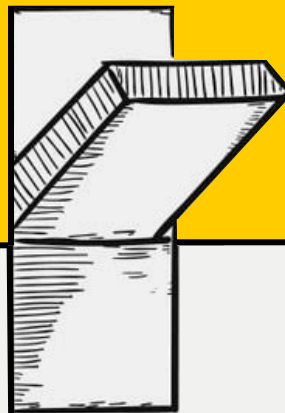


TRANSPARENCY IN DETERMINING ELECTRICITY TARIFFS FOR THE 2021-2024 PERIOD

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Title: TRANSPARENCY IN DETERMINING ELECTRICITY TARIFFS FOR THE 2021-2024 PERIOD

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INTRODUCTION

The purpose of this paper is to analyze the degree of transparency in the process of setting electricity tariffs in Kosovo for the period 2021-2024. During this period, tariff setting has faced significant challenges, due to the global energy crisis and changes in Kosovo's energy sector. This paper aims to investigate how tariffs are determined by responsible authorities, such as ERO, with a particular focus on public consultation processes, access to information and reporting mechanisms. Through this evaluation, it is intended to understand whether these processes have been open and fair, as well as whether consumers have had the opportunity to participate and be properly informed.

Transparency is one of the basic principles to ensure fairness and accountability in the process of setting electricity tariffs. A transparent process contributes to building trust between consumers and authorities such as ERO, which take decisions on tariffs, as well as between consumers and energy supply companies, in this case KESCO, which acts as a Universal Service Provider (USP). When tariff decisions are based on an open process, where information is accessible and stakeholder consultation is effective, consumers feel more confident that tariffs are set fairly and based on clear economic and operational data. On the contrary, the lack of transparency can cause uncertainty, doubts and public dissatisfaction, especially when tariffs increase due to external factors or energy crises, as happened in Kosovo during the period 2021-2024.

The energy sector in Kosovo has faced significant challenges in recent years. Kosovo's outdated thermal power plants, which cover about 80% of local consumption, have constantly encountered technical and environmental problems. At the same time, the demand for energy has been increasing, making the country increasingly dependent on electricity imports, especially during periods when domestic capacities have been insufficient to meet needs, especially during winter. The global energy crisis in 2022, caused by disturbances in the international gas and oil market, has further worsened the situation, leading to increased energy prices in international markets.

In this context, setting tariffs for electricity in Kosovo during the period 2021-2024 has taken on a special importance. Since the tariff is a key factor for the well-being of the family economy and for the competitiveness of the private sector, it is essential that the process of setting them is clear, open and transparent. Tariff increases, caused by high import costs, investments to improve energy infrastructure and the integration of renewable sources, have had a direct impact on consumers, prompting public debate on how this process has been managed by ERO and relevant institutions. . This is particularly important when it comes to determining block tariffs for households, which have had a major impact on household budgets and the perception of fairness in the tariff process.

LEGAL FRAMEWORK FOR SETTING TARIFFS

The Energy Regulatory Office (ERO) plays a key role in determining and regulating electricity tariffs in Kosovo. As an independent institution, ERO is tasked with overseeing and ensuring that the tariff setting process is fair, transparent and based on the real costs of electricity supply. Through this process, ERO guarantees that tariffs not only reflect economic realities and investment needs in the energy sector, but also take into account the interests of all parties involved, including consumers and energy suppliers. This approach ensures that tariffs are balanced and affordable, enabling a sustainable development of the energy sector in Kosovo.

The role of ERO in setting tariffs includes [1]:

- Cost analysis of energy distribution and supply operators;
- Review and approval of tariff proposals from licensed operators;
- Public consultations with interested parties for any tariff changes;
- Approval of tariffs for consumers, including household and commercial consumers;
- Energy market monitoring and supervision of the implementation of approved tariffs;

This approach ensures a transparent and participatory process, allowing the public and various stakeholders to access tariff information through ERO reports and regular public consultations. According to the legislation in force, ERO updates tariffs at regular and exceptional intervals, to reflect changes in the energy market and operational costs of energy enterprises.

ERO for setting tariffs is based on the provisions of the Law on the Energy Regulator (Law No. 05/L-084), especially articles 9, 15, 25, 26, 46, 47 and 48, as well as on the Law on Electricity (Law No. 05/L-085). Also, ERO uses the secondary legislation for determining the revenues of the Universal Service Provider (USS) and the methodology for the tariff structure approved by the ERO Board.

