

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 the Brčko District of Bosnia and Herzegovina (Official Gazette of BiH, 89/11 and 90/14), deciding upon the application of the Public Utility „Komunalno Brčko" d.o.o., Brčko, number 03-02701/24 of 16 December 2024, at its session held on 11 February 2025, the State Electricity Regulatory Commission passed a

DECISION ON TARIFFS FOR ELECTRICITY DISTRIBUTION SERVICES IN THE BRČKO DISTRICT OF BOSNIA AND HERZEGOVINA

Article 1 (Subject Matter)

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 (Annual Revenue Requirement)

It is determined that the annual revenue requirement of the Public Utility „Komunalno Brčko" d.o.o., Brčko (hereinafter: Komunalno Brčko) for the electricity distribution activity shall amount to BAM 18,456,992.

Article 3 (Tariff Rates)

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

Description			Tariff rates for electricity distribution services *		
			Billing demand	Active power	Excessive withdrawal of reactive power
Consumption categories and customer groups	Unit of measurement		BAM/kW/month	fening/kWh	fening/kvarh
Name of category	Name of group	Time of day			
35 kV		VT	4.20	1.15	2.52
		MT		0.58	
10 kV		VT	8.98	2.08	3.18
		MT		1.04	
0.4 kV – public lighting		ST		7.88	
0.4 kV – other consumers	1 TG	VT	13.80	2.81	4.40
		MT		1.41	
	3 TG	VT	3.70	9.04	3.95
		MT		4.52	
0.4 kV – households	1 TG	ST	2.22	4.73	
		VT		6.56	
				MT	

* Tariff rates do not include value added tax.

Article 4
(Billing Demand)

Billing demand shall amount to 5 kW for tariff groups of customers belonging to consumption categories at 0.4 kV where billing demand is not determined by metering (2. and 3. tariff group from the category *other consumers*, 1. and 2. tariff group from the category *households*).

Article 5
(Time-of-Day Tariff Rates)

- (1) 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.
- (2) As an exception to paragraph (1) 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 „Komunalno Brčko" d.o.o., Brčko, is obligated to publish tariff rates and the relevant provisions of this decision in an appropriate manner and make them available to any customer in the area of the Brčko District of BIH.

Article 7
(Final Provisions)

- (1) This decision shall enter into force on the day of its adoption and it shall be applied as of 1 March 2025.
- (2) The operative part of the Decision shall be published in the Official Gazette of BIH and the official gazette of the 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 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 10 of the Law on Electricity (Official Gazette of the Brčko District of BIH, 27/21), 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 the conditions, criteria and procedures as defined by SERC.

Komunalno Brčko is the holder of the license for performance of the electricity distribution activity in the area of the Brčko District of BIH, registration number: 05-28-12-216-19/20 granted pursuant to the SERC Decision, on 7 October 2020 (Official Gazette of BIH, 67/20) and the licence for the activity of electricity trading and supply in territory of Bosnia and Herzegovina, registration number: 05-28-12-177-19/22 granted pursuant to the SERC Decision, on 28 September 2022 (Official Gazette of BIH, 67/22).

Tariffs for the services of 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 16 December 2024, by its communication number 03-02701/24 Komunalno Brčko filed with SERC the application for setting of electricity distribution tariffs and tariffs for supply within the universal service in the Brčko District of BIH.

On 17 December 2024, SERC adopted 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 BIH, number 04-28-5-391-3/24.

The tariff proceedings were conducted pursuant to SERC rules. A public notice in tariff setting proceedings, which includes the information on the manner of acquiring intervener status and a formal public hearing, was published in 17 December 2024 in the daily newspapers and on the SERC website. There were no entities interested in acquiring intervener status in the proceedings. A preliminary hearing was held on 16 January 2025 in the SERC premises, while the formal public hearing was held on 21 January 2025 in Brčko. The Presiding Officer's Report was submitted to the applicant on 27 January 2025 who stated in its communication of 31 January 2025 that the tariff proceedings were duly carried out and that the proposed tariffs reflect the applicant's business operations to the greatest extent.

