



Republika e Kosovës
Republika Kosova - Republic of Kosovo

ZYRA E RREGULLATORIT PËR ENERGJI
REGULATORNI URED ZA ENERGIJU
ENERGY REGULATORY OFFICE



Consultation Report

Review of ALPEX's Application for NEMO Tariffs 2026-2028

STATEMENT

This Consultation Report has been prepared for the purpose of consulting stakeholders. The Report does not constitute a Decision of ERO and should not be considered as such.

18 December 2025



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Introduction

This consultation report has been prepared by the Energy Regulatory Office in the framework of the exercise of the powers provided for by Law No. 05/L-084 on the Energy Regulator and Law No. 05/L-085 on Electricity, with the aim of reviewing the request submitted by the Albanian Power Exchange ALPEX J.S.C, Kosovo Branch, for the approval of the tariffs of the Nominated Electricity Market Operator (NEMO) for the tariff period 2026–2028. This review is carried out within the framework of the implementation of the Methodology on Determination of Tariffs for the Nominated Electricity Market Operator (NEMO), approved by the ERO Board in 2024, and constitutes an integral part of the regulatory review process that precedes the Board's decision to approve the tariff structure for the next tariff period. The Regulatory Period for which the NEMO Tariffs after approval may be in force is a 3-year period where the approved regulated revenue limits remain in force until the moment of the NEMO Tariff Review based on the provisions of Annex III of the Methodology.

The preparation of this report aims to provide a complete and impartial analysis of all elements presented by the operator, including a description of its operational activity, market and transaction data, realized financial indicators, forecasts for the period 2026–2028, as well as the structure of reported costs related to the exercise of NEMO's activity in the territory of Kosovo. The report also aims to guarantee the transparency and integrity of the regulatory



process, by making available to interested parties a detailed document reflecting the way in which ERO has interpreted all components of the request.

This Consultation Report has been prepared by the Energy Regulatory Office (ERO) to:

- present the technical analysis of the request submitted by the company ALPEX J.S.C,
- clarify the main components of NEMO tariffs according to the methodology,
- present the data, calculations and justifications submitted by the operator,
- invite interested parties to provide written comments and opinions.

This report presents all the legal, regulatory and methodological elements that constitute the technical basis of the review. It includes a review of the operator's cost structure according to the components of the methodology, including the regulatory asset base from which depreciation is derived, operation and maintenance costs, platform rental costs, the allowed rate of return on equity. Furthermore, the ALPEX application provides a complete assessment of the operator's revenues and expenses as historical realizations for the period 2020–2025, in order to ensure the reliability of the forecasts for the tariff period 2026–2028.

The report also constitutes the basic material that will be published within the framework of the public consultation, with the aim of informing interested parties and receiving their comments and observations before finalizing the final tariff decision.

Following the introduction, the document is structured in such a way as to clearly reflect the methodology used in the assessment, the results of the analysis and the conclusions that emerge from the review of all elements of the application of ALPEX J.S.C – Kosovo Branch.

How can ERO's proposals be commented on?

Parties wishing to submit their comments on ERO's proposals are invited to submit their comments in writing at ero.pricing-tariffs@ero-ks.org no later than 4 January 2026. Comments may also be sent by mail to:

Energy Regulatory Office
tariffs and Pricing Department



1 Legal and Methodological framework

The legal framework supporting the examination of ALPEX's request stems from the framework of primary legislation and secondary legislation of the energy sector. The basic law of the sector, Law No. 05/L-085 on Electricity, provides for the principles and structure of the organization of the wholesale electricity market, and establishes the obligations of licensed operators performing functions in organized markets. The law entrusts ERO with the competence to regulate and approve operators' tariffs in order to ensure the stable functioning of the market, the protection of interested parties and the avoidance of unfair or discriminatory behavior.

Law No. 05/L-084 on the Energy Regulator defines the competencies of the ERO Board in tariff review processes. This law recognizes the full authority of ERO to approve tariff methodologies and to review all revenue and tariff requests based on the documentation submitted.

The Tariff Determination Methodology of the Nominated Electricity Market Operator, approved by the ERO Board in 2024, presents the technical and calculation basis used to determine the allowed revenues of the NEMO. It defines the full formula of the allowed revenues, the method of calculating the regulatory asset base, the weighted average cost of capital (WACC), depreciation, operating costs, working capital and the handling of non-tariff revenues. This methodology has been drafted in accordance with European practices and with the way in which regulatory principles are applied to operators of organized markets in EU member states.

The review of ALPEX's application is carried out by relying directly on this methodology and each element presented by the operator is assessed in relation to the requirements and limitations that the methodology establishes. Furthermore, the analysis also takes into account previous decisions of ERO related to the licensing and appointment of ALPEX as NEMO for the Kosovo bidding zone.