According to Article 9 of the Law on the Energy Regulator, the Board of the Regulator is responsible for approving regulatory and operational policies, supervising the implementation of the budget and the general functioning of the institution. One of the main tasks of the Board is the preparation of regulations that define the way of organization and employment procedures, as well as the approval of the Code of Ethics and bylaws that ensure an efficient and fair management of the Regulator's activities. According to Article 15, the Regulator has an important role in guaranteeing the fair and effective functioning of the energy market in Kosovo. It has the task of approving the methodologies for calculating the connection conditions in the national networks and determining the tariffs for transmission and distribution of electricity. These tariffs should be reasonable and support investments in infrastructure, ensuring a sustainable and developed energy system.

it also provides balancing services to maintain the stability of the energy grid and monitors the security of supply of electricity, thermal energy and natural gas.

Article 47 of the Law stipulates that ERO has the duty to design and approve the methodologies for determining the regulated tariffs for electricity supply. This process includes public consultations, in order to ensure transparency and active involvement of interested parties. Tariff methodologies must reflect the real costs of providing services, based on the principles of reasonableness, non-discrimination and transparency. Methodologies must be fair and based on reasonable costs, including a reasonable return for the investments made. They should also promote improved service quality and operational efficiency, allowing fees to be set based on performance. In their determination, aspects of environmental protection must be taken into account, to guarantee that price mechanisms are treated equally for all consumers, ensuring a fair and sustainable access to energy.

Article 25 defines the procedures of the sessions of the Regulatory Board, ensuring transparency and public access to decision-making. The hearings are open to the public, unless the Board decides that the meetings will be closed for reasons of confidentiality. Decisions are approved with a quorum of at least two-thirds of the members and are recorded in the minutes. ERO's role in setting tariffs is key to a fair and functional energy market. Based on the relevant legislation and clear procedures, ERO ensures that the tariffs are reasonable and support the sustainable development of the sector, protecting the interests of consumers and guaranteeing stable energy supply.

[1] <https://www.ero-ks.org/ERO/index.php/sq/legjislacioni/ligjet> <https://www.ero-ks.org/ERO/sq/legjislacioni/udhezimet>
https://corrwatch.org/wp-content/uploads/2023/03/ETR_raporti-tematik-INDEP-ALB-1.pdf

TARIFF DETERMINING PROCESS FOR THE PERIOD 2021-2024

ERO has conducted public consultations as part of the tariff determination process, in accordance with the law on the energy sector and transparency policies. During these consultations, the public and interested parties had the opportunity to provide their comments regarding the presented tariff proposals. Consultations have included publishing draft documents, holding hearings and gathering feedback from consumers, suppliers and licensed operators. Active public participation has helped increase the transparency and acceptability of tariff decisions. [2]

For the determination of tariffs, ERO has followed a cost-based methodology. This process took into account several factors, including:

- *Operating costs and maintenance of network and supply systems;*
- *Capital investments in energy infrastructure made by licensed operators such as KOSTT and the distribution system;*
- *Inflation and other macroeconomic influences affecting the energy market;*
- *Electricity import costs, which have had a major impact on consumer tariffs;*

- *ERO has also used a balanced approach that protects the interests of consumers and operators, ensuring a stable and reliable energy supply system. It is worth noting that electricity tariffs have undergone some significant changes, which are the result of various influencing factors. These include:*
- *The increase in the cost of importing electricity, due to fluctuations in international markets, as a result of the war in Ukraine and the need to cover demand that exceeds domestic production;*
- *The integration of renewable sources in the electricity system, where efforts have been made to stimulate the use of green energy. This has affected tariffs due to investment costs and support for these resources, especially with the entry into operation of wind farms, for which feed-in incentive tariffs have been applied;*
- *The impacts of the global energy crisis, which have brought unforeseen challenges and required tariff adjustments to ensure the stability of supply, as well as the protection of vulnerable consumers;*

[2] <https://www.ero-ks.org/ERO/sq/proceset-e-shqyrtimeve-tarifore> <https://www.ero-ks.org/ERO/sq/publikimet/raportet-vjetore>

Below is a table of public consultations, which includes the relevant documents of all interested parties and their comments regarding the transparency of the tariff process:

