

	TARIFF APPPLICATION	FO-ÇRT-012
	<i>ver. 1.0</i>	<i>page 1 of 14</i>

22.11.2022

Periodic Review for TSO/MO

Third Multi-Year Tariff (2023-2027)

Proposal for Maximum Allowed Revenues (MAR)

Prishtina,

Table of Contents

List of Tables	3
1. Introduction	4
2. General Overview	4
3. KOSTT achievements during 2013-2017	5
4. Capital expenditures.....	7
5. Total operating expenses	7
5.1 Maintenance expenses	8
5.2 Other operating expenses.....	9
1.1 Increasing the number of staff.....	10
2. Transmission losses	11
3. Support Services	12
4. RES Fund	13
5. Conclusion	14

List of Tables

Table 1. Allowed revenues for TSO/MO during the periodic review and regular adjustments, as well as their implementation

Table 2. Developments in the transmission network 2018-2022

Table 3. Allowed expenses and implemented expenses 2018-2022

Table 4. Total operating expenses 2023-2027

Table 5. Allowed and performed maintenance 2018-2022

Table 6. Maintenance proposal 2023-2027

Table 7. Other operating expenses 2018-2022

Table 8. Other operating expenses 2023-2027

Table 9. Demand to increase the staff number

Table 10. Forecasted losses in transmission 2023-2027

Table 11. Support services 2023-2027

Table 12. Cost of reserves 2023

Table 13. Revenues and expenditures of the Fund 2018-2022

Table 14. Forecast for the RES Fund 2022-2027

1. Introduction

On 16 May 2022, KOSTT received from the Energy Regulatory Office the initiating document for the Periodic Review of TSO/MO and DSO, for the period 2023-2027.

This document, according to Energy Laws that are in force in the Republic of Kosovo, as well as the Rules and Methodologies, as part of the secondary legislation, determines the course and timelines of this process.

As a continuation of this process, KOSTT through this document presents the narrative part of the Application for the MAR, including explanations and facts that justify the current situation and requirements for the coming period.

Also, attached to this application are Reporting Forms, completed according to the ERO's request.

2. General Overview

On 24 September 2018, the Energy Regulatory Office by means of decision V_1028_2018 approved the five-year allowed revenues for the period 2018-2022.

The total value allowed for the revenues of the TSO/MO for this period, not including the revenues for the RES Fund, was **EUR 148,808,655**, whereas after regular adjustment processes, this value amounted to **EUR 159,933,602**.

Table 1. Allowed revenues for TSO/MO during the periodic review and regular adjustments, as well as their implementation

2018-2022	Njësia	2018	2019	2020	2021	2022	Total
Të Hyrat e Lejuara gjatë Shqyrtimit Periodik	€'000	27,603.881	28,746.972	29,970.109	30,951.404	31,536.290	148,808.655
Të Hyrat e Lejuara pas Përshtatjeve të Rregullta	€'000	27,603.881	40,452.599	28,103.624	28,834.573	34,938.925	159,933.602
Të Hyrat e Realizuara	€'000	14,449.712	37,365.572	32,773.000	30,433.000	34,867.000	149,888.284

Based on the existing primary and secondary legislation in the Republic of Kosovo, the structure of these revenues consists of blocks of operating expenses, capital expenses and other expenses for which there will be clarifications in the continuation of the document.

3. KOSTT achievements during 2013-2017

Since its establishment in 2006, KOSTT, as a result of the shift from the vertically integrated company, has marked extraordinary achievements proving that it is the most important and healthy link in the electricity system of Kosovo, as well as one of the most efficient and stable in the region.

For years in the row, KOSTT continued with the positive performance of business, which has been characterized by numerous developments, both in terms of development and in terms of regional and European integration.

