

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 18 of the Methodology for setting tariffs for electricity supply within public service in the Brčko District of Bosnia and Herzegovina (Official Gazette of BiH, 90/14), deciding upon the application of the Public Utility Company *Komunalno Brčko* d.o.o. Brčko, number: 03-02088/16 of 10 May 2016, at the session held on 22 December 2016, the State Electricity Regulatory Commission passed a

DECISION

ON TARIFFS FOR ELECTRICITY SUPPLY WITHIN UNIVERSAL SERVICE IN THE BRČKO DISTRICT OF BOSNIA AND HERZEGOVINA

Article 1 (Subject)

This Decision defines tariffs, that is, electricity prices presented through tariff rates which are used for billing and charging electricity for customers supplied within the universal service 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 activity of electricity supply within universal service shall amount to 2,175,200 BAM.

Article 2 (Tariff Rates)

Tariff rates for delivered electricity for customers supplied within the universal service in the Brčko District of Bosnia and Herzegovina shall be as follows:

Description			Tariff rates for supply within universal service*							
			Billing capacity		Active power		Customer's metering point		Excessive takeoff of reactive energy	
Consumption categories and customer groups		Unit of measurement Season	BAM/kW/month		fening/kWh		BAM/month		fening/kvarh	
Name of category	Name of group	Time of day	VS (winter)	NS (summer)	VS (winter)	NS (summer)	VS (winter)	NS (summer)	VS (winter)	NS (summer)
0.4 kV – other consumers	1 TG	VT	11.50		7.54		5.15		4.19	
		MT			3.77					
	2 TG	ST	3.41	2.62	16.54	12.72			4.30	3.31
		3 TG			VT	19.07				
	MT				9.53	7.33				
	0.4 kV –households	1 TG			ST	1.95				
VT			12.78	9.83						
2 TG		MT	6.39	4.91						

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

Article 4 (Billing Capacity)

Billing capacity shall amount to 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 Time-of-Day Tariff Rates)

- (1) Tariff rates for active power shall be applied per season as follows:
 - a) in the high season (VS) from 1 October to 31 March,
 - b) in the low season (NS) from 1 April to 30 September.
- (2) Time-of-day tariff rates for active power shall be applied 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 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 Tariffs)

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 supplied within the universal service in the area of Brčko District BiH.

Article 7

(Final Provisions)

- (1) This Decision shall enter into force on the day of the adoption and it shall apply as of 1 January 2017.
- (1) The statement of the Decision shall be published in the *Official Gazette of BiH* and the official gazette of Brčko District of 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), in order to perform these activities the Company was obligated to obtain a license 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 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 11 May 2016, by its letter number: 04-28-5-150-1/16 the Company filed with SERC the application for setting electricity distribution tariffs and tariffs for supply within universal service which was supplemented by letters number: 04-28-5-150-6/16 of 23 June and number: 04-28-5-150-8/16 of 8 July 2016.

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: 04-28-5-150-9/16 of 21 July 2016.

The tariff proceedings were conducted pursuant to SERC rules and procedures. A notice on initiating the proceedings and a public notice were issued on 22 July 2016. There were no entities interested in acquiring intervener status in the proceedings. A preparatory hearing was held on 11 August 2016 in Tuzla, while the formal hearing was held on 31 August 2016 in Brčko. The Presiding Officer's Report was submitted to the tariff applicant on 15 September 2016. There were no comments on the Presiding Officer's Report.

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 provided by the Electricity Distribution Company present planned costs and expenditures for 2016 and realisation in 2013, 2014 and 2015 (Table 1).

Some difference in costs may be observed in the presented data, in terms of both the achieved financial values in 2015 and the plan for 2016 being considerably different compared to to-date trends, thus making the comparison and monitoring of these costs through the presented time horizon more difficult. The costs incurred in the activity of supply within the universal service in 2015 are by 93.9% higher compared to the amount approved in the previous tariff proceedings.

In its application for 2016, the Company requested 4,525,736 BAM on the basis of costs for supply within the universal service. Pursuant to the Methodology for setting tariffs for electricity supply within public service in the Brčko District of Bosnia and Herzegovina (Official Gazette of BiH, 90/14), the requested amount implies that the cost of supply, which currently amounts to 5.15 BAM customer/month, would double.

This method of presenting data by the Company would have direct implications on setting the total revenue requirement for the supply activity, that is, the amounts to be allocated to individual tariff elements. At the formal hearing, the Company did not provide any adequate explanation of the deviations which occurred.

Table 1.

