



Pristina, 05 May 2026
ERO Code: V_3212_2026

The Board of the Energy Regulatory Office,

Based on Article 9, paragraph 1, subparagraph 1.7; Article 15, paragraph 1, subparagraph 1.5; Article 25, Article 26 paragraph 1, subparagraph 1.2; Article 46, paragraph 1, subparagraph 1.1; Article 47 paragraph 3, subparagraph 3.3 and Article 48 of the Law on the Energy Regulator (Law No. 05/L-084); Provisions of Article 27 of the Law on Electricity (Law No. 05/L-085); Provisions of Rule No. 05/2017 on Determination of Maximum Allowed Revenues of the Distribution System Operator (Rule on DSO Revenues); Notice No. 1118/25 of ERO dated 12.12.2025, on Annual Adjustments of Revenues and Tariffs for TSO/MO, DSO and USS, and the Distribution System Operator Application – DSO (KEDS JSC), for the Maximum Allowed Revenues for the year 2026, submitted to ERO No. 023/25 dated 24 January 2026,

in the session held on 5 May 2026, issued the following:

DECISION

- I. APPROVAL of MAXIMUM ALLOWED REVENUES (hereinafter: MAR)** to be collected by the Distribution System Operator (DSO) KEDS JSC, for the relevant tariff year 2026.
- II.** The Maximum Allowed Revenues to be collected by the DSO for the relevant tariff year 2026 are in the amount of €185,960,935.
- III. The** Distribution System Operator (DSO) is OBLIGED, in accordance with the Tariff Methodology Distribution Use of System and the DSO Connection Charging Methodology to prepare and submit for approval to ERO the tariffs for the distribution use of system, according to this Decision.
- IV.** This decision will be implemented by the Distribution System Operator (DOSH/KEDS) starting from 1 May 2026.

reasoning

- The Energy Regulatory Office (hereinafter: ERO) on 12 December 2025 initiated the process: Annual Adjustments of Revenues and Tariffs for Regulated Operators including the Distribution System Operator (DSO).
- ERO, according to the initiating document and public notice, has assessed that this process of Annual Adjustments of Revenues and Tariffs for the relevant tariff year 2026, aims to ensure that the Maximum Allowed Revenues (MAR) for regulated licensees are in line with and consistent with real costs and forecasts for the tariff period.
- ERO has announced that in accordance with the respective Rule on Revenues for the Licensees, the forecasts must be updated to take into account the differences between the forecast values and those realized. Therefore, the adjustments are passed through to the following year, or the differences of year t-1 are passed through to year “t” within the framework of the relevant tariff process. It has also emphasized that after collecting the relevant data from licensees, it will analyze



and evaluate the applications of licensees to determine the real costs that are reflected in the relevant tariffs.