- On 01.02.2018, the Secretariat of the Energy Community issued an Opinion No. 02/2019 regarding the Certification of KOSTT, which was issued in accordance with Article 3(1) of Regulation (EC) No. 714/2009, and Article 10(6) of Directive 2009/72.
- Construction of the Ilirida 110/10(20)kV Substation and the 110kV Dual Underground Transmission Cable Line.
- Construction of the Drenasi 220/10(20)kV Substation and the 220kV Dual Transmission Line.
- Construction of the Dardania 110/10(20)kV Substation (Prishtina 6) and the 110kV Dual Underground Transmission Cable Line, the first line of this type in the Capital city.
- On 15 February 2019, the Energy Regulatory Office took the final decision on the Certification of the Transmission System Operator (TSO - KOSTT).
- The next success and milestone for KOSTT is signing of the Agreement for the establishment of the Regulatory Block for the Kosovo-Albania Energy System (AK Block) on 26 November 2019.
- On 30 June 2020 was signed the KOSTT/ENTSO-E Interconnection Agreement, thus paving the way for KOSTT's energy independence.
- On 14 December 2020, KOSTT was finally separated from the SMM Block, and began independent operation as a Regulatory Zone within the Albania-Kosovo Regulatory Block (AK Block), thus creating suitable conditions for the optimal use of generating resources within the AK Block.

- For the first time in the history of the energy sector of the Republic of Kosovo started allocation of interconnection (interstate) capacities under the supervision of KOSTT and the collection of revenues from their sale.
- The 400kV Kosovo-Albania high-voltage interconnection line, a joint investment with the German Development Bank-KfW, whose construction was completed in 2016, was operationalized from a commercial point of view.
- The Albanian Energy Exchange-ALPEX has been established, marking a new operating standard in the energy sector. An important institution for the development of the competitive electricity market for both Kosovo and Albania, through which transparency, competition in the market and efficient utilization of interconnection capacities will be ensured, in accordance with the national policies of both countries, European legislation and obligations arising from the Energy Community Treaty.

All these activities of KOSTT are in accordance with strategic objectives, which are:

1. Effective planning, development and construction of the electricity transmission system;
2. Safe and reliable maintenance and operation of the transmission system;
3. Creation of conditions for a liberalized and integrated electricity market;
4. Implementation of the market organized a day before and daily;
5. Implementation of the balancing electricity market;
6. Ensuring the financial stability of the company;
7. Operation as an independent regulatory zone within the KA Block in the Synchronous Area of Continental Europe;
8. Membership in ENTSO-E and other international mechanisms;
9. Advancement of partnership with stakeholders;
10. Be an attractive employer, ensuring gender equality and investing in the professional development of employees, talents and in the advancement of knowledge;
11. Be a company responsible towards the community, socially and environmentally;
12. Providing a safe and healthy work environment;
13. Quality management and company advancement according to ISO standards;
14. Increasing the revenues from services for the utilisation of the infrastructure of the telecom system and from other secondary services;
15. Accommodation of new connections to the transmission network;
16. Contributing to the work progress for the Energy Market Integration (EMI).

The aforementioned objectives are, first of all, about ensuring that KOSTT is an effective company, able to cope with the challenges it will face in the future.

Regarding the development of the network, the data are presented in the following table.

Table 2. Developments in the transmission network 2018-2022

2018-2022	Njësia	2017	2022
Kapaciteti N	MW	1,700	1,800
Kapaciteti N-1	MW	1,160	1,300
Linjat 110 kV	km	842	892
Linjat 220 kV	km	232	239
Transformatorët në kufi me KEDS	MW	2,080	2,320

4. Capital expenditures

Data and justifications for capital expenditures will be attached to the final version of the Five-Year Investment Plan.

5. Total operating expenses

For the five-year period 2018-2022, KOSTT has been granted EUR 36,586,685 in revenues on behalf of operating expenses, which includes operation and maintenance expenses, personnel expenses, municipal services expenses and other operating expenses.

Table 3. Allowed expenses and implemented expenses 2018-2022

Total Shpenzimet Operative	Njësia	2018	2019	2020	2021	2022	Total
Shpenzimet e Lejuara Pas Faktorit të Efikasitetit	€'000	7,423.249	7,424.537	7,281.239	7,110.334	7,347.326	36,586.685
Shpenzimet e Realizuara	€'000	6,563.709	7,166.804	8,085.643	7,524.981	7,139.699	36,480.837
Ndryshimi	€'000	859.540	257.733	(804.404)	(414.646)	207.626	105.849

Table 4. Total operating expenses 2023-2027

Total Shpenzimet Operative	Njësia	2023	2024	2025	2026	2027	Total
Propozimi	€'000	10,302.180	11,271.144	11,775.228	12,344.953	13,341.936	59,035.441

Below are presented further data and explanations.

