Republika e Kosovës
Republika Kosova - Republic of Kosovo
Qeveria - Vlada – Government

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03 March 2023

Pristina

Through this letter, we want to forward the comments of the Government of the Republic of Kosovo on the Consultation Reports for Maximum Allowed Revenues (MAR).

The report shows that the allocation in the amount of 24.6 million euros for the tariff subsidy from the Government has been taken into account, however, it is unclear whether there have also been taken into account the Decisions 01/117 and 02/117 of the Government on supporting the electricity sector with the allocation of an additional amount of 20 million euros as well as the extent to which they have been spent and are expected to be spent in the following weeks.

Taking into account the potential clarification for the above-mentioned allocations, we consider necessary to clarify the following issues:

The unchanged target of losses for DSO: For the new tariff year, the target of allowed losses has remained unchanged for 2023, whereas it changes only 0.4 percentage points for 2024, despite the fact that DSO is obliged to decrease the losses and for this purpose is recognized the allowed investments in the amount of 28.6 million euros for 2023 and 37.7 million for 2024. In other words, the customer is obliged to pay the new investments in the network however is not enabled to benefit from the reductions of losses that result from such investments. As a Regulator, you should make sure not to create such asymmetric relations between the parties, where the customer pays twice-for the investments as well as the allowed losses. Also, there were no sufficient clarifications on what is meant with the loss sharing factor 50/50 for 2023.

Removal of the consumption of the northern part of the country from the calculation of allowed losses for DSO: This issue has been raised also in the previous comments from the MFLT. We want to reemphasize this for your attention, so that during the calculation of allowed losses, which the customers are obliged to pay, the amount of losses in the northern part of the country should not be included in the basis of the level of consumption. This inflates the level of allowed losses cost to about 57 GWh or about 4.9 million euros in monetary value.

The recovery of the gap for MAR for 2023 shall be mainly done by businesses: In the last-year's review, despite the proposals from MFLT as well as from other parties such as the Energy Community Secretariat, ERO kept unchanged the tariffs for businesses, changing only the household tariffs with the addition of the new tariff block for the consumption over 800 kWh.

Based on this situation, for 2023, we suggest that the tariffs for households shall remain unchanged, whereas the recovery of the gap shall be conducted (to a large extent) by adjusting the tariffs for businesses, especially the large businesses. Such an adjustment for large businesses can also be viewed from the context of market opening, where the regulated tariffs shall gradually converge with the tariffs that are currently in the open market.

Further, on page 9 of the report which shows the import price for MWh and as a reference is taken EEX – PXE Hungarian Power Futures, the curve of losses should also be clarified on how it reached the acquired value of 171.5 Euro/MWh (table 3)

In table 5, the Pass-through Costs- the RES Fund Costs, the request of USS for 2023 is 3.77 million euros whereas the proposal of ERO is 12.37 million euros. It should be explained on how ERO came to this proposal.

Page 2 presents a technical error where the tariff period is from the date 1 April – 31 March 2023 whereas in fact it should be 1 April 2023 – 31 March 2024.