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. The regulated company is obligated to provide evidence that the proposed tariff meets the requirements under the BIH laws and SERC rules and regulations.

As the main reason for the request to increase the tariff rates for electricity distribution, an increase in the electricity purchase price for 2025 was stated, which Komunalno Brčko agreed with the provider MH "Elektroprivreda Republike Srpske" – Parent Company, a.d., Trebinje, which amounts to 17.60247 fening/kWh, which is a 21.4% increase in comparison to the agreed price for purchase of electricity in 2024, which amounted to 14.5044 fening/kWh. The agreed purchase price of electricity in 2025 includes the costs of balancing and the costs incurred on the basis of the payment for the tariff for electricity transmission services, tariff for operation of an independent system operator and tariff for system service. In case of any deviation in the withdrawal of electricity from the volumes planned on a monthly basis, Komunalno Brčko will be obligated to pay the exceeded amount of electricity withdrawn at the average monthly price reached at the reference exchange SEEPEX a.d. Beograd.

Table 1 provides data for the electricity distribution activity as follows: approved costs for 2022, 2023 and 2024, the planned costs for 2025 and the amount of approved costs for 2025.

Table 1.

	DISTRIBUTION Type of costs	2022 Approved (BAM)	2023 Approved (BAM)	2024 Approved (BAM)	2025 Requested (BAM)	2025 Approved (BAM)
1.	Tangible costs	1,158,000	950,000	950,000	1,050,000	700,000
2.	Costs of services	400,000	330,000	330,000	500,000	440,000
3.	Labour costs	4,532,000	5,115,000	5,115,000	6,970,000	6,350,000
4.	Depreciation	825,000	875,000	875,000	1,000,000	960,000
5.	Non-tangible costs	187,000	200,000	200,000	350,000	260,000
6.	Other expenditures	120,000	120,000	120,000	400,000	200,000
7.	Costs of interest and other financial costs	65,000	90,000	90,000	110,000	110,000
8.	Regulatory fee	78,000	80,000	80,000	104,000	104,000
A	Total costs and expenditures	7,365,000	7,760,000	7,760,000	10,484,000	9,124,000
B	Other revenues (granted assets and commercial services)	250,000	250,000	250,000	0	400,000
	Revenue requirement (A-B)	7,115,000	7,510,000	7,510,000	10,484,000	8,724,000

In its tariff application Komunalno Brčko requested a 27% increase in distribution network charge for all customer categories. Komunalno Brčko planned an amount of BAM 10,484,000 for operational and capital costs of the distribution activity in 2025, which is 35.1% more than the amount approved in the previous tariff proceedings.

The Commission puts the focus of its analysis on all elements of the cost structure as pointed out by the applicant, the analysis of costs and revenues as presented in the Presiding Officer's Report as well as on the fact that there were no comments by the applicant during the whole proceedings and makes a decision about the submitted application after a comprehensive analysis. In line with these obligations, the Commission presents the following points of view:

While setting the *tangible costs*, the Commission finds it reasonable to approve the tangible costs in 2025 in an amount of BAM 700,000, which is an adjustment of the value of this cost to the applicable values realised in the previous three-year period. Taking into consideration the slow and lengthy process of public procurement, lack of sufficient number of bidders, lodging of complaints and other reasons for the failure to implement and transfer unused funds to other cost positions, mostly labour costs, the approval of the aforementioned amount reflects the status of spent funds in a proper manner.

The planned value of *costs of services* amounts to BAM 500,000. In its answer to a question in the formal public hearing, Komunalno Brčko justified its request by the plan to have external providers for some services, the increased costs of telecommunication services for the AMM system and its application software expansion and for the costs of current application software maintenance. The Commission accepts some of the arguments presented in the public hearing as well as the need for cost optimisation, and approves the cost of services in an amount of BAM 440,000, which is a rational solution balancing between the needs to keep the quality of services and the responsible cost management.