PUBLISHED DOCUMENTS	REVIEWS
<p><i>Year 2021:</i></p> <p><i>Final Report on Universal Service Provider Maximum Allowable Revenues, Responses to Comments</i></p> <p><i>Final Report on DSO Maximum Allowable Revenues, Responses to Comments</i></p> <p><i>Final Report on TSO/OT Maximum Allowable Revenues, Responses to Comments</i></p> <p><i>Comments - KOSTT</i></p> <p><i>Comments - KEDS</i></p> <p><i>Comments - KESCO</i></p> <p><i>Comments - Ministry of Economy</i></p> <p><i>Notice of the opening of the public consultation</i></p> <p><i>FSHU-Report_Consultative for MAR 2021</i></p> <p><i>KOSTT-Report_Consultative for MAR 2021</i></p> <p><i>OSSH-Report_Consultative for MAR 2021</i></p> <p><i>The KOSTT application</i></p> <p><i>KEDS application</i></p> <p><i>KESCO/FSHU application</i></p>	<p><i>In 2021, the tariff review process by the Energy Regulatory Office (ERO) was delayed due to the lack of a functional Board. The board was completed on August 2, 2021 with the election of two members and the chairman from the Parliament of the Republic of Kosovo. After that, ERO resumed the tariff review process, preparing the consultative report in March 2021, which was released for public consultation on August 24, 2021. This report included ERO's initial assessments regarding licensee applications for revenue requirements for tariff year 2021, based on 2020 data and forecasts for 2021.</i></p> <p><i>ERO acted in accordance with the provisions of the Law on the Energy Regulator (Law No. 05/L-084), following the specific instructions of articles 9, 15, 25, 26, 46, 47 and 48, as well as the Law on Electricity (Law No. 05/L-085). In addition to these, ERO supported the tariff setting process in the secondary legislation for determining the revenues of the Universal Service Provider (USS), and in the methodology for the tariff structure approved by the ERO Board.</i></p> <p><i>On October 7, 2021, ERO approved the maximum allowed revenues for the Universal Service Provider (FSHU/KESCO SH.A.), and on October 14, it accepted KESCO's proposal for the tariff structure. This decision, taken in accordance with the FSHU Revenue Rule and methodology for the tariff structure, reflected the overall costs of electricity supply to consumers supplied under the Universal Service Supply, including wholesale energy costs , transmission and distribution networks, as well as direct expenses of FSHU.</i></p>

The final decision on retail tariffs for consumers was taken on 27 October 2021, after a full review of the documentation and consultation reports, which included comments from interested parties and the relevant analysis carried out by ZRRW. The review process also included a detailed assessment of licensees' operating costs and revenues, taking into account market conditions and investment needs in the energy sector. Compared to 2020, there were no tariff changes in 2021, which means that all prices in all tariff elements remained the same as in 2020. This decision was based on ERO's analysis, which estimated that supply and distribution costs did not justify any price change for 2021.

CONCLUSION

The transparency of the tariff review process often depends on broad stakeholder involvement. In this case, it appears that only licensed operators and the Ministry of Economy have provided written comments, while other parties, such as consumers, have not contributed. This raises concerns about the full inclusion and representation of diverse interests. Creating a clear record of comments received and responses to them is essential to guarantee transparency. In this case, ERO has published its responses to the parties' comments, showing a high level of transparency. The public consultation was opened within the stipulated time, which is a positive indicator of transparency. However, considering the impact of the tariffs on consumers, it is important that a wider announcement is made through the media. This would help increase consumer awareness and interest in this process, even if there are no tariff changes. Better communication would encourage the active participation of consumers and ensure that their voice is heard in this important process.

The distribution of information about the tariff process and access to relevant documents by the public are important elements for increasing transparency. Tariff application documents have been easily accessible to the public, which has positively influenced confidence in this process. Regulatory delays are extremely problematic for the energy sector, as was the case in 2021, when the tariff review process by ERO faced major challenges due to the lack of a functional Board. This situation has delayed the approval of energy tariffs, which should have been approved at the latest at the end of March, to enter into force on April 1, 2021. However, after completing the Board on August 2, 2021 with the election of two members and chairmen from the Parliament of the Republic of Kosovo, the tariffs were finally approved only at the end of October. These delays have had an impact on the energy sector, creating uncertainty for operators and consumers.