2 Description of the operator and market functioning

The operator ALPEX performs a fundamental function in the energy market of Kosovo and Albania. It manages the trading platform for the day-ahead and intraday markets, as well as the financial clearing and settlement platform. Through the implementation of organized markets and their coupling, the operator has enabled a meaningful step towards regional integration and further towards integration into the EU coordinated markets SDAC and SIDC.

The day-ahead market in Albania was put into operation in April 2023, while in Kosovo in January 2024. This has enabled the coupling of the two markets since the activation



of the platform in Kosovo. Furthermore, in December 2024 the intraday market was activated, completing the two main trading segments that a NEMO should offer. The functioning of the operational agreements of the coupling of the markets has enabled full coordination of the opening and closing of the gates, as well as the use of normal, reserve and alternative procedures required by the architecture of SDAC and SIDC.

3 Market functioning and transaction data evaluation

Data for 2024 and the first 9 months of 2025 show a functional energy market with stable transaction volume. The minimal price differences between Albania and Kosovo during 2024 indicate that the market integration has functioned without significant obstacles. The seasonal increase in price differences in the period July-August 2025 is related to the structural changes in energy availability and consumption levels that usually occur in this period.

From a regulatory perspective, these data confirm that the operator has fulfilled its operational and technical obligations to provide a stable and accessible market for all participants.

The following table provides a summary of energy volume transactions and financial values realized on ALPEX markets for 2024 and for the first 9 months of 2025.

Table 1 Clearing of transactions on ALPEX Markets for the two bidding zones

Clearing of Transactions on ALPEX Markets for the Two Bidding Zones				
Time Period	Volume_Purchase_MWh	Value_Purchase_Euro	Volume_Sale_MWh	Value_Sale_Euro
Total 2024	1,173,477	125,316,114	1,173,477	125,314,653
Total 9 Month 2025	1,155,085	129,091,548	1,155,085	129,018,633

During the period January-September 2025, the energy markets in both bidding zones have continued to grow and remain operationally stable. Transactions conducted in the DAM and IDM markets for Albania and Kosovo demonstrate increased trading activity, reflecting the expansion of stakeholder participation and the strengthening of negotiation and clearing mechanisms.

4 Content of the ALPEX application and ERO's approach to the assessment

The ALPEX application includes financial data for the last five years, projections for the period 2026–2028, asset structure, operating costs, platform cost, depreciation, WACC calculation, working capital and a list of proposed tariffs. ERO has reviewed the



compliance of these elements with the methodology and has also analyzed historical trends in costs and revenues.

Since ALPEX operates in two bidding zones (Albania and Kosovo), the analysis took into account the cross-border nature of the costs, the technical and financial obligations arising from participation in SDAC and SIDC, as well as the risks that may arise in the event of underfinancing.

So, there is a common market (Market Coupling) between the two countries - Albania & Kosovo, then the standard regulatory principle is that the costs and revenues of the market operator (NEMO) are handled in a consolidated manner, in order to: have a uniform tariff, avoid market distortions and guarantee equal treatment for participants.

The financial data for the period 2020–2024 show that the operator has passed a necessary phase for the establishment of the trading platform. The activity has only started to generate income after the Day-Ahead market became operational in both zones. The current operating cost structure for 2026 includes significant expenses for the technical platform, IT expenses, office rents, personnel expenses and other expenses necessary for the functioning of the day-ahead and intraday markets.

In accordance with the methodology, ERO has reviewed each component of the reported costs and has assessed that they reflect the operator's real needs for the provision of an uninterrupted service and for the fulfillment of its license obligations. Depreciation is calculated according to the fiscal system and is justifiable in relation to the nature of the assets used. Working capital is calculated according to the methodology formula and reflects the operator's need to maintain a sufficient level of liquidity to cover the cost cycle.

5 Calculation of NEMO Revenues according to the methodology

This document defines the formulas for calculating NEMO's allowed regulated revenues based on the Methodology.

