

To:
Ymer Fejzullahu
Chairman of ERO Board

From:
Nagip Krasniqi
Chief Executive Officer
Kosovo Energy Corporation

Copy:
Artane Rizvanolli
Minister- Ministry of Economy
KEK BOARD
ERO BOARD

Mother Teresa Square, no.36
Pristina, 10000
Republic of Kosovo
www.kek-energy.com

Date: 03.03.2023

Subject: Comments of KEK on the Consultation Report

Dear Mr. Fejzullahu

As you are informed, Kosovo Energy Corporation JSC. is a company licensed by ERO for generation of electricity from generating units of TPP Kosova A and co-generation of electricity and thermal energy from the generating units of TPP Kosova B. Starting from 01 April 2017, KEK is not subject to the price regulation of electricity which is produced in the generating units, however ERO's decision-making for the regulated operators, reflect the electricity wholesale price of the same.

Taking into consideration the role of KEK in the energy market, through this letter, we present our comments on the Consultation Report "Extraordinary Review of Maximum Allowed Revenues of Electricity for Regulated Operators".

Not wanting to comment on the entire content of the Consultation Report, our focus is only on the additional costs which are carried forward from the increase of tariffs of KOSTT to KEK and the increase of energy generation cost. At the same time, we point out the fact that starting from the period October 2021 until the end of 2023, with current tariffs, the unrecovered additional cost in KEK tariffs reaches the amount of 10.1 million euros. Therefore, KEK requires from ERO Board, that the above-mentioned costs and additional costs, if there will be any, the same shall be reflected also on the domestic energy purchase costs through which KEK can compensate the difference of the additional cost in the electricity wholesale price.

Taking into account that the current agreement on prices with the parties KEDS, KESCO and KOSTT expires on 31.03.2023 and the fact that the current prices do not cover the average cost of electricity production from thermal power plants, including the coal exploitation cost for the purpose of electricity generation (see attached the audit report on unbundled statements 2021 and the calculation of price for 2022), the average cost evaluated for 2022 according to the Draft-Financial Statements is 31.25 €/MWh. Therefore, for the upcoming period, starting from 01.04.2023, KEK requires from the parties to reflect the average electricity generation cost as well as the recovery of additional costs, incurred from the increase of KOSTT tariffs.

It is worth emphasizing that despite the fact that the prices of main supplies have gone through drastic increases in the market, the electricity prices of Kosovo Energy Corporation have not undergone any changes since 2019, therefore increasing the exposure of the Corporation to operate with losses.

Kosovo Energy Corporation, with the purpose of establishing stability regarding electricity supply through the realization of capital investments, requests from ERO that in the Maximum Allowed Revenues of the parties KEDS, KESCO and KOSTT, it shall reflect the real cost of electricity generation from KEK. The prices reviewed from KEK, for the period which commences from 01.04.2023 until 31.03.2023 shall be reflected as follows:

- Electricity price for recovery of the Universal Service Supplier – 32.40 €/MWh;
- Electricity Price for recovery of distribution losses – 39.54 €/MWh;
- Electricity Price for recovery of transmission losses – 39.54 €/MWh;

Kosovo Energy Corporation is available to provide all relevant information that you consider necessary that may contribute to your decision-making process.

Respectfully,

Nagip Krasniqi

Chief Executive Offer