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28 January 2026

KOSTT Application for Annual Updates of Maximum Allowed Revenues for 2026

Rationale for Requests and Operational and Capital Changes

January 2026

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1.0 Introduction

The Energy Regulatory Office opened on 12 December 2025 the process of annual updates of maximum allowed revenues for regulated operators for the year 2026 based on the Rules on Allowed Revenues of Licensees.

KOSTT has presented the data on revenues and expenses for the year 2025, as well as the requests and projections for the year 2026.

The data are presented by month for the entire calendar year.

2.0 Revenues

Based on Decision No. V_2696_2025 of 11/04/2025 of the ERO Board, the revenues allowed for the relevant tariff year 2025 for KOSTT were EUR 88,198,071, while EUR 119,363,650 were implemented.

Table 1 shows the data on the allowed and implemented revenues for the calendar year 2025.

Table 1. KOSTT's allowed and implemented revenues for the calendar year 2025

Revenues 2025	Unit	Projection	Implemented	%
Revenues from 400/220 kV	€000s	100.08	120.55	120%
Revenues from 110 kV	€000s	7,032.09	12,133.04	173%
Revenues from SO	€000s	63,471.22	51,265.68	81%
Revenues from MO MO	€000s	251.16	255.59	102%
Revenues from RES	€000s	17,343.53	55,588.79	321%
Revenues without RES	€000s	70,854.54	63,774.86	90%
Total revenues	€000s	88,198.07	119,363.650	135%

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3.0 Expenses

The following sections provide data on the expenses incurred during 2025 and the projection for 2026.

3.1 Maintenance and other operating expenses

In 2025, EUR 7,857,298,031 were allowed for the category of operating expenses, while EUR 9,157,650.11 were spent. For the category of maintenance, EUR 686,201,123 were allowed, while EUR 766,338.41 were spent. For other operating costs, the allowed value was EUR 7,055,139,637, while the value actually spent amounted to EUR 8,274,652.30. In terms of the legal category of expenses for health insurance as uncontrollable OPEX, EUR 115,957.27 were allowed, while EUR 116,659.39 were spent. This spending in excess of the allowed budget was mainly a result of the increase in market prices and other factors beyond the control of the company. KOSTT's request for 2026 is based on the value spent in 2025.

3.2 Transmission loss costs

The current situation regarding the cost of transmission losses is as follows. The level of transmission losses is 135.4 GWh expressed in a financial value of EUR 14,590,200.19.

The losses predicted for 2026 according to the Electricity Balance are 128.4 GWh while the predicted cost of these losses is EUR 15,763,894.85. The calculation of this value is based on the average planned price of EUR 122.72/MWh.

3.3 Ancillary service expenses

According to Law No. 05/L-085 on Electricity, KOSTT manages and operates the electricity transmission system of Kosovo. According to Article 16 of this law, the duties and responsibilities of the Transmission System Operator include: "procurement of balancing services for balancing the system, based on market principles and the principles of transparency and non-discrimination". In addition, according to the Law on Electricity (Article 19), the Transmission System Operator may engage in the procurement of energy and capacity, based on transparent, non-discriminatory and market-based procedures for the purposes of balancing the system and providing ancillary services.

According to the License (Article 19) for the Electricity Transmission System Operator, the licensee (KOSTT) shall be responsible for arranging the provision of quantities and types of ancillary services, their procurement in accordance with the law on electricity and procurement procedures, as may be necessary in order to enable the licensee to perform the obligations given under the Grid Code, as well as the obligations arising from the KOSTT-ENTSO-E Connection Agreement.

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Based on the Law on Electricity (Article 22), KOSTT has prepared the Procedure for Electricity Trading, which has been approved by ERO, in which the general principles of the purchase and sale of electricity are defined.

In accordance with the Procedure for Electricity Trading approved by the Energy Regulatory Office, KOSTT is obligated to procure these ancillary services in the electricity market from service providers who meet the administrative and technical conditions to provide the aFRR and mFRR Reserve service.

KOSTT, as the Transmission System Operator, is equipped with a license issued by ERO for the technical operation of the transmission network and the operation of the electricity system of the Republic of Kosovo. Within the framework of the tasks for the operation of the system, KOSTT is obligated, in accordance with the Grid Code in force, to ensure the efficient operation of the system in real time, by balancing the SEE throughout the year, specifically at any time within 8760 hours of the calendar year. The said balancing is necessary to enable parallel operation with the transmission networks of neighboring and European countries. To achieve this, it is KOSTT's licensing duty to provide balancing products, specifically ancillary services such as secondary regulation aFRR and tertiary regulation mFRR, whereby it will be able to balance the SEE of the Republic of Kosovo in real time.

This means that in the KOSTT Control Area, at any moment the generation of electricity (plus import) must be in balance with the consumption of electricity (plus export). In other words, the difference between these two components: (generation + import) and (consumption + export) must be completely balanced.

Moreover, based on the directives and regulations of ENTSO-E such as SOGL (System Operation Guideline), EB (Electricity Balancing Network Code), NC LFCR (Network Code Load - Frequency Control and Reserves) etc., which define the necessary conditions for parallel interconnection work, each Transmission System Operator is obligated to balance the transmission system in its Control Area.

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 fulfillment of KOSTT's technical conditions for independent operation as an LFC Area.

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

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

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

KOSTT is obligated to provide tertiary regulation for increase (+mFRR - Manual Frequency Restoration Reserves) in the amount of +197 MW and tertiary regulation for decrease (-mFRR - Manual Frequency Restoration Reserves) in the amount of -50 MW, these amounts are needed for balancing the Kosovo SEE in the event of shortages and surpluses of electricity in the Kosovo SEE.

In the context of fulfilling the obligations arising from the KOSTT - ENTSO-E connection agreement for real-time system balancing, KOSTT must ensure balancing reserves for the entire year 2026, in accordance with the planned KOSTT budget for 2026, which is also expected to be approved by ERO.

The planned budget for 2026 for ancillary services is foreseen in the amount of EUR 45,000,168.72.

Based on the TSO/MO Rule, the allowed costs of ancillary and balancing services for 2026 will be proposed by the TSO/MO during periodic reviews and during regular adjustments, using the TSO/MO's projection for the necessary purchases of services from a quantitative and financial perspective.

The forecast of these necessary purchases and prices will be supported by the necessary evidence, including the agreements agreed for ancillary services by the TSO.