- ERO has emphasized that, in accordance with the Law on Electricity and the Law on the Energy Regulator, it has a mandate to determine the Maximum Allowed Revenues and tariffs for the Transmission System and Market Operator, the Distribution System Operator and the Universal Service Supplier, ensuring that tariffs reflect real and reasonable costs of the service.
- ERO, through a notice, also emphasized that it will publish the applications as soon as they are assessed as complete and assures stakeholders that the final decisions will take into account the relevant data and their comments.
- During the process of reviewing the application for Maximum Allowed Revenues, within the framework of the application review process and further clarifications, ERO, through continuous correspondence, has requested from DSO JSC. to provide information, update data, arguments and justifying documentation regarding all identified issues in order to have transparency for making a fair and cost-reflective tariff decision.
- ERO, on 26 January 2026, has received the application from the Distribution System Operator (DSO), for annual adjustments of the Maximum Allowed Revenues for the relevant tariff year 2026, presenting the data realized for 2025 and the requests for 2026.
- The DSO (KEDS JSC.) in its application for Maximum Allowed Revenues for the relevant tariff year 2026, has presented justifications regarding operational and capital changes, including operational and maintenance costs, costs related to the opening of the electricity market, operational costs in the four northern municipalities of the Republic of Kosovo, costs of distribution losses, depreciation costs and return on investments, as well as revenue correction factors.
- ERO, during the initial assessment and review of the DSO's application, has developed a detailed process of verification and validation of the data submitted by the DSO, including additional clarifications, adjustments and necessary corrections, in order to ensure that the data used in the tariff calculations are complete, accurate and consolidated. As part of this process, ERO has analyzed the DSO's technical, economic and financial indicators, as well as the updated Electricity Balance, reflecting the latest developments in the electricity sector.
- ERO on 10 April 2026 published the Consultation Report on Annual Adjustments of Maximum Allowed Revenues for DSO for the relevant tariff year 2026, with the aim of ensuring procedural transparency and stakeholder involvement in the decision-making process. Through this report, ERO presented initial assessments regarding the components of the MAR, and invited stakeholders to submit their comments and reasoned objections.
- ERO, through the Consultation Report, has clarified that regular adjustments are key regulatory mechanisms that enable the updating of revenues to reflect differences between the forecast and actual values of costs that are beyond the control of regulated operators, including inflation, energy purchase costs, distributed energy volumes and other relevant factors.
- ERO, through the Consultation Report, has emphasized that, within the framework of the regular adjustments process, only cost components that change from year to year are reviewed, while the basic regulatory parameters determined within the framework of the Periodic Tariff Review 2023–2027 remain in force throughout the regulatory period, including the parameters of the Regulatory Asset Base (RAB), the allowed rate of return and efficiency objectives.



- ERO, through the DSO Consultation Report, has addressed the update of indexed cost allowances for the relevant tariff year 2026, including operational and maintenance costs (OPEX), depreciation costs and allowed return on capital. ERO has assessed that these costs should be updated in accordance with the DSO Maximum Allowed Revenue Rule and the regulatory parameters set in the framework of the Periodic Tariff Review 2023–2027.
- ERO has clarified that the operating and capital costs allowed for the DSO are indexed to the Harmonized Index of Customer Prices (HICP) rate, published by Eurostat for Eurozone countries, while the inflation rate of 2.13% is reflected in the relevant components of the allowed costs for 2026 in order to maintain the financial stability of the regulated operator and reflect real costs in the relevant tariffs.
- During the review of the DSO's application, ERO has analyzed the proposals submitted by the DSO regarding operating and maintenance costs, additional operating costs, capital investments and their impact on depreciation and the allowed return on capital. After analyzing the supporting documentation and data submitted by the DSO, ERO has assessed that only reasonable, justified and verified costs should be reflected in the Maximum Allowed Revenues for the relevant tariff year 2026.
- ERO, through the Consultation Report, has analyzed the proposals submitted by the DSO regarding operating and maintenance costs, including requests for an increase in OPEX, additional operating costs related to the opening of the electricity market, operating costs in the four northern municipalities of the Republic of Kosovo, as well as personnel costs and other operating costs submitted by the DSO as part of the application for the relevant tariff year 2026. In this regard, the DSO has requested the recognition of additional operating costs in the amount of €7 million, reasoning that these costs are related to the operational needs created by the market liberalization process, operation in the northern municipalities and additional needs for maintenance and management of the distribution network.
- ERO, after analyzing the supporting documentation, the justifications presented by the DSO and the assessment of the impact of these costs on the operation of the distribution system, has assessed that only reasonable, justified and verified costs should be reflected in the Maximum Allowed Revenues for the relevant tariff year 2026. ERO has proposed that the operating and maintenance costs for the DSO be approved at the level of €32.752 million, while depreciation costs and the allowed return on capital be reflected in accordance with the parameters set within the regulatory period 2023–2027.
- ERO, through the Consultation Report, has addressed the adjustment of the forecast of allowed losses for the relevant tariff year 2026, by analyzing the volume of losses, the price of energy for covering losses and the forecast of the costs of losses in the distribution system. ERO has taken into account the updated Electricity Balance, the level of allowed losses determined within the regulatory period 2023–2027 and the current developments in the electricity market.
- ERO has assessed that the level of losses allowed for the DSO for 2026 should reflect the regulatory objectives for the gradual reduction of losses in the distribution system. ERO has proposed that the losses allowed in distribution for 2026 be at the level of 842.46 GWh, representing 12.79% of the energy entering the distribution network, compared to 13.85% proposed by the DSO. ERO has also assessed that for the four northern municipalities of the Republic of Kosovo the level of losses should be set at 18.5%, taking into account the operational specifics and developments in that part of the distribution system.



