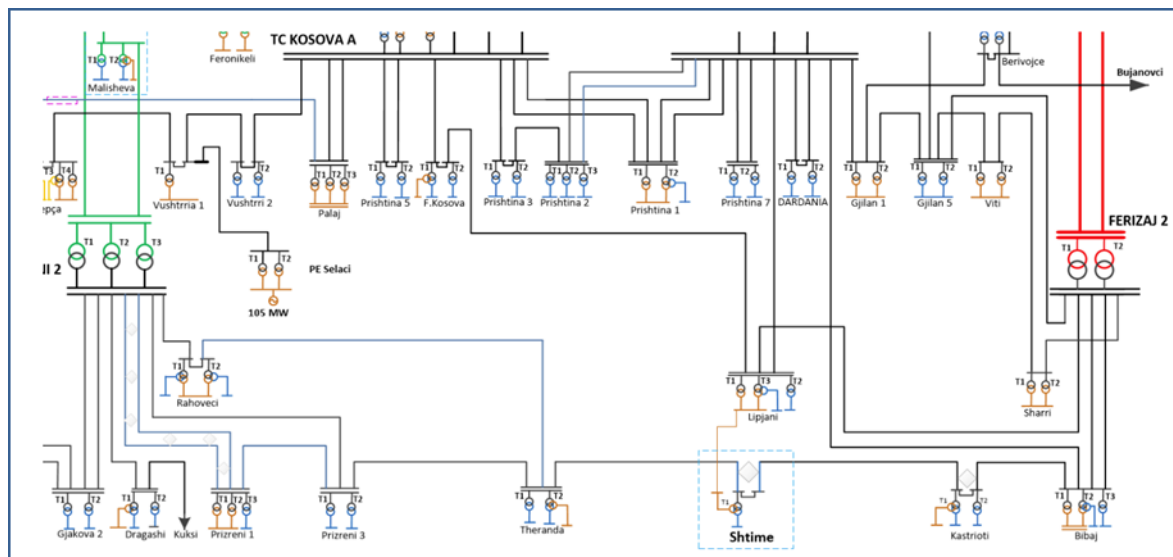
On the other hand, even at SS Lipjan, the load level of the two 110/35 kV transformers is close to the saturation limit, given that the entire consumption of SS Shtime is carried through them, as well as the loads of Magura and recently also of the “Prishtina Mall” shopping center. Consequently, SS Lipjani is ranked among the substations with a relatively high load compared to most other substations in the system.

For these reasons, KEDS has submitted a request (application for connection) to KOSTT for constructing the new SS Shtime 110/35/10 (20) kV substation. Taking into account the relatively high capacity of the existing 35 kV line, it has been requested that the substation be designed with two levels of distribution voltage: 35 kV and 10(20) kV. This solution allows for the preservation of a reserve capacity of around 24 MW between SS Lipjan and SS Shtime. Within this framework, the first transformer is envisaged to be a three-winding 110/35/10(20) kV transformer with a capacity of 40 MVA.

Figure 1. Geographical extent of the Shtime 110/35/10(20) kV substation project



Figure 2. Single-pole connection diagram of SS Shtime to the Transmission Network



The expected benefits from this project are:

- Reliable and high-quality electricity supply to the Shtime area
- Optimization of power flows and unloading of transformers at Lipjan SS
- Reduction of large amounts of undelivered energy to the consumer as a result of eliminating bottlenecks in the distribution network
- Reduction of technical losses in the distribution network
- Creating conditions for the integration of RES

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- Support for the economic development of Shtime

The project is planned to be completed in 2029. The Transmission Development Plan includes the Shtime SS project, for which the implementation deadline has been reviewed and moved from 2034 to 2029. ERO was officially informed and notified of this change within the framework of the consultation meeting held last year.

For KOSTT, the inclusion of these projects at this stage is of particular importance, considering their direct impact on improving the performance of the power system and advancing the sustainable development of the energy sector in the country.

In this context, we call upon ERO to carefully review the proposal presented in the Consultation Report and to take into consideration the arguments and documentation provided by KOSTT with a view to approving the proposed projects.

CONCLUDING REMARKS

KOSTT expresses its confidence and expectation that the submitted requests will be reviewed and approved by ERO, taking into account strategic priorities, tendencies towards normalization of the energy sector and the new circumstances emerging in the energy market.

In this context, it is considered essential that the OPEX level realistically reflects the costs necessary for the safe and efficient operation of the system, including the need for sustainable maintenance, coping with inflationary pressures, and ensuring competitive conditions for human capital. Such an approach directly contributes to the financial and operational sustainability of the transmission system operator.

Further, we also emphasize the importance of stabilizing energy prices, strengthening national and energy security, and orienting investments towards projects with a direct impact on the sustainability of the system.

Last but not least, we would like to highlight that the benefits that these investments bring to citizens as end beneficiaries, are reflected in the form of a safer, more sustainable and higher quality supply of electricity.