The Regulator will determine the allowed costs for ancillary services, taking into account the above-mentioned proposal, after assessing the evidence provided on the need and cost of these services. During this assessment, ERO will examine whether these ancillary services have been subject to competitive procurement or will take into account any other evidence that can be provided to show that the procurement of these services has been made on an economic basis.

The calculation of capacity costs for tertiary regulation mFRR in increasing (+197 MW) and decreasing capacity of (-50 MW), as well as secondary regulation aFRR (+/-40 MW) (Automatic Frequency Restoration Reserves), is presented in the table below

Table 2. Capacity cost for implementation of ancillary services for 2026

Cost of planned capacity for ancillary service aFRR (± 40 MW), and contracted mFRR cost with APC in increase (+197 MW) and decrease (-50 MW) for 2026.							
Month	Capacity(MW)	Day/month	aFRR increase 70 €/MW	aFRR decrease 81.255 €/MW	mFRR increase 5.38 €/MW PL	mFRR decrease 2.567 €/MW PL	Total
January	40.0	31	1,450,056.00 €	1,488,000.00 €	861,819.84 €	100,440.00 €	3,900,386.84 €
February	40.0	28	1,309,728.00 €	1,344,000.00 €	778,417.92 €	98,112.00 €	3,530,325.92 €
March	40.0	31	1,450,056.00 €	1,488,000.00 €	882,339.36 €	119,040.00 €	3,939,506.36 €
April	40.0	30	1,403,280.00 €	1,440,000.00 €	866,642.40 €	116,280.00 €	3,826,272.40 €
May	40.0	31	1,450,056.00 €	1,488,000.00 €	895,530.48 €	120,156.00 €	3,953,813.48 €
June	40.0	30	1,403,280.00 €	1,440,000.00 €	609,912.00 €	71,640.00 €	3,524,902.00 €
July	40.0	31	1,450,056.00 €	1,488,000.00 €	639,036.48 €	74,028.00 €	3,651,191.48 €
August	40.0	31	1,450,056.00 €	1,488,000.00 €	669,815.76 €	74,028.00 €	3,681,970.76 €
September	40.0	30	1,403,280.00 €	1,440,000.00 €	558,849.60 €	71,640.00 €	3,473,839.60 €
October	40.0	31	1,450,056.00 €	1,488,000.00 €	825,177.84 €	88,164.00 €	3,851,468.84 €
November	40.0	30	1,403,280.00 €	1,440,000.00 €	834,019.20 €	91,440.00 €	3,768,809.20 €
December	40.0	31	1,450,056.00 €	1,488,000.00 €	861,819.84 €	98,580.00 €	3,898,526.84 €
Total			17,073,240.00 €	17,520,000.00 €	9,283,380.72 €	1,123,548.00 €	45,000,168.72 €

Table 3. Projected reserve prices for 2026

Projected prices for reserve planning - 2026			
aFRR+ [price €]	aFRR- [price €]	mFRR+ [price €]	mFRR- [price €]
48.725	50.00	5.88	2.70
48.725	50.00	5.88	2.92
48.725	50.00	6.02	3.20
48.725	50.00	6.11	3.23
48.725	50.00	6.11	3.23
48.725	50.00	4.30	1.99
48.725	50.00	4.36	1.99
48.725	50.00	4.57	1.99
48.725	50.00	3.94	1.99
48.725	50.00	5.63	2.37
48.725	50.00	5.88	2.54
48.725	50.00	5.88	2.65

For 2025, EUR 37,716,434 were allowed for ancillary service expenses, while EUR 39,640,360.93 were spent because of the need to activate ancillary services due to imbalances resulting from lack of production and supply.

3.4 ITC mechanism

During 2025, revenues from the ITC mechanism were EUR 466,876.26 and expenses amounted to EUR 1,354,746.57, which places KOSTT in a negative net position (EU 887,870.31). Planning for 2026 remains according to the five-year planning period.

Table 4. Revenues and expenses of the ITC mechanism during 2025

2025	Unit	Revenues	Expenses	Difference
ITC mechanism	€000s	466,876.26	1,354,746.57	(887,870.3)

4.0 RES Fund

Based on the legislation covering the energy sector, the Market Operator is the manager of the RES Fund. The implementation calculations and projections for this fund are presented in the Model for Regular Annual Adjustments. The estimated value for 2026 is EUR 18,675,517.32, which includes the difference between the incentive tariffs and the average price of 2025, the cost of the imbalance of EUR 1,904,734.02, as well as the cost of managing the fund, which is estimated at around 1% of this fund.

The data on the revenues and expenses of the RES Fund for 2025 are presented below. They will also be presented in Excel format.

Table 5. Revenues and expenses of the RES Fund during the year 2025

2025	Unit	Revenues	Expenses	Difference
RES Fund	€000s	55,588,786.46	49,951,849.47	5,636,937.00

5.0 Rationale for changes to the Investment Plan 2018 - 2022

5.1 Request for new projects

During the review process of the five-year revenues 2023-2027, in relation to the requests submitted for capital projects, KOSTT has been approved only 50% of the requested value. Taking into account the dynamic nature of the transmission network as well as the technical, legal, regulatory and contractual needs and requirements, KOSTT hereby submits the request for the inclusion of seven new projects in this five-year period and the change of the source of financing for one project. It should be noted that all of these projects are approved under the Ten-Year Development Plan. KOSTT's request is to include them in the Five-Year Development and Investment Plan for implementation in 2027.

For the financing of these projects, KOSTT is in talks with the European Bank for Reconstruction and Development, who are ready to support KOSTT in this important phase of development with a soft loan.

The rationale for these projects is elaborated below.

