



Pristina, 30 March 2023  
ERO Code: V\_1713\_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, Article 46, paragraph 1, sub-paragraph 1.2, Article 47, Articles 48 and 49 of the Law on Energy Regulator (Law no. 05/L-084);
- Provisions of Articles 37 and 38 of the Law on Electricity (Law no. 05/L-085);
- Rule ZRRE/Nr.15/2017 on Determination of Maximum Allowed Revenues for Universal Service Supplier (Rule on USS Revenues);
- Methodology on Tariff Structure, according to Article 20 of the Rule ZRRE/no. 15/2017 on USS Revenues;
- Decision V\_1707\_2023, dated on 23 March 2023 on approval of Maximum Allowed Revenues for Universal Service Supplier (USS);
- Proposal of Universal Service Supplier (USS) on tariffs of Universal Service Supplier, submitted on 27 March 2023 at ERO.

in the session held on 30 March 2023 issued the following:

## DECISION

- I. **APPROVAL** - of the Retail Tariffs of Electricity for customers entitled to Universal Service of Supply, to be collected from 01 April 2023 until the next tariff review.
- II. The retail tariffs of electricity for customers entitled to Universal Service of Supply, to be implemented by the Universal Service Supplier (USS) are presented in the following table of this Decision:

*Table: Electricity retail tariffs for customers entitled to Universal Service of Supply*

Tariff group	Voltage level of supply	Tariff element	Unit	Time of day	Tariff
1	35 kV	Fixed customer tariff	€/customer/month		12.91
		Engaged power	€/kW/month		6.75
		Active energy (P), of which	€/kWh	High tariff	5.68
			€/kWh	Low tariff	3.65
Reactive energy (Q)	€/kVARh		0.77		
2	10 kV	Fixed customer tariff	€/customer/month		5.33
		Engaged power	€/kW		5.82
		Active energy (P), of which	€/kWh	High tariff	6.61
			€/kWh	Low tariff	4.26
Reactive energy (Q)	€/kVARh		0.77		
3	0.4 kV Category I (customers with reactive energy)	Fixed customer tariff	€/customer/month		2.97
		Engaged power	€/kW		3.43
		Active energy (P), of which	€/kWh	High tariff	7.72
			€/kWh	Low tariff	5.73
Reactive energy (Q)	€/kVARh		0.77		
4	0.4kV Category II	Fixed customer tariff	€/customer/month		3.43
		Active energy (P), of which	€/kWh	Single tariff	10.19
		Active energy (P), of which	€/kWh	High tariff	12.36
			€/kWh	Low tariff	6.12
5	0.4kV 2 rate meter (household)	Fixed customer tariff	€/customer/month		2.00
		0-800kWh (first block)	€/kWh	High tariff	7.79
			€/kWh	Low tariff	3.34
		>800kWh (second block)	€/kWh	High tariff	14.45
€/kWh	Low tariff		6.81		
6	0.4kV 1 rate meter (household)	Fixed customer tariff	€/customer/month		2.00
		0-800 (first block)	€/kWh	Single tariff	6.13
		>800 (second block)	€/kWh	Single tariff	11.60
7	0.4kV (household -unmetered)	Evaluated consumption			
		Fixed customer tariff	€/customer/month		2.00
		Active energy (P), of which	€/kWh	Average tariff	7.79
8	Public lighting	Fixed customer tariff	€/customer/month		3.70
		Active energy (P), of which	€/kWh	Single tariff	10.66

High tariff (day) is applied from 07:00 - 22:00 during the period 1 October until 31 March  
High tariff (day) is applied from 08:00 - 23:00 during the period 1 April until 30 September  
The customer is charged with reactive energy above the allowed one which corresponds with  $\cos(\varphi) < 0.95$

III. This decision will be implemented by the Universal Service Supplier (USS), starting from 01 April 2023 until the next tariff review.

## REASONING

- The Universal Service Supplier (USS), on 5 December 2022, submitted to ERO the request for extraordinary review.
- Energy Regulatory Office (ERO), on 11 January 2023, initiated the Extraordinary Review of Maximum Allowed Revenues for the regulated operators, including the Universal Service Supplier (USS). ERO, according to the notice, emphasized that within the ongoing monitoring of the security of electricity supply, analysed the actual data of the operators and based on them concluded that

the materiality threshold set with the Rules on Revenues for the regulated operators was reached, namely the criteria for opening the extraordinary review have been fulfilled, where the main causes for exceeding the materiality threshold were based on the lack of revenues and higher costs of wholesale electricity compared to the forecast ones.

