



## Workshop on Public Utility Regulation in Market Economies

# The role of regulation in addressing Energy Sector Issues and Challenges

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Prishtina, Kosovo



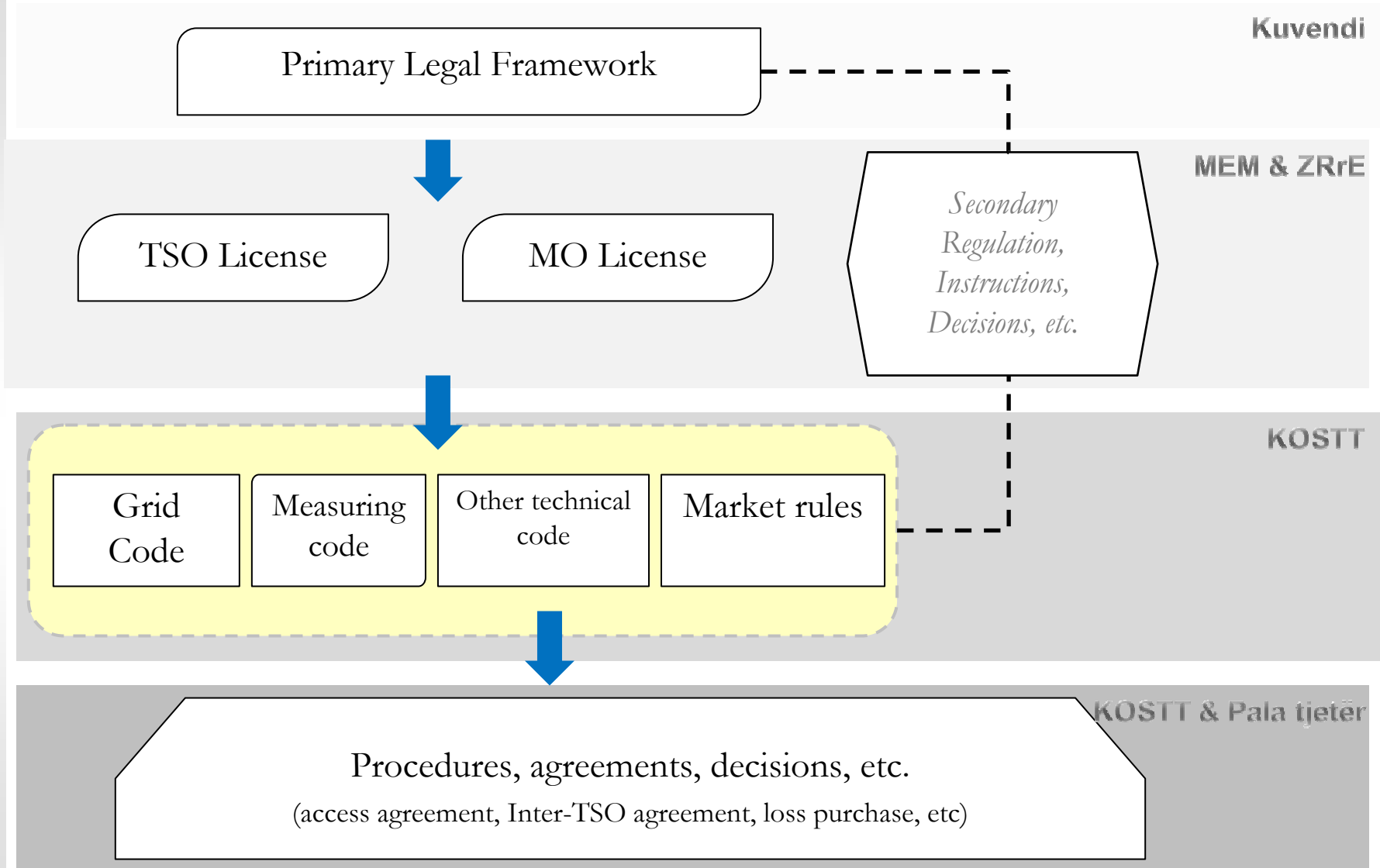
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  - Tariffs
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    - Investments in the transmission grid
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    - Ancillary services
    - CAPEX
  - Third Party Access (TPA)
  - Establishment of an open electricity market