The lack of new tariffs within the established deadlines creates financial uncertainty for regulated companies, which depend on the approval of tariffs to plan future budgets and investments. Without these timely approvals, companies face difficulties in managing the resources and securing the finances needed to maintain and upgrade the infrastructure. Delays in approving tariffs also negatively affect consumer confidence in regulatory institutions and energy companies. Thus, the delay in approving tariffs poses a number of challenges for energy companies, consumers and the overall stability of the sector. In order to avoid such situations in the future, it is imperative that the responsible institutions ensure that ERO does not remain without a quorum of the Board, thus guaranteeing the continuity and efficiency of the regulatory process. This measure would help prevent similar delays and strengthen the confidence of stakeholders in the energy system.

EXTRAORDINARY TARIFF REVIEW (2021-2022)	REVIEWS
<p><i>Final Report on Fee Structure - Response to Comments</i></p> <p><i>Final Report for MAR- Response to Comments</i></p> <p><i>Stakeholder comments to ERO Consultative Reports</i></p> <p><i>Comments of the Secretariat of the Energy Community_Albania Comments of the Secretariat of the Energy Community_English</i></p> <p><i>Customer Reviews Exceptional tariff review</i></p> <p><i>Comments_Office of the President of the Republic of Kosovo</i></p> <p><i>INDEP_Comments on the ERO Proposal for new energy tariffs</i></p> <p><i>BGF - Comments and recommendations for the Extraordinary Tariff Review (2021-2022)</i></p> <p><i>Comments of the Association of Millers of Kosovo</i></p> <p><i>GP LVV's comments on the extraordinary tariff review</i></p> <p><i>LDK's comments on ERO's consultative report</i></p> <p><i>AAK's comments on the ERO Consultative report</i></p>	<p><i>During an extraordinary tariff process, on February 8, 2022, ERO approved new electricity tariffs for consumers benefiting from universal service supply, bringing back block tariffs, which were abolished in 2017. This decision came as a response to the crisis global energy and the significant increase in prices in international markets. Tariff restructuring became necessary to distribute costs more fairly among consumers and to encourage responsible use of electricity, creating a better balance between supply and demand in crisis conditions.</i></p> <p><i>Block tariffs were brought back with the aim of reducing high energy consumption and to protect consumers who use less energy. Meanwhile, the government approved a subsidy of 90 million euros to cover the high costs of purchasing energy and reduce the financial impact on consumers, especially those consuming up to 800 kWh, so that these consumers do not face price increases tariff sensitive. According to the new structure, for household consumers with consumption up to 800 kWh, tariffs will remain subsidized and there will be no price increase compared to 2021.</i></p> <p><i>While for consumption over 800 kWh, the rates are defined as follows:</i></p> <p><i>0.1252 €/kWh for the energy consumed during the high tariff;</i> <i>0.059 €/kWh for the energy consumed during the low rate.</i></p> <p><i>The return of block tariffs aims to balance consumption and ensure that the increased costs of energy supply do not unduly burden consumers, especially during the energy crisis. After the removal of block tariffs in 2017, a large increase in consumption was recorded, which heavily burdened the grid, making it difficult to secure electricity supply.</i></p>

<p align="center">EXTRAORDINARY TARIFF REVIEW (2021-2022)</p>	<p align="center">CONCLUSIONS</p>
<p><i>Comments from the Ministry of Economy</i></p> <p><i>Comments from the Ministry of Finance, Labor and Transfers</i></p> <p><i>KOSTT_ Comments to the Consultative Report on the Extraordinary Review of the Maximum Allowed Electricity Revenues for Regulated Operators</i></p> <p><i>FSHU's comments on the ERO Consultative Report</i></p> <p><i>DSO's comments to the ERO Consultative Report</i></p> <p><i>Comments on the Consultative Report_FUENTE Dynamics Consultative reports of the ERO</i></p> <p><i>Consultative report for extraordinary review of MAR</i></p> <p><i>Consultative report on the tariff structure</i></p> <p><i>Initiating Letter of the Extraordinary Review Process of the Maximum Allowed Revenues for Regulated Operators</i></p> <p><i>KOSTT's application for the Extraordinary Review of the Maximum Allowed Income</i></p> <p><i>Application for Extraordinary Review of Maximum Allowed Incomes for DSO</i></p> <p><i>Application for Extraordinary Review of the Maximum Allowed Income for FSHU</i></p>	<p><i>The extraordinary tariff process of 2022, which brought about the change of the tariff structure due to the global electricity cost crisis, attracted a lot of attention from various stakeholders. The participation of ministries, political parties, the Office of the Presidency, consumers, civil society and the Municipality of Obiliq in the ERO consultative report indicates a high level of involvement and transparency in this process. This broad involvement was essential to have a balanced decision-making and to address the concerns of all parties affected by the tariff changes. The global energy crisis required immediate action, and tariff restructuring was a necessary response to fairly distribute costs among consumers. The involvement of consumers and institutions in the consultative process helped increase public trust and create a platform for open and constructive dialogue.</i></p> <p><i>It is worth noting that ERO has responded to the comments and suggestions of interested parties and has made them public. This approach to communication and publication of responses is an important step to increase transparency and accountability in the tariff process. The broad involvement of various institutions and groups indicates a serious effort to include multiple voices in decision-making and to develop an open debate based on the public interest.</i></p> <p><i>In terms of transparency, this process can be evaluated positively, as it has created a platform that has enabled all interested parties to give their opinions and be part of the process. Particularly useful has been the involvement of consumers in providing feedback, an approach that has been lacking in the past.</i></p>

