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For: **Mr. Ymer Fejzullahu**  
Head of Board  
Energy Regulatory Office

KOMPANIA KOSOVARE PËR FURNIZIM ME ENERGJI ELEKTRIKE SH.A.  
KOSOVO ELECTRICITY SUPPLY COMPANY J.S.C.  
KOSOVSKO PREDUZEĆE ZA SNABDEVANJE ELEKTRIČNOM ENERGIJOM D.D.  
KESCO SH.A.  
Nr. 40 Dt. 19.07.2022  
HQ 1

CC: **Ms. Artane Rizvanolli**  
Minister of Economy

**ERO Board**

**Mr. Petrit Pepaj**  
Managing Director, Energy Regulatory Office

Date: 19.07.2022

**Ref: Request for initiation of Extraordinary Review for Maximum Allowed Revenues for Universal Service Supplier**

The year 2021 was characterized with enormous increases in electricity prices, which brought liquidity consequences and increased costs in the energy sector of many European countries, including Kosovo. After continuous requests from electricity licensees in Kosovo, ERO on 13 December 2021 opened the extraordinary review for the maximum allowed revenues for regulated operators. The process finished in February 2022, with the decision on the maximum allowed revenues for the Universal Service Supplier (USS), by Decision no. V\_1485\_2022 dt. 7 February 2022.

According to the said decision, ERO evaluated and approved that the maximum allowed revenues for the Universal Service Supplier should be in the amount of €347.28 million. Even-though this value did not cover the maximum allowed revenues, the ERO in the justification part of the decision wrote that during evaluation of the costs it took as a basis the commitment for the €10 million subsidy according to the Decision of the Government of the Republic of Kosovo no. 05/55 dt. 21.01.2022, as well as the Decision of the Government of the Republic of Kosovo for the additional subsidy of € 90 million according to decision no. 01/60 dt. 05.02.2022. In other words, the maximum revenues have been reduced in all calculations in the amount of € 100 million.

According to this decision on 08.02.2022, ERO also approved the retail electricity tariffs, which marked an increase only for household consumers with consumption over 800 kWh, effective from 9 February 2022.

The Universal Service Supplier through an official letter dated 11.02.2022 has raised its concerns regarding the modality of allocation and payments of this subsidy, but has not received an official response. Faced with uncertainty, FUSS has communicated and exchanged official letters with ERO and the Ministry of Economy, and it has responded to all the requests received from the relevant institutions regarding the calculation of the subsidy value for the respective months. Yet until today, USS has not received any

reimbursement and at the same time has not received any information about when these payments can be expected.

The situation created during this period has forced USS to operate below its cost, making it very difficult and to some extent impossible to fulfill obligations to third parties.

The value of the subsidy calculated per consumer according to the prices sent by ERO, for the period 9 February – 30 June 2022, has exceeded the value of € 31 million. The lack of reimbursement of this calculated value of the subsidy, exceeds the materiality threshold of 5%, as stated in article 11 of the Rule on USS Revenues, thus enabling the opening of an extraordinary review.

Electricity prices in the international markets continue to be high, with around 465.89 €/MWh<sup>1</sup> in July, while the forecasts for the 4th quarter of 2022 exceed the price of 663 €/MWh<sup>2</sup>. The actual realized costs of electricity purchase for the months of January-May 2022 for the Universal Service Supplier is €81.93 million, or the same value as the allowed purchase for total 2022.

Electricity Purchases (in mil €)	Allowed by ERO (January-December)	Actual (January-May)
Purchases from KEK	118.37	56.52
Purchases from Import	21.80	12.05
Purchases from RES	40.94	13.36
Subsidy	(100)	-
<b>Total</b>	<b>81.12</b>	<b>81.93</b>

Similarly, the analysis of the actual costs for the months of January-May 2022 compared to the revenues realized for the same period, shows a difference of €40.89 million, respectively exceeds the materiality threshold of 5%, as shown in the following table:

Description	Costs in mil €
Costs of electricity Purchases	81.93
Other costs	109.50
<b>MAR</b>	<b>191.43</b>
Actual Revenues	150.54
Non-coverage January - May	40.89
Non-coverage January - May in %	21.36%

From the analysis above, it is a fact that the effect of the lack of reimbursement of the electricity subsidy only for the months of February-May 2022 has had the effect of exceeding the materiality threshold for the Universal Service Supplier. Taking into account the expectations for further increases in electricity prices, repairs of generating units- respectively the increase in dependence on imports, the supplier solely

<sup>1</sup> Hupx, Price for dt. 19 July 2022 <https://hupx.hu/en/> (Taken on dt. 18.07.2022)

<sup>2</sup> Hudx, Prices for Q4 <https://hudex.hu/en/market-data/power/daily-data#quarter> (Taken on 18.07.2022)

cannot afford these costs any longer, especially since the same is already affected by the crises at the end of 2021. As such, the Supplier requests the ERO to review the request for the opening the extraordinary review for the maximum allowed revenues.

ERO has the authority set by law to determine the tariffs that will be applied by licensees and that will be charged to end consumers. In these circumstances, ERO has to create and maintain an optimal balance between the consumer and the licensees. In this view, the Universal Service Supplier requests from ERO to consider seriously and prioritize the request of USS for opening the extraordinary review, otherwise deeper financial problems will be created, which may even endanger the security of electricity supply.

Sincerely,



**Mesut Serhat Dinc**  
Managing Director  
KESCO j.s.c.