

Pursuant to Articles 4.2 and 4.8 of the Law on Transmission of Electric Power, Regulator and System Operator of Bosnia and Herzegovina (Official Gazette of BiH, 7/02, 13/03, 76/09 and 1/11) and Article 33 of the Methodology for development of tariffs for services of electricity distribution in Brčko District of Bosnia and Herzegovina (Official Gazette of BiH, 89/11 and 90/14), deciding upon the application of the Public Utility Company *Komunalno Brčko* d.o.o. Brčko, number: 03-01824/17 of 25 September 2017, at the session held on 27 December 2017, the State Electricity Regulatory Commission passed a

## DECISION

### ON TARIFF RATES FOR ELECTRICITY DISTRIBUTION SERVICES IN BRČKO DISTRICT OF BOSNIA AND HERZEGOVINA

#### Article 1 (Subject)

This Decision defines tariffs, that is, electricity distribution prices presented through tariff rates which are used for billing and charging electricity distribution services for customers in the Brčko District of Bosnia and Herzegovina.

#### Article 2 (Revenue Requirement)

It is determined that the annual revenue requirement of the Public Utility Company *Komunalno Brčko* d.o.o. Brčko for the electricity distribution activity shall amount to 13,067,260.27 BAM.

#### Article 3 (Tariff Rates)

Tariff rates for services of electricity distribution for customers in the Brčko District of Bosnia and Herzegovina shall be the following:

Description			Tariff rates for electricity distribution services*					
			Billing capacity		Active power		Excessive take-off of reactive energy	
Consumption categories and customer groups		Unit of measurement	BAM/kW/month		fening/kWh		fening/kvarh	
Name of category	Name of group	Season	VS (winter)	NS (summer)	VS (winter)	NS (summer)	VS (winter)	NS (summer)
		Time of day						
35 kV		VT	2.69		0.73		2.40	
		MT						
10 kV		VT	6.81		1.57		3.02	
		MT						
0.4 kV – public lighting		ST			6.16			
0.4 kV – other consumers	1 TG	VT	11.50		2.22		4.19	
		MT						
	2 TG	ST	3.41	2.62	4.95	3.81	4.30	3.31
	3 TG	VT			5.64	4.34		
	MT	2.82	2.17					
0.4 kV – households	1 TG	ST	1.95	1.50	4.40	3.39		
	2 TG	VT			4.97	3.83		
		MT			2.49	1.91		

\* The above tariff rates do not include value added tax.

**Article 4**  
***(Billing Capacity)***

Billing capacity shall be 5 kW for tariff customer groups belonging to the category of consumption at 0.4 kV where billing capacity is not determined by measuring (2. and 3. tariff group of the category of other consumers, 1. and 2. tariff group of the category of households).

**Article 5**  
***(Seasonal and Daily Tariff Rates)***

- (1) Tariff rates for active energy shall be applied depending on the season as follows:
  - a) in high season (VS) from 1 October to 31 March,
  - b) in low season (NS) from 1 April to 30 September.
- (2) Tariff rates for active energy shall be applied depending on the time of the day as follows:
  - a) high daily tariff rates (VT) from 6:00 to 22:00 hrs and 7:00 to 23:00 hrs during the winter and summer daylight saving time schemes respectively,
  - b) low daily tariff rates (MT) from 22:00 to 6:00 hrs and 23:00 to 7:00 hrs during the winter and summer daylight saving time schemes respectively.
- (3) As an exception to paragraph (2) of this Article, time-of-day tariff rates for active power for the consumption category of households shall be applied as follows:
  - a) high daily tariff rates (VT) from 7:00 to 13:00 hrs and 16:00 to 23:00 hrs during the winter time and from 8:00 to 14:00 and 17:00 to 23:00 hrs during the summer daylight saving time scheme,
  - b) low daily tariff rates (MT) from 13:00 to 16:00 hrs and 22:00 to 7:00 hrs during the winter time and from 14:00 to 17:00 and 23:00 to 8:00 hrs during the summer daylight saving time scheme and on Sundays.

**Article 6**  
***(Obligation to Publish Tariff Rates)***

The Public Utility Company *Komunalno Brčko* d.o.o. Brčko shall be obligated to publish tariff rates and the relevant provisions of this Decision in an adequate manner and make them available to any customer in the area of Brčko District BiH.

**Article 7**  
***(Final Provisions)***

This Decision shall enter into force on the day of the adoption and it shall apply as of 1 January 2018.

The statement of the Decision shall be published in the *Official Gazette of BiH* and the official gazette of Brčko District BiH.

***Statement of Rationale***

Pursuant to the *Decision establishing the Public Company "Komunalno Brčko" d.o.o., Brčko* (Official Gazette of BD BiH, 20/07, 21/07, 24/08 and 33/09), "Komunalno Brčko" d.o.o., Brčko (hereinafter: the Company) is obligated to enable electricity distribution and supply system users and customers with electricity in its area of responsibility.