# Regulative Framework





# Challenges

- Electricity tariffs
  - Decrease in technical losses/Investment in Transmission Grid
    - Positive reflection in tariffs
    - Qualitative improvement in electricity supply
  - Ancillary Services
  - Capex (Capital Expenses)
  
- Electricity Market and its implementation
  - Establishment of an open electricity market
    - Fulfillment of obligations from European Legislation on Electricity
    - Promotion of competition (increase of solvency in trade transactions)
    - Continuous supply of consumers with electricity
  
- Ensure a transparent Third Party Access
  - Implementation of Technical Codes in relation with TPA
  - Non-abuse of the monopolist position
  - Promotion of competition and benefits for consumers
  - Non-discriminatory, stimulatory and cost-reflective



## Reflection of technical losses in annual income

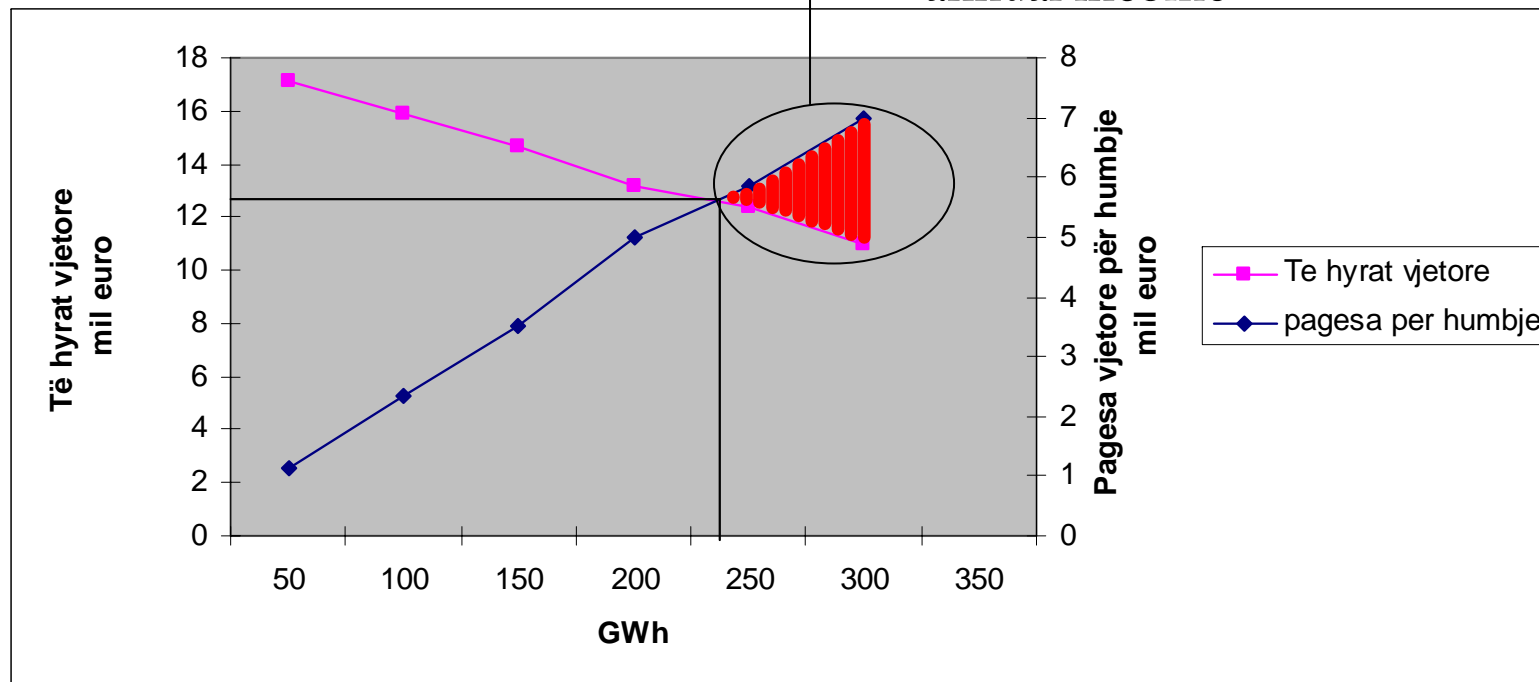
Current situation (year 2007):