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Projects:

- **SS Klina: Rehabilitation of the substations and installation of the second transformer TR2 110/10(20) kV, 40MVA, Project value is EUR 4,067,796.61;**
- **SS Gjilan 5 - Installation of the second transformer TR2 110/10(20) kV, 40MVA, Project value is EUR 1,610,169.49**

Substations SS Klina and NS Gjilan 5 currently operate with only one transformer. Operating with only one transformer poses a major problem for the security of supply in the event of an unplanned outage. In the areas where the aforementioned substations are located, there is no backup supply (medium voltage ring network) which, in such cases, would transfer the supply from the failed network to the medium voltage network for a short time. Substations operating with only one transformer make the process of periodic maintenance of the transformer and its fields (110 kV, 35 kV or 10 kV) difficult. The probability of failures in the transformer and its fields is affected by age, power flows, short circuits in the system, as well as by the previous level of maintenance. Many equipment or elements of the system including transformers and circuit breakers in 110/35 kV and 110/10 kV substations have faced significant stresses caused by breakdowns/short circuits in the 110 kV network, frequent in the period 1990-2006 when the network did not have sufficient transmission and transformation capacity. Breakdowns in the transformer itself such as: in the windings or in the voltage regulator are problematic breakdowns, their repair takes time and sometimes is not financially worthwhile. The time from the moment of the breakdown to the avoidance of the problem or replacement of the transformer can usually be days, so the damage that will be caused to consumers will be great in the absence of a second transformer or reserve capacities for supply from the medium voltage network. The amount of undelivered energy will be very large, with negative socio-economic effects for consumers.

To avoid the risk of non-supply as a result of the loss/disconnection of a single transformer, it is more than necessary to install a second transformer in the above-mentioned substations.

In the Klina substation, it is planned to install a second 40 MVA, 110/10(20) kV transformer, in addition to the existing 31.5 MVA, 110/10 kV transformer. The relevant 110 kV and 10(20) kV transformer fields will also be installed. This project will create conditions for fulfilling the N-1 criterion in transformation. This project should be synchronized with the revitalization project of the two existing 110 kV fields, so as to minimize the energy not delivered to consumers during the project implementation process.

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In SS Gjilan 5, it is planned to install a new 40 MVA, 110/10(20) kV transformer alongside the existing 31.5 MVA, 110/10(20) kV transformer, as well as its two respective fields 110 kV and 10(20) kV. This project will create conditions for fulfilling the N-1 criterion in transformation.

The expected benefits from the two aforementioned projects are:

Reduction of energy not sent to consumers in the Klina and Gjilan areas

Increasing the security and reliability of supply and distribution consumption

Support for further development of the 10(20) kV distribution network

Increasing 110/TM kV transformation capacities and meeting the N-1 criterion in transformation

Optimization of the maintenance process

Support for development of the economic sector/industrial load

- **SS Gjakova 1 - Replacement of the transformer TR 2 110/35/20 kV, 40MVA, Project value is EUR 1,355,932.20;**
- **SS Gjilan 1 - Replacement of the transformer TR 2 110/35/10(20) kV, 40MVA, Project value is EUR 1,355,932.20.**

The main reason for inclusion in the list of projects for network reinforcement is the age of the transformers and the increase in the transformation capacity in the two substations, Gjilan 1 and Gjakova 1.

In SS Gjakova 1, it is planned to replace the remaining 20 MVA, 110/35 kV transformer built in 1974 with a 110/10(20) kV transformer with a power of 40 MVA. In this case, the supply of 10(20) kV to the consumption of the entire city of Gjakova will be achieved through the two substations Gjakova 1 and 2.

The 35 kV network will remain as a reserve supply which will be necessary for the further supply of the consumption of Xërxa which is also supplied through 35 kV from SS Rahovec. The interconnection of SS Gjakova 1 and SS Rahovec with 35 kV lines plays an important role in maintaining network reserves in cases of unforeseen breakdowns in the two substations in question. Figure 1 shows the simplified single-pole schemes of the substations where the transformers will be replaced.

The expected benefits from these two projects are:

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Reduction of energy not sent to consumers in the Gjilan and Gjakova areas

Increasing the security and reliability of supply of distribution consumption

Support for further development of the 10(20) kV distribution network

Increasing the 110/TM kV transformation capacities

Support for development of the economic sector/industrial load

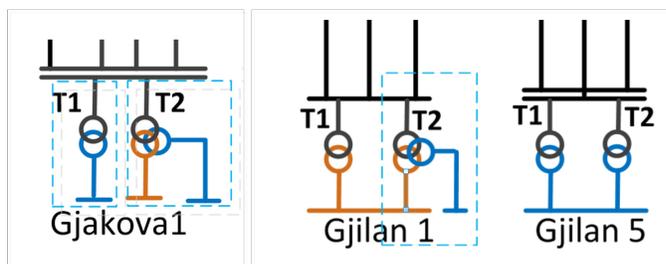


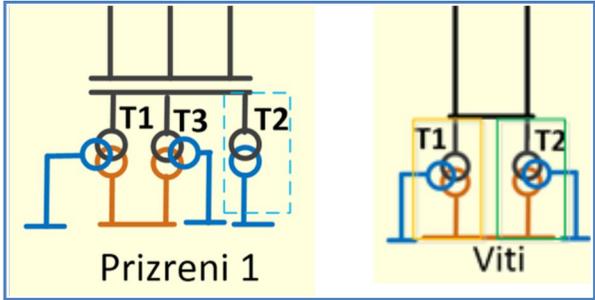
Figure 1. Replacement of transformers in SS Viti, SS Gjilan 1 and SS Gjakova 1 with new transformers

- **Replacement of the TR-2 transformer in SS Prizren 1 (40MVA) and TR-1 in SS Viti**
- **SS Prizren 3 - Replacement of the transformer TR 2 110/10(20) kV, 40MVA, Project value is EUR 1,355,932.20;**
- **SS Viti - Replacement of the transformer TR1 110/35/10(20)/35 kV, 40MVA, Project value is EUR 1,355,932.20.**

The continuous increase in demand in Prizren requires an increase in the transformation capacity as well as avoiding problems of security of supply through the replacement of transformers with age beyond the nominal life cycle. For this reason, the replacement of TR-2, 110/35 kV in SS Prizren 1, built in 1987, with a new transformer 110/10(20) kV, with a power of 40 MVA is necessary. By linking with the previous project for the replacement of transformer TR-1 also with a three-winding transformer, the modernization of three transformers and the fulfillment of the N-1 criterion for the two voltage levels 35 kV and 10(20) kV will be achieved. The further maintenance of the 35 kV network is justified by the fact that there is a strong interconnection of the 35 kV network connecting SS Prizren 1 with the consumption of Zhur and SS Dragash planned for 2026. This interconnection with the 35 kV network creates reserve capacity in case of problems that may arise in SS Prizren 1 or in SS Dragash.