EXTRAORDINARY TARIFF REVIEW 2023	REVIEWS
<p><i>Final Report on Maximum Allowable Income for FSHU_Responses to Comments</i></p> <p><i>Universal Service Provider Maximum Allowable Revenue (HLM) Consultative Report,</i></p> <p><i>Application for Extraordinary Review of Universal Service Provider Maximum Allowable Revenues (FSHU)-2023</i></p> <p><i>Notice of Extraordinary Review of Maximum Allowable Revenues for Regulated Operators</i></p> <p><i>Request for Extraordinary Review of Universal Service Provider Maximum Allowable Revenues (USSP)</i></p> <p><i>Request for the Extraordinary Review of the Maximum Allowed Revenues of the Distribution System Operator (DSO)</i></p>	<p><i>On December 5, 2022, the Universal Service Provider (USP) submitted a request for extraordinary review to the ERO. This request was followed by the opening of the tariff review on January 11, 2023, where the ERO analyzed the data of the regulated operators and concluded that the conditions for such a review had been met. This decision was mainly based on the lack of realized revenues and the increase in wholesale energy costs, exceeding the materiality threshold provided for in the revenue rules.</i></p> <p><i>The extraordinary review process was conducted in accordance with the regular annual adjustment procedures. ERO took into account the ongoing impacts of extraordinary events and, on January 23, 2023, accepted FSHU's application for maximum permitted revenues for 2023. Then, on February 16, 2023, ERO published the consultative report on the annual adjustment of these revenues.</i></p> <p><i>During the public consultation period, ERO received comments from several interested parties, including the Kosovo Energy Corporation, the Independent Elektrokosova Trade Union, KESCO, the Government and the Office of the President of Kosovo. After reviewing the comments and analyzing the submitted proposals, on March 23, 2023, the ERO through decision V_1707_2023 approved the maximum allowed revenues of the FSHU for the tariff period of 2023, which amounted to 398,442,759 euros. These revenues would be collected through retail electricity tariffs for regulated consumers.</i></p> <p><i>FSHU submitted the proposal for retail tariffs on March 27, 2023, based on ERO's decision on allowed revenues. After analyzing this proposal, ERO concluded that it did not accurately reflect service costs and could create cross-subsidization between tariff groups. Also, FSHU did not provide sufficient arguments and analytical data to justify its proposal.</i></p>

	<p>For this reason, ERO re-calculated the tariffs in accordance with the established rules and approved the new retail tariffs, which fully covered the supply costs, including wholesale electricity costs, transmission and distribution network costs, as and direct costs of FSHU. These tariffs were divided according to tariff groups, in accordance with the legal provisions, ensuring that each tariff group covered its own costs. Compared to the 2020, 2021 and 2022 tariffs, the 2023 tariffs approved on March 30 showed a uniform increase of 15% for all tariff elements, representing a significant increase.</p>
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CONCLUSION

The comments submitted by the interested parties and the responses of ERO have been published on the institution's official website, ensuring transparency in the tariff process. Although the changes from the initial assessment have not been significant, ERO has taken into consideration all the comments submitted, reflecting its commitment to include all stakeholders in this important process. In the final assessment, ERO has confirmed that the initial assessment was mostly accurate and based on real and predicted data, while the comments of interested parties were carefully analyzed. The proposed changes did not bring major modifications to the allowed revenues, but this consultative process has contributed to maintaining an open communication between ERO and the parties involved.

