



Republika e Kosovës
Republika Kosova - Republic of Kosovo

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



Pristina, 23 March 2023
ERO Code: V_1711_2023

The Board of Energy Regulatory Office,

Based on:

- Provisions of Article 9, paragraph 1, sub-paragraph 1.7, Article 15, paragraph 1, sub-paragraph 1.5, Article 25, Article 26, paragraph 1, sub-paragraph 1.2 of the Law on Energy Regulator (Law no. 05/L-084);
- Provisions of Article 28, paragraph 1.27 of the Law on Electricity (Law no. 05/L-085);
- Provisions of Article 10 of the Distribution System Operator License;
- Provisions of Article 1, paragraph 3 of the Rule on Evaluation of Capital Projects in Transmission and Distribution Network in Electricity Sector;
- Provisions of Article 2, paragraph 2 as well as provisions of Article 6, Annex 3, of the Rule on DSO Revenues;
- Request of DSO, dated on 20.03.2023 on review and approval of the Five-Year Development and Investment Plan of the Distribution System Operator 2023-2027,

in the session held on 23 March 2023 issued the following:

DECISION

- I. APPROVAL** - of the Five-Year (5) Development and Investment Plan of Distribution 2023-2027 of DSO.
- II.** The Distribution System Operator KEDS JSC., is **OBLIGED** to implement the projects planned according to this plan for the safe functioning of the distribution system.

Reasoning

- Energy Regulatory Office (ERO), on 01.06.2022, received the request for review and approval of the Five-Year (5) Investment Plan of the Distribution System Operator 2023-2027 of DSO.
- ERO, following the initial review of the Five-Year (5) Development and Investment Plan of the Distribution System Operator 2023-2027, provided its initial comments, which were sent to DSO



on 08.07.2022.

- ERO handled the Development Plan and the Investment Plan as a document titled “Five-Year (5) Development and Investment Plan of the Distribution System Operator 2023-2027”, taking into account that the period that the Five-Year (5) Development Plan included coincided to be the same as the one of the Third Regulatory Period (2023-2027).
- DSO, on 05.09.2022, submitted the reviewed Five-Year (5) Development and Investment Plan of the Distribution System Operator 2023-2027.
- ERO, following the analysis of the Five-Year (5) Development and Investment Plan of the Distribution System Operator 2023-2027, on 18.11.2022, submitted the supplementary comments based on the identification of additional needs identified by ERO that DSO shall submit in order to complete the Five-Year (5) Development and Investment Plan of the Distribution System Operator 2023-2027
- DSO, on 30.11.2022, submitted the Five-Year (5) Development and Investment Plan of the Distribution System Operator 2023-2027, reviewed following the additional comments by ERO.
- ERO, on 05.12.2022, published the Development and Investment Plan for public discussion in order to receive comments, suggestions and evaluations from the licensees and also the stakeholders.
- Following the completion of the public consultations and the frequent meetings with KEDS as well as the inclusion of ERO comments, DSO, on 20.03.2023 submitted the final document for approval by ERO, with the changes required by ERO.
- It is worth emphasizing that in the evaluation of capital projects that should be included in the Five-Year Investment Plan 2023 - 2027, ERO has applied a priority ranking of projects and programs based on the prioritization factors agreed between DSO and ERO. The commissioning plan for capital projects 2023-2027 was made based on the classification and categorization of projects by asset categories based on the costs that resulted according to ERO's permission, so that the value across certain asset categories and by years be correct.
- It is also worth emphasizing that for capital projects for which ERO did not have information, the evaluation was carried out based on the data provided by DSO. Such projects are the projects related to the transition of 10-20 kV, where of the €47.9 million requested by DSO, ERO recognized the costs in the amount of €45.9 million. However, ERO has not removed the requested projects, but only in the evaluation of costs per unit it has removed the assets/transformers for which DSO



did not have information.

- Furthermore, the highlighted differences between the projects requested by DSO and recognized by ERO are related to meter projects, low voltage investments in 2026-2027 and new connections. Regarding the meters, ERO has based its evaluations on the dynamics of the investments made in PRR 1 and PRR 2, the number of meters installed in these two periods, the number of mechanical meters, etc. However, following the consultations with DSO, for the year 2023, the costs of the meters have been revised from €3 million to €4 million. However, for the following years, ERO has required from DSO to compile a detailed feasibility study based on the results of 2023 to identify future investment needs related to meters.
- ERO, for the category of Low Voltage projects, based on the large number of projects carried by PRR2, the administrative processes related to tendering, the realizations in the previous periods, does not suggest that DSO can have the dynamics of implementing projects in PRR3 significantly different from that in PRR 1 and PRR 2.
- ERO, as it has clarified that for the costs of the projects related to the new connections, they should not be included in the tariffs, because for this purpose the Principles for Determining the Distribution Use of System Tariffs have been reviewed, while the document Distribution Connection Charging Methodology must be in harmony with them. Until then, the costs for new connections caused by DSO will be handled by ERO.
- ERO has requested from DSO to include in the evaluation of capital projects for the period of five (5) years the information on the sources of financing of these projects. From the information received, DSO does not have any loan agreement for financing the projects planned in PRR3, therefore ERO has suggested that the investment projects and programs that should be included in the Five (5) year Development Plan shall be in harmony with the Five (5) Year Investment Plan.
- ERO emphasizes that based on the Rules on DSO Revenues, DSO can apply at any time to replace a capital project in the approved investment plan with another capital project, in cases where it can be proven that the alternative project will bring the same or better benefits to customers than the original project (taking into account the expected results and costs). If the Regulator approves the replacement, the alternative project will be added to the regulated asset base at the next periodic review.
- ERO Board, following the evaluation and analysis of the Five-Year (5) Development and Investment Plan of Distribution System Operator 2023-2027 concluded that the legal criteria have been met and evaluated that the projects included in the document are reasonable and necessary for the



safe functioning of the distribution system, therefore decided as in the enacting clause of this decision.

III. The decision is issued and published in the official languages of the Republic of Kosovo.

IV. The decision shall enter into force on the date of approval by the Board of Energy Regulatory Office and will be published on the official website of ERO.

Legal advice: The party dissatisfied with this decision may initiate an administrative dispute at the competent court, within thirty (30) days following the receipt of this decision or its publication on ERO's website, whichever occurs last.

Annex: Five-Year (5) Development and Investment Plan of Distribution System Operator for the period 2023-2027

ERO Board:

Ymer Fejzullahu, Chairman

Lutfije Dervishi, member

Gani Buçaj, member

The decision and the document are sent to:

- The licensee – KEDS JSC., and
- Archive of the Energy Regulatory Office