In SS Viti, it is planned to replace the remaining 20 MVA, 110/35 kV transformer built in 1973 with a three-phase transformer 110/35/10(20) kV with a power of 40/40/40 MVA. After the replacement of two transformers in SS Viti, the N-1 criterion will be met at both voltage levels 35 kV and 10(20) kV. Due to the ring interconnection with the 35 kV network between SS Viti and SS Gjilan 1, the 35 kV network, in addition to continuing to supply the load in specific areas with the 35/10 kV network, will play an important role as a reserve capacity for power transfer from Viti to Gjilan 1 and vice versa. RES with a capacity of 10-15 MW can also be connected to the 35 kV network. The project foresees the installation of a new 10(20) kV transformer field.

Figure 2. Replacement of the TR-2 transformer in SS Prizren 1 and SS Viti

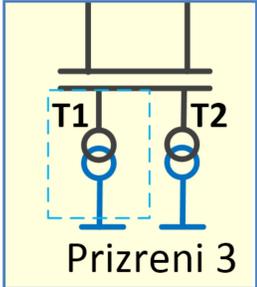


- **Replacement of the TR-1 transformer in SS Prizren 3 (40MVA)**

The main reason for including this transformer in the list of projects is its age, increasing the transformation capacity in SS Prizren 3 and enabling the conversion of the 10 kV network to 20 kV.

In SS Prizren 3 110/10 kV, it is planned that in 2033 the TR-1, 31.5 MVA, 110/10 kV transformer built in 1986 will be replaced with a 110/10(20) kV transformer with a power of 40 MVA.

Figure 3. Replacement of the TR-1 transformer in SS Prizren 3



The expected benefits from these two projects are:

Reduction of energy not sent to consumers in the Prizren area.

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Increasing the security and reliability of supply of distribution consumption

Support for further development of the 10(20) kV distribution network and reduction of network losses

Increasing 110/TM kV transformation capacities

Support for development of the economic sector/industrial load

Support for RES in possible connection to the medium voltage network

- **New single cable 110kV line SS Prizren 1 - SS Prizren 2 (with one line field in SS Prizren 1 and connected to the reserve field in SS Prizreni 2) - The project value is EUR 3,644,067.80**

The continuously increasing load in the Prizren region will put at risk the fulfillment of the N-1 criterion for that part of the transmission network. The second 110 kV line from SS Prizren 1 to SS Prizren 2 is necessary since according to the current network configuration, the failure of the SS Prizren 2- SS Prizren 3 line will cause overload on the SS Prizren 2 - SS Prizren 1 line. The project foresees installation of an underground 110 kV cable, XLPE, 1000 mm², with a length of about 5.2 km and installation of a new 110 kV cable field in SS Prizren 1. In SS Prizren 2 there is a completed 110 kV line (cable) field

The geographical extension of the double line SS Prizren 2- SS Prizren 1 is shown in Figure 4.

This project is important for implementing the concept of grouping 110 kV consumption according to the main substations.

The expected benefits from the project are:

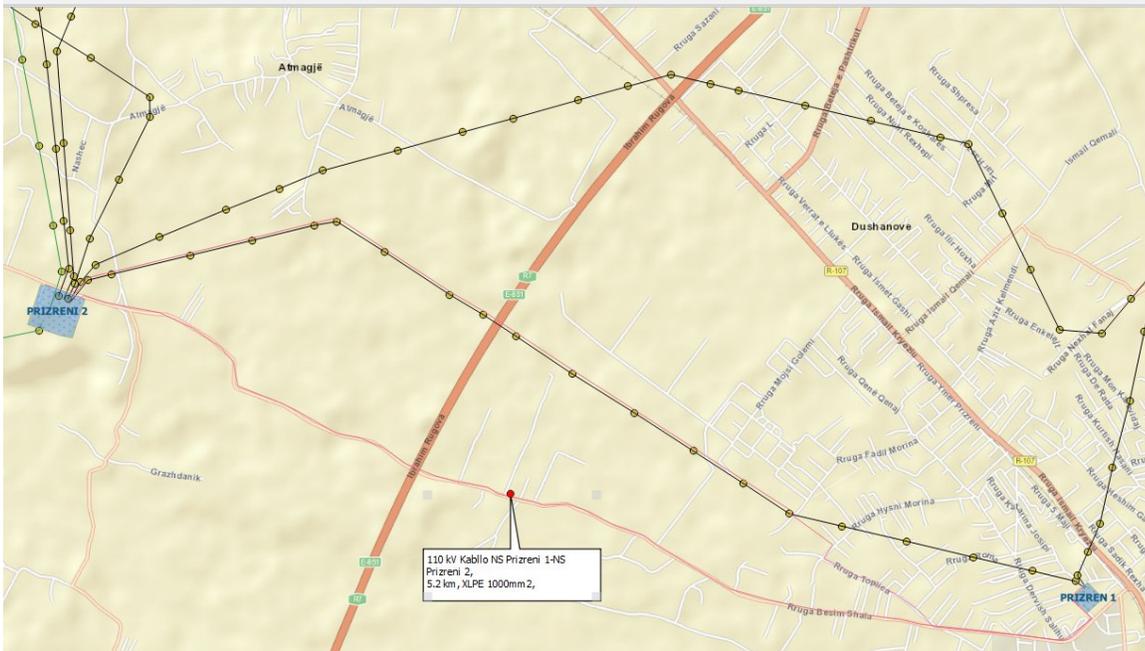
Increasing the transmission capacity of the 110 kV network

Completing the N-1 security criterion in the long term

Reducing the energy not sent to the consumer

Optimizing power flows and enabling the grouping of 110 kV loads according to independent supply from the main nodes of the transmission system (in this case from SS Prizren 2)

Figure 4. SS Prizren 1- SS Prizren 2 110 kV cable line project



- **Revitalization of the existing 110kV line between SS Prizren 1 and SS Prizren 3 (replacement of existing conductors, insulators, protective conductors, evaluation of existing poles) - The project value is EUR 1,186,440.68**

The SS Prizren 1-SS Prizren 3 line currently has a transmission capacity of 83 MVA with a section of 150 mm². This line capacity is insufficient to meet the N-1 criterion. This line extends to the dense urban area of the city of Prizren, therefore replacing the conductor with a conductor with a higher capacity and the same weight using advanced ACCC 160mm² conductors represents the most optimal choice. This achieves cost optimization as well as the desired increase in line capacity.

The line represents the connecting segment for the supply of SS Prizren 3, as shown in Figure 5. The revitalization of this line will significantly affect the increase in the operational safety and reliability of that part of the 110 kV network.

