

**Comments on the Consultation Report
on the third Multi-Year Tariff Review (MYT3)**

The process of determination of the Maximum Allowed Revenues of the licensees KOSTT and KEDS (MAR) for the five-year period, 2023-2027, at the time of the global crisis carries high uncertainty in the forecast of energy demand as well as the real costs of energy import to cover the losses and the growing demand. Furthermore, the reference values of the previous reviews may not be relevant/adequate for the subsequent periodic review. This is also due to the fact that the five-year period for determination of the allowed revenues, coincides with half of the period of the Draft "Energy Strategy of the Republic of Kosovo" 2022-2031, which defines the specific strategic objective, which is the subject of the Consultation Report, as *"modernization of the network and reduction of network losses"; "the promotion of renewable energy to cover at least 35% of electricity consumption from RES until 2031", and also "the development of new RES capacities of wind and photovoltaic, to reach a total installed capacity of RES of at least 1400 MW (including here 100 MW of the capacity of self-generation customers) until 2031, with the possibility of increasing this target if such a thing is possible.*

The modernization of the electricity network will be accelerated in order to accommodate large variable generation capacities and to **reduce** the high level of network losses, therefore reducing gross electricity demand.

The integration of renewable sources is only possible if there is an adequate transmission and distribution infrastructure. Integrating a significant amount of generation from renewable sources requires flexible grids, modern grid equipment and smart grid control solutions. With the modernization of the network, the flexibility of the system will increase, but also the technical losses in the transmission and distribution network will be decreased. Network investments also offer better integration opportunities for self-generating producers (prosumers).

Draft Energy Strategy 2022-2031

The energy strategy has also foreseen the required investments to achieve the strategic objectives, concretely for the transmission network (€90 million) and the distribution network (€230 million), for the period 2022-2031; this period being the object of determination of maximum allowed revenues for KOSTT and KEDS.

Therefore, in order to minimize the effects of eventual uncertainties, as a result of the global energy crisis, the long-term tariff review process would have to be re-set for a shorter period of time, which would be sufficient for the implementation of the projects, mainly the ones for generation of renewable energy. In this case, even the forecasts for energy purchase prices to cover the losses in the market which are currently very high, during a shorter regulatory period, could be distributed without having significant effects on tariffs, following the adjustments.

Furthermore, for the next five-year period, the expectations are that the limit for the installation of solar capacities for self-generators (prosumers) will be increased, therefore additional investments are required in the distribution network to accommodate the requests for new connections of the load or generation and to enable the integration of the energy produced by decentralized renewable sources. The connection of solar capacities is expected to be carried out mainly in the 110 kV network of KOSTT and in the distribution network in the entire territory of Kosovo. Changing this limit would contribute to the reduction of the electricity demand, especially from customers connected to the 0.4 kV level. In cases where solar capacities are complemented with storage technology, then the effects are even greater.

As for the planning of targets for the reduction of losses as well as the factor of the distribution of losses, another element that complicates the planning of the target of losses is the fact that the uncontrollable increase in electricity prices as well as the limitations of electricity supply due to the financial impossibility to ensure imports, will also affect the increase in commercial losses in the country.

Development and investment plans proposed by operators in order to reduce losses shall be supported. It should also be taken into consideration the fact that not all the factors that affect the level of transmission losses are under the control of the transmission network operator and to some extent of the distribution network operator.

Also, the necessary steps should be taken in order to mitigate the effect of the crisis on the licensed companies, given that the risk to the security of electricity supply in Kosovo is high.

Even the determination of the Efficiency Factor, although crucial for providing incentives to licensees to increase their efficiency, within a market with limited competition, shall take into account the new circumstances of the financial crises in which transmission and distribution operators operate.