Annual losses = 208 GWh

Annual income = 13.19 mil €

Annual payment for losses = 5.1 mil €

Increase of technical losses a negative reflection in KOSTT annual income

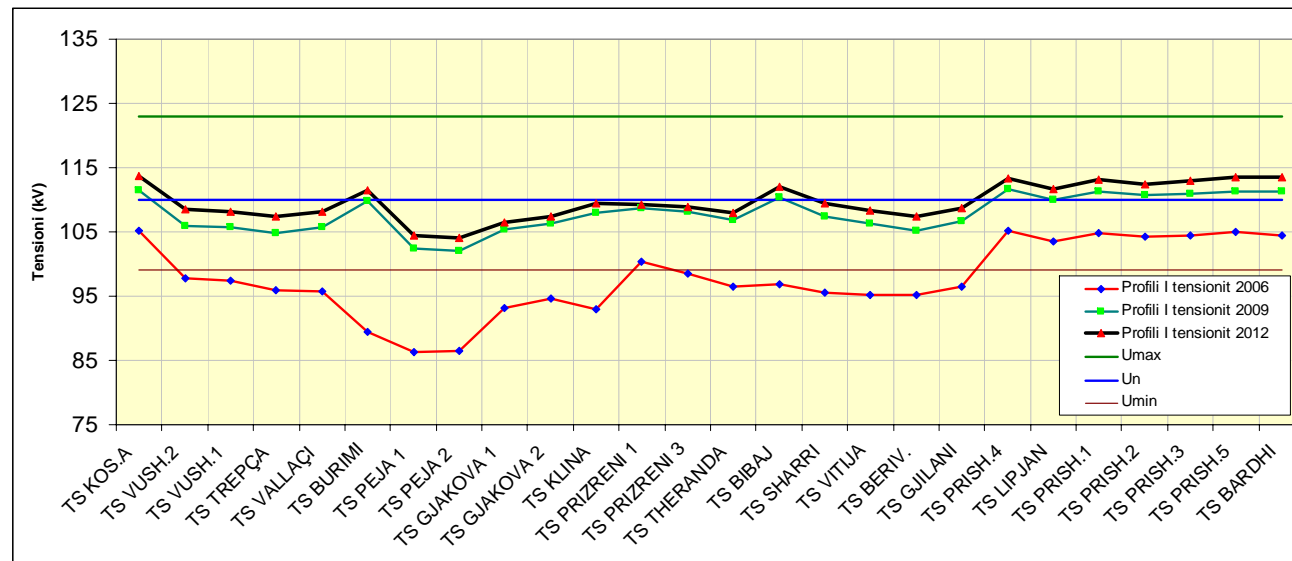




# Qualitative improvement of electricity supply

## Increase of quality upon implementation of investment projects

- Peja III, Ferizaji II
- Kosovo – Albania Line (400kV)
- Grid Development 110kV



## Fulfillment of requirements from:

### The Grid Code

- a) Balance Code – item 3.4.2 (Tension Limits)
- b) Operative Code – item 5.5.3 (Stability and overload)
- c) Planning Code – item 4 (Tension Planning Standards and Criteria)