NEMO Regulated Allowed Revenues (NEMORR) will be calculated in tariff reviews using the following formula:

$$NEMORR = (RAB * WACC) + (OPMC + DEPC + WCLC + LICC - NTFR)$$

Where are they:

NEMORR Allowed revenues of NEMO

RAB Regulated Asset Base



WACC Weighted Average Cost of Capital

OPMC Allowed Operation and Maintenance Costs

DEPC Allowed depreciation costs

WCLC Working Capital

LICC License Tariffs and taxes

NTFR Non-tariff revenues

The 'Weighted Average Cost of Capital - WACC' rate on the net regulatory asset base will be calculated according to the following formula:

$$WACC = [ES * AroE / (1-T)] + (DS * CoD) \quad ES + DS = 1$$

Where are: ES Target for equity ratio in RAB

T Corporate tax rate

ARoE Allowed rate of return on equity after tax

DS Target for debt ratio in RAB

CoD Cost of debt

6 Proposed NEMO Revenues for the period 2026-2028

The NEMO tariff calculation methodology for the period 2026–2028 clearly shows that the structure of allowed revenues is dominated by operation and maintenance costs (OPMC), which constitute over 90% of total costs. The RAB·WACC component has minimal impact on the tariff, as RAB is very low as a result of accumulated depreciation (DEPC) and the lack of new capital investments. The value of RAB drops from €78,864 in 2026 to only €20,087 in 2028, reflecting a minimal portfolio of regulated assets.

The WACC remains constant at 3.53%, using only its own equity (ES=100%, DS=0%), with an ARoE of 3% after tax and a tax rate of 15% which is applicable in Albania. This structure yields a very low regulatory return (only €2,783 in 2026, €1,746 in 2027 and €709 in 2028).

OPEX costs are the fundamental element of the tariff. Within OPMC, the largest expense is the rental of the trading and clearing platform, with over €835 thousand in 2026–2027 and a decrease to €635 thousand in 2028.

Annual depreciation (DEPC) remains low (€28–30 thousand), confirming the minimal asset base. Working capital (WCLC), calculated as 1/12 of total OPEX + LICC, is around



€167–181 thousand, and follows the trend of operating costs. License tariffs (LICC) are small, but gradually increase from €4,500 in 2026 to €8,000 in 2028.

Non-tariff revenues (NTRF) remains zero, meaning that all NEMO costs are covered through the tariff alone. Total revenues increase from €1.56 million in 2026, to €1.68 million in 2027 and reach €1.99 million in 2028, reflecting the increase in costs and the need for budget coverage.

The revenue split between Albania and Kosovo remains stable, with around 56–60% attributable to the Albanian market and 40–44% to the Kosovar market, reflecting the division of trading volume and the shared cost of operating the platform.

In conclusion, the tariff structure shows a typical NEMO model with full OPEX dominance, minimal RAB, low WACC, and a complete dependence on tariffs for cost recovery. This requires a continuous focus on optimizing operating expenses and evaluating key service contracts. Thus, the proposed revenues for the Kosovo area are 0.669 million euros for 2026, 0.712 million euros for 2027 and 0.835 million euros for 2028.

Table 2 Methodology for calculating proposed NEMO revenues for the period 2026-2028



Methodology for Calculating NEMO's Proposed Revenues for the Period 2026–2028					
	Description	Unit	Forecast Year 2026	Forecast Year 2027	Forecast Year 2028
	$NEMORR = (RAB * WACC) + (OPMC + DEPC + WCLC + LICC - NTFR)$	Euro	2,333,073	2,385,475	2,208,936
A.	$RAB * WACC$		2783.44	1746.20	708.96
1	$RAB * WACC$		2783.4	1746.2	709.0
	<i>RAB</i> - Regulated Asset Base <i>WACC</i> - Weighted Average Cost of Capital Rate				
a.	$RAB = A - DEPC - AD - CG + WC + INV$	Euro	78864	49476	20087
	A - The recognized value of assets useful and in use/operation at the beginning of the regulatory period		207,754	214,354	214,354
	DEPC - Allowed depreciation costs (accumulated)		135,490	164,878	194,267
	AD - Asset disposal / Retirement of assets	Euro	-	-	-
	CG - Grant-funded assets	Euro	-	-	-
	WC - Capital expenditures	Euro	-	-	-
	INV - Investments when the asset is put into service, at the allowed cost in the approved investment plan	Euro	6,600	-	-
b.	$WACC = [ES * ARoE / (1-T)] + (DS * CoD) \quad ES + DS = 1$	%	3.53%	3.53%	3.53%
	ES - Objective for the equity ratio in RAB	Euro	100%	100%	100%
	T - Tax rate	Euro	15%	15%	15%
	ARoE - Allowed rate of return on equity after tax	Euro	3%	3%	3%
	DS - Objective for debt ratio in RAB	Euro	0%	0%	0%
	CoD - The cost of debt	Euro	0%	0%	0%
B.	$OPMC$	Euro	2120388.3	2168405.7	2002871.0
	Allowed Operation and Maintenance Costs		2,153,590	2,203,029	2,041,321
1	Rent for the Trading and Clearing Platform Provider	Euro	845,000	835,710	635,700
2	Personnel, Personnel-related expenses	Euro	788,557	815,061	844,604
3	Materials and fuel expenses	Euro	28,900	29,767	31,351
4	Supplies and services expenses	Euro	243,147	283,515	281,091
5	Postal and telecommunications expenses	Euro	11,550	12,202	12,568
6	Office rent	Euro	88,000	88,000	88,000
7	Personnel outside the company	Euro	48,992	47,592	47,592
8	Taxes, duties, and other fees	Euro	41,543	42,284	45,411
9	Car Insurance	Euro	1,200	1,200	1,236
10	Publications, advertisements	Euro	26,000	16,075	21,197
11	Other	Euro	2,000	2,060	2,122
12	Depreciation	Euro	28,702	29,563	30,450
C.	$DEPC$	Euro	28702.00	29563.06	30449.95
	Allowed Depreciation Costs of the Year	""	28702.00	29563.06	30449.95
D.	$WCLC$	Euro	176699.02	180700.47	166905.91
	Allowed Working Capital Rate	""			
	$WCLC = 1/12 * (OPMC + LICC)$		176,699	180,700	166,906
	Working Capital Coefficient: 1/12		0.08333333	0.08333333	0.08333333
	OPMC - Allowed Operation and Maintenance Costs		2,115,888	2,163,346	1,994,871
	LICC - License Fees and Taxes		4,500	5,060	8,000
E.	$LICC$	Euro	4500	5060	8000
	License Tariff Costs and Taxes	Euro	4,500	5,060	8,000
F.	$NTFR$	Euro	0	0	0
	Non-Tariff Revenues	Euro	-	-	-
	Total Revenues	Euro	1,558,591	1,683,712	1,992,389
	Revenues from Albania	Euro	889,563	971,302	1,156,776
	Revenues from Kosovo	Euro	669,028	712,410	835,613