- Given that the implementation of the extraordinary review process shall be the same as the one of the regular annual adjustment, ERO, as set in the Rule on USS Revenues, has taken into account the ongoing impacts of extraordinary events (that exceed the materiality threshold) in regular annual adjustments.
- ERO, on 26 May 2022, initiated the periodic review process for the third regulatory period 2023-2027 for the Transmission System and Market Operator as well as Distribution System Operator, which was handled in parallel with the extraordinary review process.
- ERO has undertaken all these actions in line with the energy sector legislation so that the security of electricity supply is not jeopardized.
- ERO, on 23 January 2023, received from the Universal Service Supplier (USS) the application for Maximum Allowed Revenues for 2023.
- Energy Regulatory Office (ERO) on 16 February 2023 published the Consultation Report – Annual Adjustment for USS for 2023.
- The Consultation Report presented the proposals of ERO on Maximum Allowed Revenues to cover the significant difference in electricity purchase costs so that the security and continuity of electricity supply to customers is not jeopardized. The report was published for public discussion with the purpose of receiving the comments of the stakeholders on ERO proposals.
- ERO, during public consultation received comments from different stakeholders on the Consultation Report regarding PRR3 MAR, namely from: Kosovo Energy Corporation (KEK), Independent Union Elektrokosova KESCO, Government of the Republic of Kosovo, Office of the President of the Republic of Kosovo and Universal Service Supplier – KESCO.
- The Universal Service Supplier – KESCO, on 03 March 2023, submitted the comments on the Consultation Report on Maximum Allowed Revenues of Electricity within PRR3.
- ERO handled all the comments from the stakeholders and the USS and published them on the Final Report for USS MAR, which was published on the official website of ERO.
- ERO Board, following the completion of the public consultation process, on 23 March 2023, through the Decision V\_1707\_2023 approved the Maximum Allowed Revenues to be recovered from the Universal Service Supplier (USS), which will be collected by USS through retail tariffs of electricity for regulated customers.
- The Maximum Allowed Revenues of the Universal Service Supplier to be recovered from the retail tariffs of electricity for the relevant tariff period of the 2023 will be in the amount of € 398,442,759.
- USS, according to this decision, is instructed to prepare and submit to ERO the proposal for approval of regulated retail tariffs of electricity for the customers entitled to the Universal Service of Supply.

- ERO, on 27 March 2023, received from USS the proposal for retail tariffs of electricity for customers entitled to the Universal Service of Supply.
  - The proposal of USS for tariffs of the customers entitled to the Universal Service of Supply is based on the Decision of ERO on USS Maximum Allowed Revenues V\_1707\_2023, dated on 23 March 2023.
  - ERO Board, following the evaluation and analysis of the proposal for tariffs of the Universal Service Supplier from USS, evaluated that the proposal of USS did not rightly reflect the reasonable level of service costs according to customer categories and would represent a cross-subsidy between tariff groups. Also, USS did not provide grounded arguments and analytical data in relation to its proposal.
  - Given that the tariffs proposed by the USS licensee did not follow the principles set in the Rule ZRRE/Nr.15/2017 on Determination of Revenues for Universal Service Supplier (Rule on USS Revenues), namely Chapter VII – Tariff Structure Methodology, ERO has re-calculated the retail tariffs in line with the Rule ZRRE/Nr.15/2017 on USS Revenues.
  - The retail tariffs for customers entitled to the Universal Service of Supply, set by ERO, reflect the overall costs of supply for customers entitled to the Universal Service of Supply, which includes the wholesale electricity costs, transmission and distribution network costs and USS direct costs.
  - The retail tariffs for customers entitled to the Universal Service of Supply, determined by ERO, are categorized according to tariff groups, in line with the legal provisions of the Rule on USS Revenues, namely Article 20 of the Tariff Structure Methodology, which determines that each tariff group shall carry the incurred costs.
  - The retail tariffs for customers entitled to the Universal Service of Supply encourage the efficient use of energy and improve the rebalancing of tariffs between customer groups.
  - ERO, in the final proposal for USS Maximum Allowed Revenues included also the value of the subsidy of 19.5mil€, whose impact was reflected in the retail electricity tariffs.
  - ERO Board, following the evaluation and analysis of the USS proposal for retail tariffs, evaluation of relevant reports and following the review of comments received by parties as well as based on the legal provisions mentioned in the introductory section of this decision, decided as in the enacting clause to this decision.
- IV.** Upon entry into force of this decision, the Decision V\_1489\_2022, dated on 08 February 2022 is repealed.
- V.** The decision is issued and published in official languages of the Republic of Kosovo.
- VI.** The decision enters into force on the date of approval by ERO Board and the same will be published on the 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.

**ERO Board:**

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Ymer Fejzullahu, Chairman

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Lutfije Dervishi, member

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Gani Buçaj, member

**This decision is sent to:**

- Universal Service Supplier (KESCO JSC),
- KEDS,
- KOSTT, and
- ERO Archive