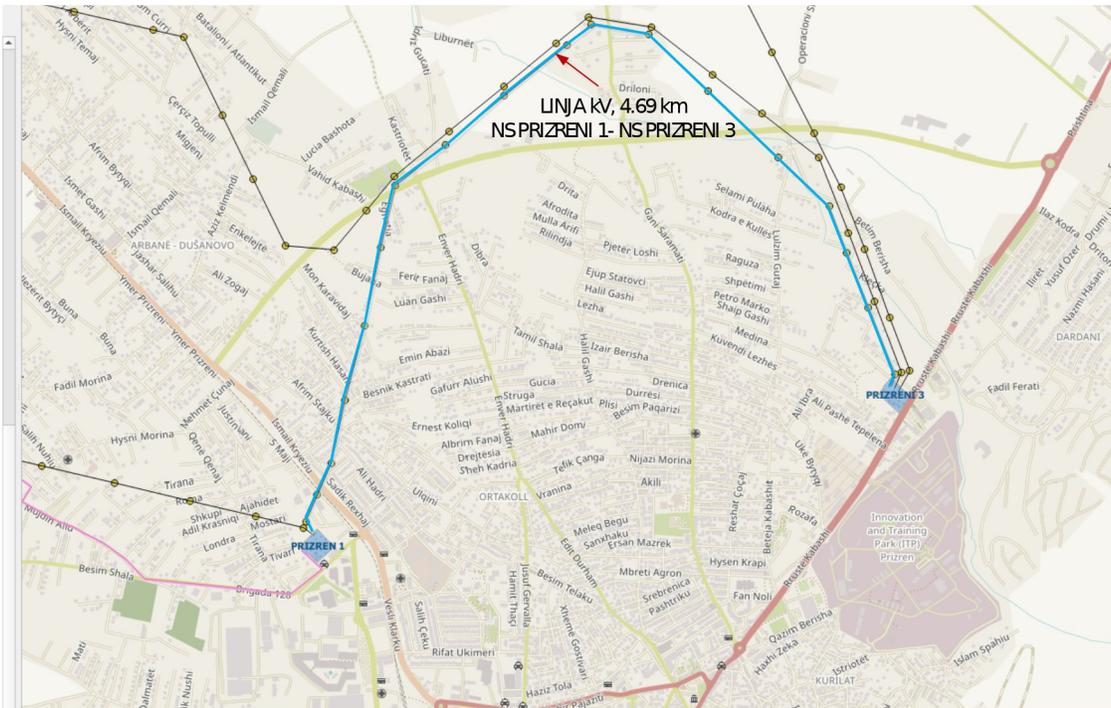
The expected benefits from this project are:

Completion of the N-1 criterion for the part of the 110 kV network that connects the 110 kV substations in the Prizren region

Increasing the transmission capacity of the line from 83 MVA to 114 MVA

Reduction of unsupplied energy

Figure 5. SS Prizren 1 – NS Prizren 3 110 kV line with length of 4.69 km



- **SS Vushtrri 1: reconstruction of 110kV fields (+own AC/DC supply, converters, panels, grounding, SCADA) - The project is EUR 3,220,338.98**

SS Vushtrri 1 is one of the first substations built in Kosovo with a configuration that does not provide adequate selectivity of relay protections. The revitalization of this substation is necessary due to the fact that 3 110 kV lines are connected to its 110 kV busbars, one of which carries the power generated by the Selaci 105 wind power plant. The technical condition of the substation is not satisfactory and as such jeopardizes the safety of the 110 kV network that connects Vushtrri 2, Trepça, Vallaqi and Ilirida. The current configuration of SS Vushtrri 1 does not provide adequate selectivity in the event of a failure in one of the lines connected to the substation. The two 110 kV lines operate only through the cross-circuit breaker as shown in Figure 6. There are two options in selecting the technology of high voltage equipment - AIS and HIS. HIS technology requires much smaller space compared to AIS technology. The deterioration of the security situation has also been affected by the failure at the Trepça substation, which is currently connected to the 110 kV network in an unfavorable configuration in terms of network security. The revitalization of the substation

foresees the replacement of the 110 kV high voltage equipment, the replacement of the busbar system and portals by building a system with double busbars and a connecting field. The project is related to the project: Revitalization of the 110 kV line segment Bardhi - Ilirida - Vallaqi substation, in which case the two free fields of the 110 kV lines will be used for this project. Therefore, the time shift of the revitalization of Vushtrri 1 substation means that the aforementioned project will not be completed until 2028 due to the interconnection of these two projects.

The expected benefits from this project are:

Increasing the safety and reliability of substation operation

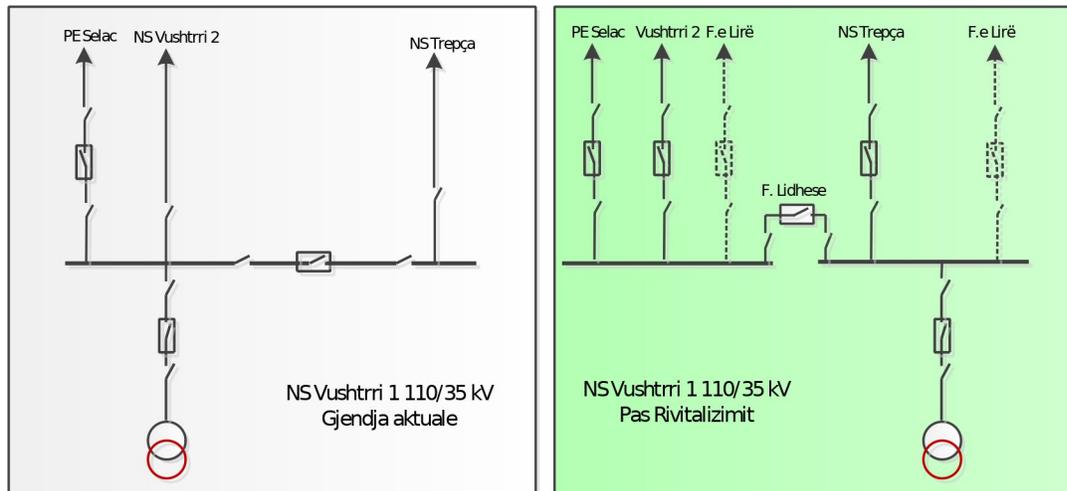
Increasing the safety of the operation of WPP Selac