Pursuant to Article 7 of the Law on Transmission of Electric Power, Regulator and System Operator of Bosnia and Herzegovina (Official Gazette of BiH, 7/02, 13/03, 76/09 and 1/11) - hereinafter: Law on Transmission) and Article 107a. of the Law on Electricity (Official Gazette of BD BiH, br. 36/04, 28/07, 61/10 and 4/13), the Company is obligated to obtain a license for performance of these activities granted by the State Electricity Regulatory Commission (hereinafter: SERC) in accordance with conditions, criteria and procedures as defined by SERC.

The Company is the holder of a license for performance of the electricity distribution activity in the area of the Brčko District of BiH, registration number: 05-28-12-413-28/12 granted pursuant to the SERC decision (Official Gazette of BiH, 5/13).

Tariffs for electricity generation, distribution and supply in the area of Brčko District of BiH are regulated and approved by SERC pursuant to the aforementioned laws.

On 27 September 2017, by its letter number: 04-28-5-310-1/17 the Company filed with SERC the application for setting electricity distribution tariffs and tariffs for supply within universal service.

The tariff proceedings were initiated by the adoption of a Conclusion on initiating the proceedings for setting of tariff rates for electricity distribution services and tariff rates for electricity supply within the universal service in the Brčko District of Bosnia and Herzegovina number: 04-28-5-310-3/17 of 11 October 2017.

The tariff proceedings were conducted pursuant to SERC rules and procedures. A notice on initiating the proceedings and a public notice were issued on 12 October 2017. There were no entities interested in acquiring intervener status in the proceedings. A preliminary hearing was held on 8 November 2017 in Tuzla, while the formal hearing was held on 15 November 2017 in Brčko. The Presiding Officer's Report was submitted to the tariff applicant on 5 December 2017. Komunalno Brčko sent its comments on the Presiding Officer's Report on 12 December 2017.

While considering the tariff application in the tariff proceedings, the basic principles prescribing that tariffs will be just and reasonable, non-discriminatory, based on objective criteria and justified costs and set in a transparent manner have to be respected to the maximum extent possible.

Data on the electricity distribution activity are provided in Table 1 presenting realised costs in 2014, 2015 and 2016, estimated costs in 2017, planned costs for 2018 and the amount of approved costs.

Table 1.

Costs and expenditures (BAM)	2014 Realised	2015 Realised	2016 Approved	2017 Estimation	2018 Plan	2018 Approved
Tangible costs	1,300,000	1,003,811	1,260,000	1,260,000	1,500,000	1,260,000
Costs of services	490,000	500,905	460,000	460,000	1,100,000	460,000
Labour costs	4,331,136	3,137,923	4,300,000	4,300,000	5,160,000	4,300,000
Depreciation	500,000	429,890	614,248	664,845	670,000	664,845
Non-tangible costs	410,000	308,813	263,000	263,000	314,000	263,000
Other expenditures	250,000	153,700	175,000	175,000	232,000	60,000
Costs of interests and other financial costs	170,000	124,055	50,000	50,000	150,000	50,000
Regulatory fee		57,000	57,000	57,000	57,000	61,000
Total	7,451,136	5,659,097	7,179,248	7,229,845	9,183,000	7,118,845

The business activities of the Company were marked by a significant fluctuation of the electricity purchase price which is the dominant cost the share of which exceeds 70% in the total cost of electricity business activities. The significant change of the purchase prices is the consequence of an

electricity price increase on the national and regional market and insufficient understanding of the circumstances and relationships on the market by the Company which failed to achieve a more favourable purchase price for the second half of 2017, which ultimately had negative effects on its business results and liquidity.

An amount of 9,183,000 BAM was planned for the operational and capital costs of the distribution activity in 2018, which is 28% more than the amount approved in the previous tariff proceedings. Reviewing the submitted documentation as well as the answers provided at the formal public hearing, sufficient arguments for the requested cost increase within the distribution activity could not be found, which is the reason why the Commission fully accepted the Presiding Officer's arguments provided while determining the amount of individual costs as presented in Table 1 and approved an amount of 7,118,845 BAM for the purpose of covering the operational and capital costs of the distribution activity for 2018.

All network fees (charges) are calculated pursuant to the Methodology for development of tariffs for services of electricity distribution in the Brčko District of Bosnia and Herzegovina (Official Gazette of BiH, 89/11 and 90/14).

With a view to setting distribution network charges, that is, tariff rates for electricity distribution services in the Brčko District of BiH, in addition to the operational and capital costs it is also necessary to set other costs which are an integral part of total costs of the distribution activity (the so-called transferred-in costs).