- Regarding the price of electricity to cover losses, ERO has analyzed historical market data, regional energy stock exchange trends and projections for 2026, estimating that the average import price for 2026 should be set at €129.76/MWh. As a result of the review of energy prices and volumes in accordance with the updated Electricity Balance, ERO has proposed that the cost of purchasing energy to cover the DSO's losses for 2026 be approved at €80.752 million, compared to €107.410 million proposed by the DSO.
- ERO, through the Consultation Report, has also addressed the component of unregulated revenues, analyzing the revenues that the DSO generates from non-tariff activities and their impact on the determination of the Maximum Allowed Revenues for the relevant tariff year 2026. ERO has assessed that unregulated revenues should be deducted from the Maximum Allowed Revenues in accordance with the regulatory methodology in force, in order to avoid double recovery of costs through regulated tariffs.
- ERO, during the review of the DSO's application, has analyzed the reported data regarding revenues generated from new connections, other services to customers, penalties, compensations and other non-tariff activities of the DSO. After analyzing historical data, realizations for 2025 and projections for 2026, ERO has assessed that unregulated revenues should be reflected in accordance with real realizations and reasonable expectations for the relevant tariff period.
- ERO, through the Consultation Report, has also addressed the revenue correction factor (KREV) for the year 2025, analyzing the differences between allowed revenues and actual revenues realized by the DSO, as well as the impact of deviations on loss costs, operating costs and other relevant tariff components. DSO has proposed a correction factor in the amount of €41.857 million, while ERO, after analyzing the received costs and applying the principles of reasonableness and cost efficiency, has proposed a correction factor in the amount of €30.108 million.
- ERO has assessed that the main differences between the DSO proposal and ERO's assessment relate to the costs of purchasing energy to cover losses, operating costs and the revenue correction factor, considering that only real, reasonable and justified costs should be reflected in the regulated tariffs. ERO has concluded that the "Other adjustments" component in the amount of €0.38 million, proposed by the DSO as part of operating costs, should not be taken into account for tariff purposes, as it has not been assessed as a reasonable and justified cost.
- ERO, after analyzing the DSO's application, the supporting documentation, the updated Electricity Balance and all relevant tariff components addressed in the Consultation Report, has proposed that the Maximum Allowed Revenues for the DSO for the relevant tariff year 2026 be approved in the amount of €184,746 million, compared to €235,384 million proposed by the DSO. ERO has assessed that this level of revenues ensures the coverage of reasonable and necessary costs for the operation of the distribution system, while protecting the interest of customers and reflecting the principles of economic regulation and cost-reflective tariffs.
- ERO, during the public consultation process for the Consultation Report on the Annual Adjustments of Maximum Allowed Revenues for DSO for the relevant tariff year 2026, has received comments and recommendations from the Civil Society Organization INDEP, as well as from the licensees KEDS, KESCO, KOSTT, KEK and Elektroseven. The comments submitted have addressed issues related to operating and maintenance costs, personnel costs, electricity market electricity market opening costs, operating costs in the northern municipalities of the Republic of Kosovo, the level of allowed losses, the price of energy for loss coverage, revenue correction factors and other relevant tariff components of the DSO. ERO has reviewed all comments and



evidence submitted during the consultation process and has assessed each claim in accordance with the provisions of sectoral legislation, tariff methodologies and principles of economic regulation.