On April 2, 2024, ERO decided on electricity tariffs that will cover the one-year period from April 1, 2024 to March 31, 2025. These tariffs are the result of a long process of analysis and consultation, in order to protect the interests of consumers and ensure the financial stability of the energy sector. The decision reflects the balancing of the real costs of energy supply and the need for sustainable investment in energy infrastructure. This decision also aims to avoid cross-subsidization between different tariff groups, ensuring fairness in bearing costs for all consumers.

EXTRAORDINARY TARIFF REVIEW 2024	REVIEWS
<p><i>Final Report on Maximum Allowable Revenues for OST_OT_Responses to Comments</i></p> <p><i>Final Report on Maximum Allowed Revenues for DSO_Responses to Comments</i></p> <p><i>Final Report on Maximum Allowable Income for FSHU_Responses to Comments</i></p> <p><i>Comments of KEK Sh.A - Consultative reports</i></p> <p><i>Comments of KOSTT Sh.A - Consultative Report for HLM</i></p> <p><i>Comments of KEDS Sh.A - Consultative Report for HLM</i></p> <p><i>FSHU Comments - Consultative Report for HLM</i></p> <p><i>INDEP Comments - Consultative Reports for HLM</i></p> <p><i>Consultative Report on the Maximum Allowable Revenue (HLM) of the Transmission System Operator and Market (KOSTT) for 2024</i></p> <p><i>Consultative Report on the Maximum Allowed Revenue (HLM) of the Distribution System Operator (DSO) for the year 2024</i></p> <p><i>Universal Service Provider Maximum Allowable Revenue (HLM) Consultative Report for 2024</i></p> <p><i>Application for Maximum Permitted Revenues for Universal Service Provider (FSHU)-2024</i></p>	<p><i>On December 12, 2023, ERO has initiated the process of Annual Revenue and Tariff Updates for Regulated Operators, including the Universal Service Provider (USP). This process aims to determine the maximum allowed revenues for the tariff year 2024, which covers the period from April 1, 2024 to March 31, 2025. On January 22, 2024, ERO accepted the application of the FSHU for determining the Revenues of Maximum Permitted for 2024. After accepting the application, on February 6, 2024, ERO published the Consultative Report on the annual adjustments of these revenues, opening a public consultation period for interested parties. During this period, interested parties had the opportunity to submit their comments and suggestions within a two-week period, actively participating in the tariff adjustment process for 2024. This consultation period ensures transparency and inclusion in the decision-making process.</i></p> <p><i>On February 21, 2024, ERO accepted comments from FSHU and stakeholders regarding the initial estimate of Maximum Allowable Revenues. In the final report, ERO took these comments into account and updated the data based on the new information provided. On March 22, 2024, with decision V_1924_2024, ERO approved the Maximum Allowed Revenues for FSHU for the tariff year 2024. After this decision, on March 28, 2024, ERO accepted the proposal for retail tariffs from FSHU, which were calculated according to the methodology for the tariff structure, based on the ERO Rule/No. 15/2017.</i></p> <p><i>These tariffs reflect the real costs of supplying electricity to Universal Service consumers, including wholesale energy costs, transmission and distribution network costs, and direct costs of FSHU. During the public consultation period, ERO received comments from several important parties, including the Kosovo Energy Corporation, the Institute for Development Policy and FSHU (KESCO), which contributed to the finalization of the tariff process.</i></p>

<p><i>Application for the Maximum Allowed Revenues for the Distribution System Operator (DSO)-2024</i></p> <p><i>Application for Maximum Allowed Revenues for System, Transmission and Market Operators (OSTT)-2024</i></p> <p><i>Initiating document - Annual updates of revenues and fees for OST-OT, OSSH and FSHU</i></p>	<p>The submitted comments and ERO responses have been published on the institution's official website. In the final assessment, the changes from the initial assessment were not significant, but ERO has taken into consideration all the comments of the interested parties, showing commitment to transparency and inclusion. On April 2, 2024, ERO decided on electricity tariffs covering the one-year period, from April 1, 2024 to March 31, 2025, ensuring that these tariffs reflect the real costs of supply and distribution.</p>
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CONCLUSION

An important element of the tariff process for 2024 was the public consultation period. Although some important actors, such as the Kosovo Energy Corporation (KEK) and the Institute for Development Policy (INDEP), gave their comments, it is worrying that neither the Government of Kosovo nor the Office of the Presidency contributed to this process with suggestions or comments. Also, the participation of consumers was insufficient, following the same trend as the previous year, where their voice was significantly absent.