Costs and expenditures (BAM)	2013	2014	2015	2015 (approved)	2016 (estimated)	2016 (approved)
Tangible costs	300,690	320,000	508,250	248,500	577,549	248,500
Costs of services	182,106	178,500	389,592	150,100	423,156	150,100
Labour costs	1,556,180	1,555,328	2,440,607	1,350,600	2,449,541	1,350,600
Depreciation	120,795	170,000	334,358	150,000	388,953	150,000
Non-tangible costs	151,511	165,000	240,188	100,000	298,185	100,000
Other expenditures	176,625	190,000	119,543	120,000	147,848	120,000
Costs of interests	108,234	120,000	185,349	30,000	214,504	30,000
Regulatory fee				26,000	26,000	26,000
Total costs and expenditures	2,596,141	2,698,828	4,217,887	2,175,200	4,525,736	2,175,200

Table 2 presents an average number of customers and electricity consumption per consumption category in 2015:

Table 2.

Consumption category	Number of customers	%	Consumption (kWh)	%
35 kV	1	0.003	9.240.000	4.01
10 kV	29	0.081	22,910,711	9.93
0.4 kV - other consumers	4,351	12.213	54,175,132	23.49
0.4 kV - households	30,823	86.516	134,364,368	58.25
0.4 kV - public lighting	423	1.187	9,982,711	4.33
Total	35,627	100.000	230,672,922	100.00

The customers belonging to the categories of households and other consumers (the customers entitled to supply within the universal service) participate with 98.73% in total number of customers in the area of Brčko District BiH.

As the cost of supply directly depends on the number of customers because it is related to activities of invoicing, calculation, preparation and issuance of bills, collection etc., it is obvious that the largest share of this cost pertains to customers belonging to the aforementioned two categories.

Taking into account the aforementioned and considering the state of play regarding supply costs of other companies involved in this activity well as the number of customers entitled to supply within the

universal service, the Commission agreed with the Presiding Officer's argumentation with regard to setting the amount of individual costs as provided in Table 1, and approved the amount of 2,175,200 BAM for the activity of supply within the universal service, that is, the tariff element *charge per customer's metering point* in the amount of 5.15 BAM customer/month.

The planned electricity volume to be delivered to the categories of households and other consumers in 2016 amounts to 136.8 GWh and 53.43 GWh respectively. Taking into account power purchase arrangements the Company had in the previous period, the price of 8.025 f/kWh set in the previous tariff proceedings may still be considered valid. Furthermore, the calculation where the transferred costs amount to 1.325 f/kWh (average transmission network charge amounting to 0.889 f/kWh, tariff for the ISO operation amounting to 0.0592 f/kWh, tariff for system service amounting to 0.3761 f/kWh), which as such were considered in the tariff proceedings for the electricity distribution tariff, result in the amount of 6.7 f/kWh as a price for calculation of electricity purchase costs. In line with the aforementioned, the costs of purchasing energy for supply of customers that are supplied within the universal service amount to 12,745,410 BAM, of which 9,165,600 BAM for customers in the category of households and 3,579,810 BAM for the customers belonging to the category other consumers.

Pursuant to the Methodology for setting tariffs for electricity supply within public service in the Brčko District of BiH, SERC is obligated to gradually eliminate cross-subsidies that currently exist between other consumers and households.

Having rectified the cross-subsidy in the previous tariff proceedings, in 2015 the cross-subsidy between these two categories amounted to 20.1 %. Taking into account the amount of approved cost of supply within the universal service as well as the need to continue reducing the inherited cross-subsidies, the Commission decided to modify the existing tariff rates for the categories of households and other consumers so as to reduce the mentioned subsidy to an amount of 10%. In this manner, a part of purchase costs for the category of households amounting to 485,000 BAM was allocated to the category of other consumers, consequently an average selling price for supply of customers under the category of other consumers was reduced by 5.8% while an average selling price for customers under the category of households increased by 2.8% in comparison to the previous one.

After an insight into energy values provided by the Company in the tariff application, an amount of 3.95 GWh treated as "self-consumption" was noted, which had not existed as such in any previous tariff proceedings. At the formal hearing, it was found out that this energy is registered as a cost of the Company, i.e., it is treated for a deduction of input tax, and it is used for the purpose of heating, self-consumption of facilities and power supply in the water supply activity. This treatment for the purpose of subsidising other activity is not acceptable from the aspect of regulatory practice.

It is the opinion of the Commission that the tariff rates provide the realistic basis for the Company to realise the revenue requirement in the activity of supply within the universal service for 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 concrete circumstances from the time of filing a tariff application all the way to the concretisation of conditions for a more precise tariff setting, using its competences as defined by the Law on Transmission and the Law on electricity of the Brčko District of BiH to also regulate the issues of electricity supply for customers belonging to the category of households 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: 04-28-5-150-26/16
22 December 2016
Tuzla

Chairman of the Commission

Suad Zeljković