5.1 Maintenance expenses

For the maintenance budget 2018-2022, KOSTT was allowed EUR 5,253,661, while EUR 3,360,342 was executed.

Table 5. Allowed and performed maintenance 2018-2022

Shpenzimet e Mirëmbajtjes	Njësia	2018	2019	2020	2021	2022	Total
Të Lejuara	€'000	1,077.000	1,077.187	1,056.397	1,029.258	1,013.819	5,253.661
Të Realizuara	€'000	493.690	684.050	752.920	826.682	603.000	3,360.342
Ndryshimi	€'000	583.310	393.137	303.477	202.576	410.819	1,893.320

All foreseen maintenance plans, as well as unplanned ones over the years have been performed over 95%. Maintenance is performed according to the Maintenance Regulation, which is based on international standards.

However, the low level presented in the financial statements is dictated by two factors. The first is that part of the maintenance in the financial statements is presented in stocks, while another part in capital investments. The first is because all spare parts that are part of the maintenance plan are recorded as stocks while they are not activated, as well as the second some spare parts that are provided with the maintenance budget in case they exceed the value of 5 % of the asset attached to it is recorded as capital investment. These are the two elements influencing the reported level of maintenance.

The maintenance carried out is preventive and planned. The availability of the transmission network is high, despite the increase in assets with the realization of capital investments. Indicators of breakdowns and drops of system elements are at a low level. The number of emergency interventions is quite small, which affects the reduction of maintenance costs.

As for the 2023-2027 maintenance proposal, the same is presented in the following table.

Table 6. Maintenance proposal 2023-2027

Shpenzimet e Mirëmbajtjes	Njësia	2023	2024	2025	2026	2027
Propozimi	€'000	1,023.813	1,188.245	1,061.245	1,144.585	1,150.585

Attached to this document you may find a detailed maintenance plan.

5.2 Other operating expenses

For the period 2018-2022, for the category of other operating expenses of KOSTT, €31,313,964 were allowed, while €33,120,495 were realized. This expenditure overrun occurred as a result of the very low level allowed for this category.

As can be seen from the following table, the application of the efficiency factor to KOSTT has damaged the financial operation of the company.

Table 7. Other operating expenses 2018-2022

Shpenzimet tjera operative	Njësia	2018	2019	2020	2021	2022	Total
Të Lejuara	€'000	6,346.249	6,347.351	6,224.843	6,062.016	6,333.506	31,313.964
Të Realizuara	€'000	6,070.019	6,482.754	7,332.723	6,698.299	6,536.699	33,120.495
Ndryshimi	€'000	276.230	(135.403)	(1,107.881)	(636.283)	(203.193)	(1,806.530)

This category of expenses includes: staff expenses, health insurance, municipal services, official trips, training, telephone, derivatives, physical insurance, supply of materials, translations, bank commissions, cadastral expenses, legal services, publications, auditing, internet, compensation for damages, equipment for protection at work, CAO services, tax expenses, shipping, ARKEP payments, enforcement expenses and many other expenses.

Based on the current inflation trend, the projected expenses for this category have taken into account a 10% increase in the first year to partially reflect the increase in current prices in the market, as well as a small increase in other years to follow the trend.

This increase is also included in order to keep the professional staff, taking into account that the phenomenon of staff drain, which has affected the whole country, has also affected KOSTT.

KOSTT has reached a high level in raising the company's quality, technical and financial parameters, financial stability, reputation at the national and international level. As a result of this, KOSTT has managed to secure project financing from donors and access to credible international financial institutions such as KFW, EBRD.

KOSTT in terms of technical performance, security of supply, network losses, etc. can be compared with the European TSOs and all this was achieved thanks to the work, dedication and professionalism of its staff, therefore the increase in the staff budget is essential for the continuation of maintaining and raising the quality of the services belonging to the TSO.

