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Comments related to: the Consultative Report of KOSTT for MAR 2023-2027 and to the Investment Plan 2023 - 2027

Issue for comment:

- 1. Introduction**
- 2. Costs of Ancillary Services**
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Commentary:

1. Introduction

Based on the Consultative Report on the Maximum Allowed Revenues within the framework of PRR3 for the period 2023-2027, received by the Energy Regulatory Office on February 16, 2023, KOSTT has prepared comments and requests on some of the points mentioned in the report.

2. Costs of Ancillary Services

KOSTT, as the System and Transmission Operator, is equipped with the license issued by the ERO for the technical operation of the transmission network and the operation of the electricity system of the Republic of Kosovo. Within the system operation tasks, KOSTT is obliged, in accordance with the Network Code in force, to ensure the efficient operation of the system in real time, balancing the SEE throughout the year, specifically every moment within 8760 hours of the calendar year. The balance in question is necessary to enable parallel work with the transmission networks of neighboring countries and European ones. For this to be achieved, it is KOSTT's licensing duty to provide balancing products, specifically auxiliary services such as secondary aFRR regulation and tertiary mRR regulation, through which products it will be able to balance Kosovo's SEE in real time.

The price for aFRR reserve capacity until March 2021 had fixed values of €2.2/MWh. From April 1, 2021, when capacities are purchased at auction by TSO, they increase with auction prices to average values of around €17/MWh during 2021, while in 2022 this value is around €20/MWh on average.

Seeing this growth trend, the value for the Cost of Ancillary Services for the years 2023 and beyond should increase to the values predicted according to KOSTT.

KOSTT's request for 2023 for Auxiliary Services is €13,000,000.

3. The ITC mechanism

Revenues of €1,363,000 from transit are presented in continuity for the entire period 2016-2022, which is a very large value. For comparison, you can find in the following table the net revenues (+ sign) and net expenses (- sign) from transit by the year:

Table 2. Income from ITC 2016-2022

Vitet	NET TE HYRAT NGA ITC 2016 - 2022	Komente
2016	225,257.26	
2017	68,702.59	
2018	1,035,974.62	
2019	499,464.83	
2020	(28,128.59)	
2021	168,768.45	
2022	(640,746.77)	Të dhëna reliminare deri në qershor 2022

4. Costs of Losses

The costs of Transmission Losses for the year 2022 were €14,889,462. The value of €13,257,705 reported in the Reporting Forms sent to ERO dated 22 November 2022 was the value realized for ten months and two months of planning.

5. Costs of other operating expenses

According to the ERO consultative report, the basic Opex value for the first year of the next regulatory period (PRR3) takes into account the closing value of Opex in the last year of the previous regulatory period, and then to adjust it according to out-of-control costs, legal obligations, inflation rate, efficiency factor, etc.

In ERO's proposal for the value of other operating expenses according to the closing year of the previous regulatory period, the realization of personnel expenses was based on the average number of 344 workers.

Based on the investment plan for the tariff period 2023-2027, 4 new substations will be functionalized for which, according to the current systematization, 4 workers must be hired for each substation, which will affect the increase in the number of workers from 2024.

In connection with the increase in staff according to the implementation of the Investment Plan 2023-2027, I propose that ERO review the possibility of increasing other operating expenses from 2024 by 5-6% according to the table.

Table 3. Operating expenses according to the proposal from ERO and the proposal for a 5% increase in 2024

Shpenzimet Operative	2023	2024	2025	2026	2027
Propozimi nga ZRRE për shpenzime tjera operative	7,075	6,969	6,865	6,762	6,660
Propozimi pas rritjes 5% nga viti 2024	7,075	7,317	7,208	7,100	6,993

6. Capital costs 2023-2027

In the 2023-2027 Investment Plan, KOSTT has provided a budget line of 160,000 euros for the *project with ID 061: Improvement of the Insulation of the 220 kV Side in SS Kosova A*. Since the value foreseen in 2022 of 160,000 euros has not been managed to be contracted and has failed as a budget line, we request that the foreseen value in the 2023-2027 investment plan be increased by the same amount, i.e. by 160,000 and in total be worth 320,000 euros.

This request is of an emergency nature because in the 220 kV equipment in SS Kosova A we have had similar breakdowns before, the complete fall of the equipment on the 220 kV side, which can also cause the fall of PP Kosova A blocks, and which as a consequence may cause the disruption

of energy supply for general consumption at the level of the Republic of Kosovo, for which we may be penalized for causing this disruption.

It should be noted that in these cases, due to the cause of the imbalance, significant financial damages are also caused, which are addressed to KOSTT.

The last case happened on 27.02.2023 at 11:55 minutes, the Zk1 bus fell from the system on SS Kosova A, where as a result, the A4 block fell after the action of bus protection as a result of the short circuit in this bus. This has come as a result of the voltage overshoot in the pull-out insulator of phase 4 in the transformer field T-35. The same case also happened on 06.12.2021, in which case the entire 220 kV side in SS Kosova A fell, where in this case two units of PP Kosova A, A3 and A5, fell from the system. Similar cases of insulation failure have occurred in several other occasions, but with smaller consequences.

The main suspicions about this breakdown are due to the weakening of the insulation in this substation as a result of the great pollution that exists in this location as well as the high voltages that have reigned in our transmission network for some time now. Mainly, this breakdown phenomenon is more pronounced on the 220 kV side from the side where the cooling tower of PP Kosova A is located, in which case it is constantly subjected to moisture and creates the conditions for insulation damage and failure of elements in the system.

Taking into account the above factors, the likelihood of the recurrence of such breakdowns is permanent, therefore there is an urgent need to take immediate steps to prevent this phenomenon in this substation with very big consequences.

KOSTT, through this project, has foreseen the supply and assembly of 220 kV glass insulators where is foreseen the increase in the level of insulation, i.e. the transition from the current level of insulation to a higher level of insulation according to the applicable technical standards and which would ensure safe operation with minimal risk of system degradation.

On this occasion, we ask ERO to approve the request for allowing the budget line in the amount of 320,000 Euros, which funds will be used for the realization of the project in question.

KOSTT has argued the need for the development of these projects as well as all other projects in the investment plan based on the fulfillment of the requirements of the laws and regulations in force, the N-1 criterion, the needs of consumers and the economic development of Kosovo, the needs of the development of the network and improvement in those parts where it is outdated etc.

7. Regular adjustments of 2022 and PRR2

The report shows that all adjustments for PRR2 and regular adjustments for 2022 are included; KOSTT has carefully analyzed their calculations and has no remarks in this regard.