Reducing the energy not sent to the consumer

Increasing the safety of the operation of the Trepça metallurgical industry

Increasing the safety of the personnel working in the substation and maintenance personnel

Figure 6. Current scheme of SS Vushtrri 1 and proposed revitalization scheme



- SS Vallaq: Reconstruction of 110kV fields (5 line fields + 2 transformer fields + connection fields, double busbars, own supplies) - The project value is EUR 3,813,559.32**

SS Vallaq is one of the first substations built in Kosovo. The revitalization of this substation is necessary due to the fact that 5 110 kV lines are connected to its 110 kV busbars, one of which carries the power generated by the Ujmani HPP. The technical condition of the substation is not satisfactory and as such jeopardizes the safety and reliability of supply to consumers. The

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revitalization of the substation foresees the replacement of 110 kV high voltage equipment, the replacement of the busbar and portal system by building a system with double busbars and a connecting field.

The expected benefits from this project are:

Increasing the safety and reliability of substation operation

Optimizing substation operation after switching to a double busbar system

Reducing energy not sent to the consumer

Increasing the safety of personnel working in the substation and maintenance personnel

- **SS Burim: Substation rehabilitation (two line fields, one transformer field and own services) – The project value is EUR 1,694,915.25**

Their replacement with modern equipment is important for the safe operation of the transmission system. The investment reduces maintenance costs, and increases the operational safety and reliability of the respective substations.

The project includes:

Replacement of 2 110 kV line fields at SS Burim

Replacement of 1 110 kV transformer field at SS Burim

Revitalization of own services

The expected benefits summarized are as follows:

Increase in the safety and reliability of the operation of SS Burim 110/10 kV

Reduction in energy not sent to the consumer

Increase in the safety of personnel working at the substation and maintenance personnel

Reduction in maintenance costs

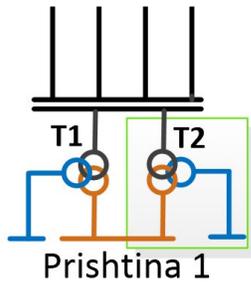
- **SS Prishtina 1: Replacement of the TR 2 (63MVA) transformer – The project value is EUR 1,355,932.20**

Substation Prishtina 1 operates with two three-phase transformers: TR1 with a power of 63 MVA, 110/35/10(20) MVA and TR2 with a power of 63 MVA 110/35/6.6 MVA. The 35 kV network currently supplies the consumption of Fushe Kosove (partly 70%), Mazgit as well as the 35/10 kV substations in Prishtina. After the construction of SS Fushe Kosove, the load on the 35 kV windings of the two transformers will be significantly reduced. According to information from KEDS, this

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substation does not fully meet the N-1 criterion at the 10 (20) kV level, which puts the security of supply of this part of the consumption at risk. Replacing transformer TR2 with a new transformer 63 MVA, 110/35/10(20) kV enables the security of the 10(20) kV network for the capital.

Figure 7. Replacement of the T2 transformer in SS Prishtina 1



The expected benefits from this project are:

Completion of the N-1 criterion for the 10(20) kV network supplied by this substation

Reduction of energy not sent to consumers

Increasing the security and reliability of supply to distribution consumption

Support for further development of the 10(20) kV distribution network

Support for development of the economic sector/industrial load

- **Replacement of the TR-1 transformer in SS Gjakova 2 (40MVA) and TR-2 in SS Skenderaj (40MVA): SS Skenderaj: Replacement of the TR 1 (40MVA) transformer - The project value is EUR 1,355,932.20;**
- **SS Gjakova 2: Replacement of the TR 1 (40MVA) transformer - The project value is EUR 1,355,932.20**

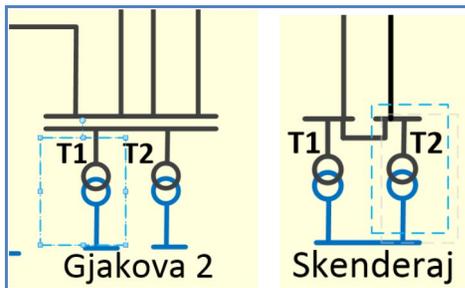
The main reason for including these two transformers in the list of projects is their age, increasing the transformation capacity in the two substations Gjakova 2 and Skenderaj and enabling the conversion of the 10 kV network to 20 kV.

In SS Gjakova 2, it is planned to replace the TR-2, 31.5 MVA, 110/35 kV transformer built in 1979 with a 110/10(20) kV transformer with a power of 40 MVA.

In the same year 2032, in SS Skenderaj, it is planned to replace the remaining 31.5 MVA, 110/10 kV transformer built in 1987 with a 110/10(20) kV transformer with a power of 40 MVA. The project

will enable the complete conversion of the 10 kV network to 20 kV, significantly reducing losses in the distribution network and creating security of supply for consumption in the Skenderaj region.

Figure 8. Replacement of the TR-1 transformer in SS Gjakova 2 and the TR-2 transformer in SS Skenderaj



The expected benefits from these two projects are:

Reduction of energy not sent to consumers in the Gjakova and Skenderaj areas.

Increasing the security and reliability of supply of distribution consumption

Support for further development of the 10(20) kV distribution network and reduction of network losses

Increasing 110/TM kV transformation capacities

Support for development of the economic sector/industrial load

Support for RES in possible connection to the medium voltage network

- **Digitization of the Market Operator**

The implementation of the Electricity Market Management System (EMMS) represents a strategic and necessary step towards the modernization of the energy sector in Kosovo and the development of a transparent and competitive electricity market. This project directly supports the objectives of KOSTT as Transmission System Operator and Market Operator, and is in line with the EBRD's priorities of accelerating the digital transition and reducing the digital divide in the economies where the EBRD invests.

Currently, the operation of the electricity market and the exchange of data between stakeholders rely mainly on manual processes, such as the use of Excel and the exchange of data via email. These practices create significant operational inefficiencies, increase the risk of errors and delays, and significantly limit the ability for advanced analysis and strategic decision-

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making. As a result, senior management is often faced with raw and fragmented data that do not support well-informed decisions oriented towards long-term market development.

In the context of the liberalization of the electricity market, the need for an integrated digital platform becomes even more critical. EMMS will serve as an important pillar for the functioning of the liberalized market, enabling the automation and centralization of the collection, validation, processing and dissemination of market data. This will ensure equal and real-time access to relevant information for all market participants, including producers, suppliers, traders, storage operators, distribution operator, and the regulator.