Table. 8 Other operating expenses 2023-2027

Shpenzimet tjera operative	Njësia	2023	2024	2025	2026	2027	Total
Propozimi	€'000	9,278.367	10,082.899	10,713.983	11,200.368	12,191.351	53,466.968

1.1 Increasing the number of staff

During the tariff period 2018-2022, the total allowed number of staff for KOSTT was 381.

Based on the increase in the number of assets, the increase in the workload, additional requirements after the connection agreement with ENTSO-E, the work as a Regulatory Zone within the Albania - Kosovo (AK) Block, the increase in cyber security, there is a need to increase the number of total number of workers for the tariff period 2023-2027.

The main reasons for the increase in the number of workers for the tariff period 2023-2027 are:

- After the signing of the connection agreement with ENTSO-e and independent operation as a Regulatory Zone within the Kosovo-Albania Regulatory Block, new requirements have been added related to the CA Regulatory Block and with the

reporting and completion of platforms within ENTSO-E. Scheduling and file sharing for system security in the coordination center (RSC) and European TSO from the National Dispatch Center. These requirements mainly have an impact on increasing the number of staff in the System Operator.

- The development of projects has influenced the growth of physical assets such as: increasing the number of new substations, increasing the length of high voltage lines, increasing the number of energy transformers and other facilities and equipment, increasing the volume of work for the current staff . In addition to the increase in physical assets, there has been no increase in the number of relevant staff. The increase in assets mainly affects the increase in the number of staff of the Transmission Operator and the Support Services Department within the Central Directorate.
- According to the guide for the implementation of the energy agreement, the integration of the 110/x kV/kV Vallaq substation is foreseen. The integration of SS Vallaqi affects the increase in the number of staff of the Transmission Operator.
- The development of the energy sector, namely the increase in the contracts of operators and RES in the electricity market in Kosovo. This mainly affects the increase in the staff of the Market Operator.
- Meeting the new requirements after certification with the ISO 27001 standard, and increasing cyber security. requests have an impact on increasing the number of staff in the Support Services Department within the Central Directorate.

Table.9 Requirements for increasing the number of staff

Numri i stafit i planifikuar për periudhën 2023-2027	Lejuar 2018-2022	2023	2024	2025	2026	2027
TO	220	234	239	239	239	247
SO	30	34	38	38	38	38
MO	18	18	18	19	19	19
HQ	113	118	127	127	127	127
KOSTT	381	404	422	423	423	431

2. Transmission losses

Regarding the incurred losses in relation to the allowed losses, KOSTT has reported in detail during each process of regular adjustments. As an illustration, below is a table with estimated cost values for the period 2023-2027.

Table 10. Projected transmission losses 2023-2027

Viti	2023	2024	2025	2026	2027
Humbjet GWh	139	129	129	130	132
Çmimi €/MWh	151	171	170	177	190
Pagesa e humbjeve (€'000)	21,058	22,059	21,981	23,055	25,040

3. Support Services

Table 11. Support services 2023-2027

Shërbimet ndihmëse 2023-2027	2023	2024	2025	2026	2027
Kostoja totale '000€	13,000.000	15,000.000	18,000.000	18,000.000	18,000.000

Currently KOSTT in accordance with the Connection Agreement with RGCE\ENTSO-E, is operating as an independent LFC Area. In this context, ENTSO-E will continuously monitor the fulfilment of technical conditions of KOSTT for independent operation as LFC Area.

One of the high priority requirements is the provision of support services to balance the electricity system of Kosovo in real time.

Based on the descriptions mentioned above, KOSTT is obliged to ensure the purchase of support services for balancing the system, specifically:

1. Tertiary adjustment (+/- mFRR Manual Frequency Restoration Reserves):

KOSTT is obliged to provide the tertiary regulation for raising (+mFRR – positive Manual Frequency Restoration Reserves) in the amount of +150 MW and the tertiary adjustment for discount (-mFRR – negative Manual Frequency Restoration Reserves) in the value of -30 MW, these quantities are needed for the balancing of Kosovo's SEE in the case of occurrence of shortages and surpluses of en.el. in SEE of Kosovo.