In the final decision of the ERO dated April 2, 2024, it was determined that the tariffs for 2024 will be 3% lower for all tariff elements compared to those of 2023. For household consumers who consume more than 800 kWh per month, the rate reduction was even more significant, with a discount of 8%. Meanwhile, the differences between the initial assessment and the final ERO report were minor, but all comments submitted by interested parties were considered and reflected where possible.

The process showed a high level of transparency through the opening of public consultations and the publication of their results. However, the lack of participation of key institutions and consumers raises questions about the effectiveness of the public involvement process. It is clear that a greater effort is needed to raise awareness and encourage more stakeholders, especially consumers, to actively participate in decision-making processes on issues that have a direct impact on their daily lives.

CONCLUSIONS AND RECOMMENDATIONS

During the period 2021-2024, significant progress has been made in increasing transparency in the process of determining electricity tariffs in Kosovo. These improvements have had the effect of strengthening the confidence of consumers and stakeholders in this important process. Some of the key improvements include:

- Improved access to public documents: All regulations and supporting documents related to tariffs have been made accessible to the public. This has created a greater scope for informing consumers and has helped increase the credibility of the tariff process, giving the public a clearer picture of how tariffs are determined.
- Increase in the number of public consultations: Over the last few years there has been a significant increase in public consultations with interested parties before changes in energy tariffs. This process has enabled a more open and inclusive discussion for all groups involved, allowing different voices to be heard and considered.
- Transparency on financial and operational data: Data on operating costs, revenues and investments of energy companies have been clear and detailed to the public. This transparency is essential to ensure that consumers and other stakeholders have a full understanding of the factors that affect the price of electricity.

However, despite considerable progress, there is still room for improvement. Some key recommendations to further increase transparency and inclusion in the tariff process include:

More regular and detailed reporting by energy companies: To increase transparency, energy companies should provide more frequent and detailed reports on their financial performance and the investments they have made. These reports should focus particularly on those investments that have a direct impact on consumer tariffs, so that the public is better informed about the reasons for tariff changes.

- More inclusive consultations: Public consultations should involve a wider range of stakeholders, including more ordinary consumers and representatives of the most vulnerable groups. An example of the lack of sufficient information is the increase of the fixed fee from €1.74 in 2022 to €2 in 2023, an increase of 15%. For this change, ERO did not provide a clear explanation of the reasons for this increase, stressing the need for a more open process of consultation and informing the public.
- More regular and detailed reporting by energy companies: To increase transparency, energy companies should provide more frequent and detailed reports on their financial performance and the investments they have made. These reports should focus particularly on those investments that have a direct impact on consumer tariffs, so that the public is better informed about the reasons for tariff changes.

- Active involvement of consumers at every stage of the process: A fair and sustainable tariff system requires the active involvement of consumers at every stage of the tariff process. This would help reduce dissatisfaction and increase public trust in responsible institutions. When consumers are better informed about how tariffs are determined and the factors that influence them, they are more likely to accept tariff changes that are based on a fair and transparent process.
- Increased awareness of energy savings: When consumers understand the tariff structure and the impact their behaviors have on energy costs, they can become more aware of how they use energy. Greater involvement in the process can help them contribute to energy savings and reduce their costs.

By increasing consumer involvement and providing more clarity in reports and public consultations, the tariff process will become more transparent and fairer, bringing benefits to all parties involved. This will not only help increase trust in institutions, but will ensure that fees are understandable and acceptable to the public. The active involvement of consumers and the implementation of an open process will contribute to a more stable and balanced system, where everyone's interests are taken into consideration.

THEMATIC REPORT

TRANSPARENCY IN DETERMINING ELECTRICITY TARIFFS FOR THE 2021-2024 PERIOD

10/2024



British Embassy
Pristina



Group for Legal
and Political
Studies

INSTITUTI GAP
GAP INSTITUTE The logo for the GAP Institute, featuring the text 'INSTITUTI GAP' and 'GAP INSTITUTE' above a stylized 'gap' logo with orange dots.