Through EMMS, KOSTT will be able to provide real-time monitoring of market activities, dashboards with key performance indicators (KPIs), as well as market trend analysis. This will significantly increase transparency and predictability, strengthen competition, and contribute to market stability. At the same time, the system will integrate regulatory requirements and market rules, enabling effective supervision, automated reporting and higher accountability to ERO.

The project's benefits extend beyond technology. EMMS will contribute to building institutional capacities and developing decision-making based on sound data and analysis. Furthermore, through focused training and professional development, staff will begin to perform more analytical, strategic and policy-oriented tasks in shaping market development policies. This will increase organizational efficiency, the quality of decision-making and the ability for long-term forecasting and planning. The value of the project is EUR 997,457.63.

Finally, taking into account the regional role of KOSTT and the interconnection of the transmission network with neighboring countries, the EMMS should be designed in a way that supports regional interoperability and gradual integration into the common electricity market of the European Union. This project will lay strong foundations for a modern, sustainable and integrated market, contributing to economic growth, energy security and long-term development of Kosovo.

According to the primary and secondary legislation covering the field of tariffs and regulation, capital projects must be approved by the Energy Regulatory Office. The projects of the package that is the subject of negotiations between KOSTT and the EBRD are not approved by ERO because the Five-Year Investment Plan 2023-2027 was approved before the start of these negotiations. However, they are part of the Transmission Development Plan 2024-2033, which document is approved by ERO and which is the basis for the compilation and approval of the Investment Plan 2028-2032.

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Due to the special importance of these projects, in the last two Annual Review processes, KOSTT has made a special request to ERO for the approval of the package of projects and their inclusion in the Five-Year Development and Investment Plan 2023-2027, but because their completion and entry into operation is foreseen after 2027, i.e. outside the current regulatory period, this request has not been reviewed.

However, the ERO in its letter to the EBRD dated 19 March 2024 states: “...ERO hereby confirms to the EBRD that the projects listed above are foreseen and approved by the ERO Board in the KOSTT Ten-Year Development Plan for the period 2024-20233 and emphasizes that if their implementation is completed earlier, the ERO will, in accordance with its mandate, review these capital investments and take them into account in future tariff processes.” Based on the above, from a regulatory perspective, there is no obstacle to the continuation and completion of the loan negotiation process with the EBRD.

- **Construction of the metallic structure for GIS protection in SS NS 110kV Palaj**

SS Palaj is one of the most important substations in terms of electricity supply. In the primary part, on the 110kV side, it is connected to the transmission lines and substations: LP 1801 NS Kosova A, LP 163/1 NS Kosova A and LP 163/2 NS Ilirida.

Due to the high loads and requirements for security of electricity supply, three power transformers with 110/35/10 kV voltage transformation are installed in this substation through which the Bardhit i Madh Mine (Mihja) is supplied. This mine ensures the supply of coal for TC Kosova A and TC Kosova B.

This substation was built in 2012 by KEK, while in 2013, by decision of the Government, all 110kV substations were transferred to the ownership of KOSTT.

The primary equipment system is built with a closed GIS (Gas Insulated Switchgear) system which performs insulation and extinguishing of electric arcs through SF₆ gas.

The problem with the leakage of SF₆ gas in the LP 1801 field began in July 2024. The substation maintenance teams have intervened several times, making detailed recordings and measurements through the relevant detectors. Moreover, attempts have been made to eliminate the leaks by using solid insulating materials and tightening the plates through bolts from the outside, in order to prevent the leakage of SF₆ gas. However, these measures have not been successful and the leakage has continued.

As a result, the filling with SF₆ gas has been done continuously, about once a week, by the substation maintenance teams.

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Given that SF₆ gas is harmful to human health and at the same time contributes significantly to environmental pollution, this leak should be avoided as soon as possible.

Sulfur hexafluoride (SF₆) is an inorganic, colorless, odorless, non-flammable gas, extremely powerful as a greenhouse gas and a very good electrical insulator. It is a hypervalent molecule, typical of a non-polar gas, slightly soluble in water, but quite soluble in non-polar organic solvents. SF₆ gas has a density of 6.12 g/L at sea level conditions, significantly higher than the density of air (1.225 g/L). Indications that may appear in maintenance personnel in case of exposure to SF₆ gas include skin contact, eye contact, and accidental ingestion. In such cases, immediate medical treatment should be sought.

Based on the findings of the KOSTT Professional Commission, regarding the problems identified at this substation, it is recommended that the existing 110 kV GIS system equipment at SS Palaj be covered with insulated panels, in order to:

- increase the lifespan of the equipment,
- protect from external pollution,
- protect from atmospheric conditions during winter and summer,
- reduce the impact of dust and physical pollution.

Pollution in the location where the GIS equipment is located at the Palaj substation is extremely high, as the substation is located near coal mines and very close to the waste dump. For this reason, this coverage is considered necessary also from the aspect of operational safety.

For the implementation of this solution, a budget request has been prepared in the new financial planning.

The value of the project is EUR 150,000.00.

The following are photos of the GIS system.



Photos 1 and 2 – Exterior view of the GIS system 110 kV side

- **Supply of mobile substation**

In recent years, the power system of the Republic of Kosovo has faced a continuous increase in the demand for electricity, as a result of economic development, urbanization and increased energy consumption. This increase in demand has directly reflected in the increase in loads on the existing KOSTT substations, especially at the 110/35/10(20) kV voltage levels, which constitute critical nodes of the transmission and distribution system.

Considering the current infrastructure of KOSTT, the number of substations in operation, the limited number of power transformers and the lack of backup transformers as strategic assets with very high financial value, the system remains exposed to operational risks in the event of unexpected defects, technical breakdowns or planned maintenance interventions.

In contemporary practices of power systems similar to KOSTT, a fast, efficient and technically and economically reasonable solution for managing these risks is the use of mobile substations. These units enable temporary replacement of damaged power transformers or substations, ensuring continuity of electricity supply, reducing outage times and increasing the operational security of the system.

Providing KOSTT with a mobile substation for the 110/35/10(20) kV voltage level is presented as an indispensable strategic need. This substation would serve as a reserve asset for emergency cases, to cover critical loads and to support maintenance and rehabilitation works at existing substations.