7 List of proposed tariffs for ALPEX

The data presented shows that ALPEX is experiencing a rapid increase in trading activity in both markets, Albania and Kosovo, reflecting the full integration into SDAC and the increased participation of market players. The tariff structures remain completely unchanged from 2025 to 2028, which indicates that the increase in revenues does not come from the increase in tariffs, but from the expansion of the volume of traded energy and the addition of members to the exchange and clearing. DAM and IDM trading increases significantly, which automatically increases variable revenues from commissions per MWh traded. Total revenues increase from around



€1.2 million expected in 2025 to around €2 million in 2028, representing an increase of around 67% of operating activities.

Despite the increase in revenues, ALPEX results in financial losses throughout the period, because fixed and technology costs are higher than the revenues collected from tariffs. This situation is common for NEMO operators in the early stages of market development, where liquidity, market participation and stability are prioritized over financial profit. Overall, the performance indicates a continuously expanding market, increasing liquidity and revenues, but also a need for cost optimization or a review of the tariff model in the future to achieve financial neutrality.

Table 3 ALPEX Tariff List

ALPEX Tariff List	Reference to the Euro currency	Payment of the Tariff	Paid by
Administrative Tariff	€200	Once	Member of the Exchange
Membership Tariff for Exchange Member	€10,000	Once	Member of the Exchange
Annual Tariff for Exchange Member in the Day Ahead Market –	€14,000	Annual	Member of the Exchange
Annual Tariff for Intraday Market Member	€8,000	Annual	Member of the Exchange
General Clearing Member Membership Tariff	€7,000	Once	Member of the Clearing
Annual Tariff for Personal Clearing Member –	€3,000	Annual	Member of the Clearing
Annual Tariff for General Clearing Member –	€6,000	Annual	Member of the Clearing
Variable Trading Tariff per MWh in the Day-Ahead Market	€0.09	Daily	Member of the Exchange
Variable Clearing Tariff per MWh in the Day-Ahead Market	€0.02	Daily	Member of the Exchange



Variable Trading Tariff per MWh in the Intraday Market	€0.14	Daily	Member of the Exchange
Variable Clearing Tariff per MWh in the Intraday Market	€0.04	Daily	Member of the Exchange
Proxy Trading Tariff	€20	Order	Member of the Exchange
API User Tariff	€2,000	Annual	Member of the Exchange
Maintenance of the Clearing Account for the Personal Clearing Member	€100	Monthly	Member of the Clearing
Bank Guarantee Letter Administration Tariff	€50	When deposited	Member of the Clearing
Annual Training Tariff	€200	Annual	Commercial and Clearing Agent
Exam Tariff	€100	Annual	Commercial and Clearing Agent
Digital certificate for users	€50	Annual	Exchange Member/Clearing Member
Technical Tariff	€2,000	Annual	Member of the Exchange