### Electricity Standard Codes

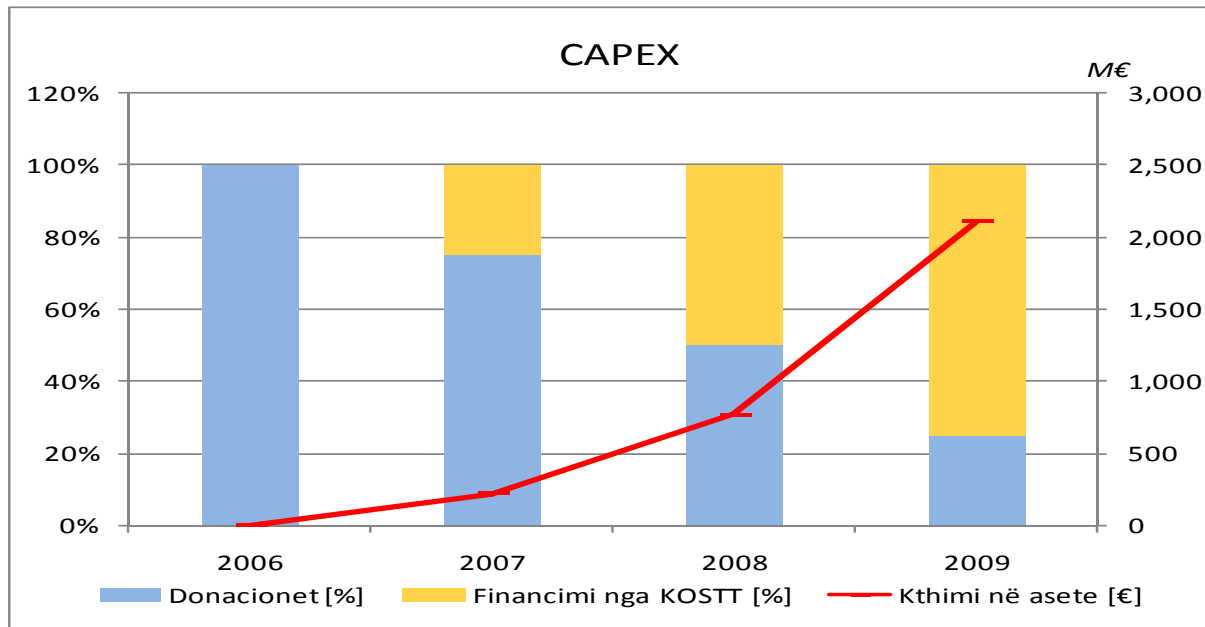


## Ancillary Services

- **Primary regulation of frequency**
  - Mandatory service, provided by Generation free of charge
- **Secondary regulation of frequency**
  - Mandatory service provided by domestic generators or purchased by neighboring operators (currently from EPS).  
*Challenge – to provide long-term efficient ancillary services*
- **Tertiary regulation of frequency**
  - Provided with reductions – ABC Plan.  
*Challenge - to ensure tertiary reserves.*

## Capital Investments

- In the initial period CAPEX is planned as a donation and to partially be self-financed, with a gradual increase of self-finances
- It is in KOSTT's interest to finance projects through soft loans for infrastructure – tariff reflected
  - Expansion of the asset base and realization of the return on equity (principles of Tariff Methodology)
  - Commercially operate and think



\* Return on assets shown in the chart (red curve) has is taken from the first price review



## Third Party Acces (TPA)

KOSTT is obliged to provide and guarantee transparent and non-discriminatory access to third parties

- *Section 25 of the Law on Energy – in compliance with the EC Treaty (Section 20 of the EC Directive 2003/54/EC), Grid Code – (Connection Code)*

TPA (*for connection in the grid and system usage*) has been regulated

- Tariff methodology for connection is being reviewed
  - The aim is to introduce a non-discriminatory, fair mechanism with incentive elements
  - The draft envisages deep methodology application, which holds TUoS in a lower level
    - » Changes in costs in different location are made with deep connection fees while network usage cost is consistent for every point
- Tariff methodology for system use has been approved (TUoS)
  - Allowed revenues (3 year price control period)
  - Cost-based and affordable

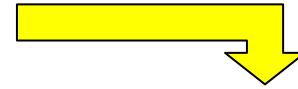


# Open energy market set up

Respective design and rules of the market drafted by ERO



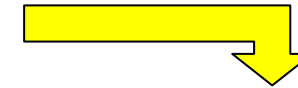
- Net-pool model
- Bilateral agreement
- Day-ahead market
- Balancing mechanism
- CAC (Capacity Availability Certificate)



Respective design and rules of the market, modified by KOSTT



- Bilateral agreement
- Balancing mechanism
- CAC



Transitional design and rules of the market



- Bilateral agreement



Gradually, in 4 phases, the full application of the Rules of the Market is reached

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**Thank you for your attention**

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