Komunalno Brčko requested an amount of BAM 6,970,000 for the item *labour costs* for the electricity distribution activity in 2025. In an answer to a question in the public hearing it was explained that the 2025 Business Plan includes the filling up of vacancies in the Operational Unit Elektrodistribucija in line with the job classification, primarily with qualified workforce with profiles in electrical trade. Furthermore, a 10% increase in salaries to all employees is planned at the company level in order to implement the increased price of labour for all budget

users and public companies which was approved by the Brčko District Assembly due to the inflation. Taking into consideration the need of Komunalno Brčko to hire specialised workforce and having regard to the realisation of the labour costs in the previous two years, an amount of BAM 6,350,000 is approved for labour costs in the electricity distribution activity.

Komunalno Brčko asked for an amount of BAM 1,000,000 to be approved for the *depreciation cost* for 2025, as the result of calculating depreciation on the assets the Company uses and plans to purchase. However, having checked the previous realisations of this cost, which regularly were lower than the approved amounts, the amount of BAM 1,000,000 planned for 2025 seems to be overestimated. The Commission accepts the arguments and the proposal of the Presiding Officer regarding this cost and approved the depreciation cost for 2025 in an amount of BAM 960,000.

The regulated company requested an amount of BAM 350,00 under the category of *non-tangible costs*. In its plan for 2025, Komunalno Brčko points out that the price of bank guarantee for electricity procurement increased to BAM 59,500, with the guarantee pertaining to the regular fulfilment of obligations for delivered electricity amounting to BAM 14,000,000. Taking into consideration the aforesaid, the Commission approves an amount of BAM 260,000 for this cost, noting that this amount does not include the regulatory fee, which is presented in this decision separately while the regulated company enters it in this position.

Komunalno Brčko requested an amount of BAM 350,000 for the costs in the group *other expenditures*, which is a considerably higher amount compared to the amount approved in the previous tariff proceedings. While observing the values from the previous period, it can be concluded that these costs are unvarying on an annual basis, with some fluctuations due to periodical value adjustments (write-off of uncollectible receivables) or judicial proceedings with rulings for damages which the company has to pay. The Commission approves the amount of BAM 200,000 under other expenditures for 2025, which it finds sufficient for the execution of the planned obligations.

With regards to the *cost of interest and other financial costs*, the Commission takes into account the increased need for financing the company from the borrowed funds due to the significant increase in energy procurement costs and approves the cost of interest and other financial costs for the distribution activity at the level of the requested amount of BAM 110,000.

An amount of BAM 104,000 is recognised as a justified cost to the applicant based on the obligation to pay the *regulatory fee* as defined in the Decision on payment of the regulatory fee for 2025 (Official Gazette of BIH, 62/24).

Other revenues: Komunalno Brčko makes significant revenues within its business operations based on the activities which are related to the activity of distribution and supply: network connection, an increase in connection capacity, issuance of approvals, services to citizens etc. As the services of public lighting maintenance and services to citizens in the Brčko District of BIH may be considered the services provided on a commercial basis, the Commission finds it justified to reduce the value of total operational and capital costs of distribution by an amount of BAM 400,000.

Having analysed the submitted documentation and answers provided in the formal public hearing, the Commission fully accepts the Presiding Officer's argument when setting the amounts of individual costs provided in Table 1, and approves an amount of BAM 9,124,000 for the purpose of covering operational and capital costs of the distribution activity in 2025, that is, after deduction of the commercial revenues, an amount of BAM 8,724,000 which will be realised by the application of tariff rates.

All tariff rates 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), hereinafter: the Methodology.

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 which include: *cost of distribution losses, costs of transmission system, costs of operation of an independent system operator, costs on the basis of the tariff for system service and the balancing costs*).