- ERO, after reviewing the comments received and analyzing the updated data submitted by the DSO and other stakeholders, has prepared the Final Report on the Annual Adjustments of the Maximum Allowed Revenues for the DSO for the tariff year 2026. This report reflects the necessary adjustments based on the actual realizations for the first months of 2026, the adjustments of the Electricity Balance and the final assessments of ERO regarding the relevant components of the MAR for the DSO. ERO has emphasized that the Final Report has been prepared in order to guarantee a transparent, objective and cost-reflective process of determining the Maximum Allowed Revenues for regulated operators.
- In the Final Report for the DSO, ERO assessed that the differences between the Consultation Report and the final evaluations are mainly related to the update of the energy purchase costs to cover losses, based on the actual costs incurred for the month of March 2026 and the update of the forecast import prices for the remainder of 2026. ERO has replaced the initial forecast costs for the month of March 2026 with the actual costs incurred and has increased the forecast import price for the remaining months of 2026 by €2.65/MWh.
- ERO in the Final Report regarding operating and maintenance costs (OPEX) has reviewed the comments and justifications submitted by the DSO regarding personnel costs, additional operating costs related to the opening of the electricity market and operating costs in the northern municipalities of the Republic of Kosovo. After analyzing the documentation and comments received, ERO has assessed that the level of operating and maintenance costs proposed in the Consultation Report should remain unchanged at the amount of €32.752 million, considering that only real, reasonable and justified costs should be reflected in the regulated tariffs.
- ERO has analyzed the comments of the DSO and other stakeholders regarding the volume of losses, the price of electricity and developments in the regional energy market. In this regard, ERO has concluded that the update of real costs for March 2026 and the increase in the estimated import price for the remainder of 2026 have contributed to the increase in the allowed cost for distribution losses from €80.752 million in the Consultation Report to €81.602 million in the Final Report.
- ERO has reviewed the DSO's financial realizations for 2025 and the comments submitted during the consultation process, assessing the impact of deviations between allowed revenues and actual realized revenues. As a result of the adjustments made to the relevant tariff components, ERO in the Final Report has proposed that the revenue correction factor for the DSO for 2026 be approved in the amount of €30.473 million, compared to €30.108 million proposed in the Consultation Report.
- ERO, while reviewing INDEP's comments regarding operating costs, the level of allowed losses and energy costs for loss coverage, has assessed that the methodology applied for determining allowed costs is based on the latest available real data, the updated Electricity Balance and current electricity market developments. ERO has also emphasized that the approach used aims to avoid overestimation of costs and protect customers from the transfer of unnecessary costs in regulated tariffs.
- ERO, after reviewing the DSO's application, the Consultation Report, the comments of stakeholders and the assessments included in the Final Report for the DSO, has assessed that the



Maximum Allowed Revenues for the DSO for the relevant tariff year 2026 should be approved in the amount of €185,960,935 , considering that this amount ensures the coverage of reasonable and necessary costs for the safe, stable and efficient operation of the distribution system, in accordance with the sectoral legislation and regulatory methodologies in force.

- Therefore, the Maximum Allowed Revenues to be collected by the DSO for 2026 will be in the amount of €185,960,935, as set out in the enacting clause of this Decision.
 - It is worth noting that the Maximum Allowed Revenues for the DSO will be subject to the process of Regular Annual Adjustments, according to Rule No. 05/2017 on DSO Revenues, issued by ERO.
 - The DSO is expected to collect the Maximum Allowed Revenues through the Distribution Use of System Tariffs (DUOS Tariffs) applied to licensed suppliers.
 - The ERO Board, after evaluating and analyzing the relevant reports and after reviewing the comments received from the parties, and based on the legal provisions mentioned in the introduction to this decision, has decided as in the enacting clause of this decision.
- V.** The decision is issued and published in the official languages of the Republic of Kosovo.
- VI.** The decision enters into force on the date of approval by the ERO Board, and the same will be published on the official website of ERO.

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

ERO Board:

Ymer Fejzullahu, Chairman

Lutfije Dervishi, member

Gani Buçaj, member

Arta Isufi, member

Adnan Preniqi, member

The decision is sent to:

- KEDS,
- KESCO,
- KOSTT and
- ERO Archive.