*Costs of distribution losses* are set based on the electricity purchase price which does not include transferred costs (tariff for transmission services, tariff for ISO operation and tariff for system service) and approved volumes of electricity to cover losses. A calculative price for calculation of costs to cover losses in the distribution network amounts to 7.783 fening/kWh, taking into account the electricity purchase price amounting to 9 fening/kWh deducted by transferred-in costs. Pursuant to the Methodology, SERC is competent to approve a percentage of loss in the distribution network. The loss realised in 2015 and 2016 amounted to 13.08% and 12.38% respectively of total electricity purchased. In spite of an observed reduction trend, the distribution losses are still higher than the BiH average which amounts to 10.26%. With a view to cutting distribution losses and gradually reducing them to the level of BiH average, and taking into consideration operational measures continuously implemented by the Company in order to cut distribution losses, they are approved at the level of 11%, or 31,565,309 kWh, which finally results in the cost amounting to 2,456,791.10 BAM.

*Costs of transmission system* for distribution system users are set on the basis of unit price of 0.578 f/kWh and 1.472 BAM/kW for electricity planned to be taken over from the transmission system (286,957,351 kWh of electricity planned to be taken over and 508,559 kW of capacity planned to be taken over in 2018), and they amount to an absolute value of 2,407,212.34 BAM.

*Costs of operation of the Independent System Operator* based on the unit price of 0.0592 f/kWh and take-on of active power from the transmission network amount to 169,878.75 BAM.

Costs on the basis of system tariff (costs of proving capacity reserve for secondary and tertiary control and costs of losses in the transmission system) are calculated in accordance with a single tariff of 0.3781 f/kWh and amount to 914,533.08 BAM.

The total revenue requirement (total costs) to calculate the tariff for electricity distribution services in the Brčko District BiH amounts to 13,067,260.27 BAM and comprises operational and capital costs of the distribution activity amounting to 7,118,845 BAM, costs of electricity losses in the distribution system amounting to 2,456,791.10 BAM and transferred-in costs (electricity transmission services, ISO services and system services) amounting to 3,491,624.17 BAM.

Pursuant to the Methodology, total cost of the Brčko District of BiH distribution system are allocated to consumption categories of distribution system users by tariff elements and rates. Taking into consideration the approved costs of electricity distribution and the existing energy values in the area managed by Komunalno Brčko as the distribution system operator (DOS), an average electricity distribution tariff amounts to 5.12 fening/kWh, which is lower than the average distribution tariff as determined in the previous tariff proceedings (5.57 fening/kWh). As the tariff rates for electricity distribution are lower than the tariff rates by other distribution system operators in Bosnia and Herzegovina, which is the result of a relatively small quantity of fixed assets in possession of the Company and, consequently, a low cost of depreciation, and lack of possibility to register the ownership over the fixed assets used by the Company to perform its business activities, the Commission decided to stop reducing tariff rates for electricity distribution any further, keeping the level of tariff rates at the achieved level. Applying the tariff rates for electricity distribution determined in this manner, the revenue amounting to 13,579,352 BAM will be achieved which is by 512,092 BAM higher than the approved revenue for the distribution activity and this amount will be allocated to the customers supplied with electricity within the universal service.

Furthermore, the Company makes significant revenues on the basis of other activities directly related to the electricity distribution activity, such as connecting new customers, increasing installed capacity, issuing energy permits and providing other services to citizens. The projection of other revenues for 2018 amounts to 535,000 BAM and the Commission accepted the Presiding Officer's proposal not to present this amount as a deductible item when approving the distribution revenue requirement with the aim of alleviating the business operation of the Company which takes place under difficult circumstances.

It is the opinion of the Commission that the proposed tariff rates provide the realistic basis for the Company to realise the revenue requirement in the electricity distribution activity which would enable its unhindered functioning.

In accordance with the aforementioned views of the Commission, within its discretionary rights to confirm the representativeness and validity of all submitted data and statements, to estimate the level of likelihood to realise all projected costs and expenditures and to approve tariffs taking into account also concrete the circumstances at the time of filing a tariff application all the way to the concretisation of conditions for a more precise tariff setting, using its extended competences as defined by the Law on Transmission to also regulate electricity distribution issues for customers in the area of the Brčko District of BiH, the Commission decided as provided in the statement of the Decision.

SERC will continuously monitor the effects of applying the adopted tariffs while keeping the right to adjust tariff rates if deemed necessary.

Pursuant to Article 9.2 of the *Law on Transmission of Electric Power, Regulator and System Operator of Bosnia and Herzegovina*, proceedings may be initiated before the Court of Bosnia and Herzegovina by filing a lawsuit within sixty (60) days from the day of publishing this Decision.

Number: 04-28-5-310-20/17  
27 December 2017  
Tuzla

Chairman of the Commission  
  
Nikola Pejić