The cost of distribution losses is set based on the electricity purchase price which does not include transferred-in costs (tariff for transmission services, tariff for ISO operation, tariff for system service and balancing costs) and approved volumes of electricity to cover losses. A price for calculation of costs to cover losses in the distribution network amounts to 15.6466 fening/kWh, and it represents the value of the contracted electricity purchase price for 2025 amounting to 17.60247 fening/kWh, reduced by transferred-in costs. Pursuant to Article 12 paragraph (3) of the Methodology, SERC approves a justified rate, that is, a percentage of losses in the distribution network. The losses realised in 2024 amounted to 10.00% of total electricity purchased while in 2023 they amounted to 10.12%. In 2022, a considerable progress was made because the distribution losses were reduced to 9.78%. In spite of an observed reduction trend, the distribution losses are still higher than the BiH average which in 2023 amounted to 8.62%. With a view to cutting distribution losses and gradually reducing them to the level of BiH average, and taking into consideration operational measures for the reduction thereof continuously implemented by Komunalno Brčko, losses of 9.25% are approved, which amounts to 26,455,000 kWh in relation to 286 GWh of totally withdrawn energy. Taking into account of the price of energy amounting to 15.6466 fening/kWh, the cost of energy for losses in the distribution system amounts to BAM 4,139,308.

Pursuant to the SERC Decision number 04-28-5-333-46/16 of 3 April 2017 (Official Gazette of BiH, 28/17), *costs of transmission system* for distribution system users are set on the basis of the unit prices of 0.578 fening/kWh and 1.472 BAM/kW for electricity and capacity respectively withdrawn from the transmission system, that is, on the Agreement on electricity purchase, under which the transmission tariff for capacity was reduced to an amount of 0.2744 fening/kWh of electricity withdrawn, and taking into consideration that it is planned to take over 286,000,000 kWh of electricity in 2025, they amount to BAM 2,437,864.

Pursuant to the SERC Decision number 04-28-5-358-32/24 of 26 December 2024 (Official Gazette of BiH, 91/24), based on the tariff for operation of an independent system operator amounting to 0.1092 fening/kWh which is paid by customers for electricity withdrawn from the transmission system (L component) and the planned withdrawal of 286.000.000 kWh of energy, *costs of operation of an independent system operator* amount to BAM 312,312.

Pursuant to the Decision on tariffs for system and ancillary services (Official Gazette of BiH, 2/23), *costs on the basis of the tariff for system service* are calculated in accordance with a single tariff of 0.4789 fening/kWh and they amount to BAM 1,369,654.

The balancing costs (deviations of the realised consumption from the consumption reported in the daily schedule) are calculated at a price of 0.51533 fening/kWh and amount to BAM 1,473,844.

The total revenue requirement for the calculation of the tariff for electricity distribution service in the Brčko District of BIH amounts to BAM 18,456,982 and comprises operational and capital costs of the distribution activity amounting to BAM 8,724,000, costs of electricity losses in the distribution system amounting to BAM 4,139,308, balancing costs amounting to BAM 1,473,844 and transferred-in costs (electricity transmission services, services of an independent system operator and system service) amounting to BAM 4,119,830.

Pursuant to Articles 26 and 28 of the Methodology, total costs of the Brčko District of BIH distribution system are allocated to the 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, an average electricity distribution tariff amounts to 7.11 fening/kWh, or 21.5 higher than the average distribution tariff set in the tariff proceedings (5.85 fening/kWh).

The allocation of distribution system costs to the tariff elements was done in accordance with the following ratio: 37.4% to capacity, 62.0% to power and 0.6% to excessive withdrawal of reactive power.

The tariff rates for electricity distribution in the Brčko District of BIH do not fully reflect all activities of the company in the distribution activity due to the impossibility to register ownership of the fixed assets which are used by the company to perform its activities of which the relevant institutions of the Brčko District of Bosnia and Herzegovina decide.

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 the concrete 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 competences 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 operational part.

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 against this Decision by filing a lawsuit within sixty (60) days of receipt thereof.

Number: 04-28-5-391-24/24
11 February 2025
Tuzla

Chairwoman of the Commission
Branislava Milekić