Based on technical analyses and market assessments, the cost of a mobile substation of this level is estimated at around EUR 3,000,000.00, which includes the power transformer, high and medium

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voltage fields, protection and control equipment, as well as the full integration of all components on a mobile platform (trailer).

In conclusion, the investment in a 110/35/10(20) kV mobile substation is technically and economically justified, and represents an important measure for increasing the reliability, flexibility and operational safety of the Kosovo power system. The value of the project is EUR 3,000,000.00.

- **Reconstruction of 6.3kV cable line SS Kosova B-TC Kosova B**

SS Kosova B represents one of the most critical nodes of the Kosovo power system, since in addition to the interconnection lines, the two main generators of TC Kosova B (Generator B1 and Generator B2) are also connected to this substation. The stable and uninterrupted operation of this substation is essential for the security and stability of the entire power system.

For its own supply needs, SS Kosova B is designed to be supplied with 6.3 kV voltage through two separate cable lines: one from TC Kosova B and the other from TC Kosova A, in order to ensure redundancy and reliability of supply. However, the 6.3 kV line from SS Kosova A has proven unstable due to ongoing technical problems in the section where the nitrogenous unit is connected, as well as due to the serious condition of the equipment in TC Kosova A. Given that there is no concrete plan for the rehabilitation of these equipment, this line is not considered a secure source of supply.

As a result, for a long period of time, SS Kosova B has been supplied almost exclusively by TC Kosova B through the second 6.3 kV cable line. In July 2025, serious defects began to appear in this cable line, which were repeated despite numerous technical interventions until November of the same year. After continuous analyses and interventions, it was concluded that due to the numerous damages and general degradation, this line cannot be repaired in order to guarantee a safe and long-term supply for SS Kosova B.

In these circumstances, the only remaining source of supply for the substation has been the diesel generator, which due to its emergency nature cannot be considered a sustainable and economical solution for long-term operation. In order to avoid the risk of supply interruption and the serious consequences that this would have for the electricity system, it was deemed necessary to request KEDS to make an emergency and temporary connection from their network.

This solution will ensure stable and reliable supply for SS Kosova B until the completion of the project for the reconstruction of the new 6.3 kV cable line between SS Kosova B and TC Kosova B. The estimated value of this project is EUR 150,000.00, which is considered reasonable and

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necessary considering the strategic importance of the substation and the risk posed by the lack of secure electricity supply.

5.2 Additional rationale for projects

Projects whose financing source was changed

- KOSTT/KFW - Supply and installation of 100 MVar, 400 kV Shunt-variable reactor at SS Ferizaj 2
- KOSTT/KFW - Supply and installation of equipment for adoption of Local SCADA (RTU and SCS)
- KOSTT/KFW- Replacement of Existing SCADA/EMS System in NDC and ENDC
- KOSTT/KFW - Migration towards advanced telecommunication systems.

Replaced projects

- Replacement of the power transformer TR 1 at SS Theranda at SS Prishtina 5 with TR 110/10(20)kV, 40MVA, this is because the transmission development plan has changed due to the lack of investment by the distribution operator KEDS in the 35 kV line in Theranda.

Projects with increased value

- Additional modules and user license for NEPLAN

By Board Decision NO> 250428-II/6, EUR 27,276.00 have been added to the Additional Modules and User Licenses for NEPLAN program at the request of the System Operator because in the regular planning regarding the continuation of the maintenance of the NEPLAN software and the addition of two new modules, we have planned a budget of EUR 65,000 (Short Circuit and export in .raw file format - Budget Code 023/109 - Value EUR 17,000, annual maintenance of the NEPLAN software for CGEMS - Budget Code 5320/70 - Value 3*18,000 = EUR 54,000). So, the works included in this budget are the maintenance of the NEPLAN software for the next 3 (three) years as well as the addition of two new modules such as: calculation of short connections and the possibility of producing files in the .raw version. This budget also includes the training of our staff on these new NEPLAN modules. The NEPLAN company has offered to perform these tasks at a price excluding VAT = EUR 78,200 and a price including VAT = EUR 92,276, therefore a budget increase of EUR 13,200 excluding VAT (EUR 27,276 including VAT) has been requested, in order to enable the performance of the tasks explained above, without any potential obstacles that may arise.

Projects that should be removed from the Five-Year Transmission Investment Plan 2023 - 2027

- License for frequency use - RAEPC EUR 115,254.24
- Migration of the radio communication system EUR 137,237.14

The radio communication service has been discontinued, therefore KOSTT no longer has an operational need for the functionalization or maintenance of this system. As a result, there is no need for budgetary expenditures for the migration of the radio communication system, the payment of frequency licenses at RAEPC, as well as for the associated costs, which was the rent for the placement of repeaters at the KNNT. For clarification, we inform you that the two budget lines are functionally interconnected with each other, since both aim to implement radio communication. For these reasons, the Department for Support Services proposes the removal of both of these budget lines from the five-year budget plan.

6.0 Maximum allowed revenues for 2026

Based on the TSO/MO Revenue Rule, the maximum allowed revenues will be set at a level that enables the TSO/MO to cover the reasonable costs of providing transmission system services and operating the Market.

Undoubtedly, the increase in energy demand in Kosovo requires additional capacities in energy transmission. This is particularly important to ensure a stable and reliable supply during periods of peak demand.

KOSTT needs financial support to cover operating costs and to implement high environmental and safety standards.

Table 6 presents a summary of the request for Maximum Allowed Revenues for KOSTT for the year 2026.

Table 6. KOSTT's application for MAR 2026

KOSTT MAR 2026	Unit	2026 Application
Opex baseline	€m	9,157.650

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KOSTT's request for maximum allowed revenues for 2026, in the amount of EUR 99,383,831.20, aims to ensure sustainable operation of the Transmission System Operator, provide better quality services to customers and maintain the financial stability of KOSTT. It is worth noting that the estimated value of operating expenses (OPEX) is based on the actual implementation for 2025. Considering the dynamics of developments in the transmission system, in accordance with the requirements of ENTSO-E, it is of vital importance to support new projects, changes to existing projects, as well as requests for operating expenses.

KOSTT has submitted all data regarding cost realizations and forecasts for the years 2025 and 2026, with the hope that all requests and clarifications submitted will be taken into account and included in the maximum allowed revenues.

Attached are the ERO reporting forms completed as requested.

- End of document -