The calculation for the capacity costs for the tertiary adjustment mFRR in the rise (150 MW) and reduction of the capacity of (-30 MW), as well as the secondary adjustment aFRR +/-25MW (Automatic Frequency Restoration Reserves), for the year 2023 is presented as in the following table. Also the following years are calculated in the same way.

Table 12. Cost of support services 2023

Muaji	Kapaciteti (MW)	Ditë/Muaj	aFRR ngritje (çmimi 16.37 €)	aFRR zbritje (çmimi 10.0 €)	mFRR ngritje (çmimi 5.0 €)	mFRR zbritje (çmimi 2.4 €)	Gjithsej
Janar	25	31	304,499.16 €	186,000.00 €	558,000.00 €	53,568.00 €	1,102,067.16 €
Shkurt	25	28	275,031.50 €	168,000.00 €	504,000.00 €	50,400.00 €	997,431.50 €
Mars	25	31	304,499.16 €	186,000.00 €	558,000.00 €	55,800.00 €	1,104,299.16 €
Prill	25	30	294,676.60 €	180,000.00 €	540,000.00 €	54,000.00 €	1,068,676.60 €
Maj	25	31	304,499.16 €	186,000.00 €	558,000.00 €	55,800.00 €	1,104,299.16 €
Qershor	25	30	294,676.60 €	180,000.00 €	540,000.00 €	54,000.00 €	1,068,676.60 €
Korrik	25	31	304,499.16 €	186,000.00 €	558,000.00 €	55,800.00 €	1,104,299.16 €
Gusht	25	31	304,499.16 €	186,000.00 €	558,000.00 €	55,800.00 €	1,104,299.16 €
Shtator	25	30	294,676.60 €	180,000.00 €	540,000.00 €	54,000.00 €	1,068,676.60 €
Tetor	25	31	304,499.16 €	186,000.00 €	558,000.00 €	55,800.00 €	1,104,299.16 €
Nëntor	25	30	294,676.60 €	180,000.00 €	540,000.00 €	54,000.00 €	1,068,676.60 €
Dhjetor	25	31	304,499.16 €	186,000.00 €	558,000.00 €	55,800.00 €	1,104,299.16 €
Total			3,585,232.02 €	2,190,000.00 €	6,570,000.00 €	654,768.00 €	13,000,000.02 €

4. RES Fund

The RES fund is treated separately from KOSTT's revenues based on the fact that this fund is not only managed by KOSTT and is not its own revenue. Below you will find the realized data as well as the forecasts for the next 5 years.

Table 13. Revenue and expenses of the Fund 2018-2022

Fondi për BRE Realizimi	2018	2019	2020	2021	2022
Të hyrat €'000	10,114.934	18,289.389	25,046.069	29,662.300	42,682.000
Fondi €'000	9,026.350	15,673.593	18,637.785	23,129.250	38,364.000
Ndryshimi €'000	1,088.584	2,615.795	6,408.284	6,533.050	4,318.000

Table 14. Forecasts for the RES Fund 2022-2027

Fondi për BRE Parashikimi	2023	2024	2025	2026	2027
Fondi €'000	47,939.695	50,336.680	120,710.885	152,331.655	371,603.448

5. Conclusion

The following table presents the summary of requirements for the operating costs of KOSTT, for the third regulatory period 2023-2027.

Table 15. Request for operating costs 2023-2027

Kërkesa për kostot operative 2023-2027	Njësia	2023	2024	2025	2026	2027	2023-2027
Mirëmbajtje	€'000	1,023.813	1,188.245	1,061.245	1,144.585	1,150.585	5,568.473
Shpenzime tjera operative	€'000	9,278.367	10,082.899	10,713.983	11,200.368	12,191.351	53,466.968
Humbje	€'000	21,058.460	22,059.000	21,981.210	23,054.750	25,040.293	113,193.713
Shërbime ndihmëse	€'000	13,000.000	15,000.000	18,000.000	18,000.000	18,000.000	82,000.000
Total	€'000	44,360.640	48,330.144	51,756.438	53,399.703	56,382.229	254,229.155

Taking into account the importance of KOSTT as a node of the electricity sector of Kosovo, efficient and independent operation is necessary, which is closely related to the approval of these requirements.