

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 „Komunalno Brčko" d.o.o., Brčko, number 03-02764/22 of 23 December 2022, at its session held on 16 February 2023, the State Electricity Regulatory Commission passed a

DECISION

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

Article 1

(Subject Matter)

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

(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 activity of electricity supply within the universal service shall amount to BAM 2,357,000.

Article 3

(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 the universal service *					
			Billing demand	Active power	Customer's metering point	Excessive withdrawal of reactive power		
Consumption categories and customer groups	Unit of measurement		BAM/kW/month	fening/kWh	BAM/month	fening/kvarh		
Name of category	Name of group	Time of day						
0.4 kV – other consumers	1 TG	VT	11.50	17.76	5.40	4.40		
		MT		8.88				
	2 TG	ST	3.08	19.40		3.95		
		VT		25.28				
3 TG	VT	1.85	16.00	5.40				
	MT		12.64					
0.4 kV – households	1 TG	ST	1.85			21.54	5.40	
		VT				10.77		
	2 TG	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 2023.
- (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.

Obrazloženje

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 23 December 2022, by its letter number 03-02764/22 Komunalno Brčko filed with SERC the application for setting of electricity distribution tariffs and tariffs for supply within the universal service.

On 28 December 2022, 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 Bosnia and Herzegovina, number 04-28-5-324-2/22.

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 30 December 2022. There were no entities interested in acquiring intervener status in the proceedings. A preliminary hearing was held on 18 January 2023, while the formal public hearing was held on 30 January 2023 in Brčko. The Presiding Officer's Report was submitted to the tariff applicant on 1 February 2023 who stated in the correspondence of 7 February 2023 that they had no comments or observations on the submitted 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. The regulated company is obligated to provide evidence that the proposed tariff meets the requirements under the BIH laws and SERC rules and regulations.

Table 1 provides data for the electricity supply activity as follows: approved costs for 2020, 2021 and 2021, planned costs for 2023 and the amount of approved costs for 2023.

Table 1.

	ELECTRICITY SUPPLY Type of cost	2020 Approved (BAM)	2021 Approved (BAM)	2022 Approved (BAM)	2023 Requested (BAM)	2023 Approved (BAM)
1.	Tangible costs	220,000	150,000	200,000	220,000	150,000
2.	Costs of services	150,000	150,000	150,000	160,000	100,000
3.	Labour costs	1,390,000	1,450,000	1,400,000	2,000,000	1,760,000
4.	Depreciation	150,000	150,000	150,000	160,000	157,000
5.	Non-tangible costs	100,000	100,000	100,000	90,000	100,000
6.	Other expenditures	30,000	30,000	30,000	30,000	30,000
7.	Costs of interest	30,000	30,000	30,000	30,000	30,000
8.	Regulatory fee	26,000	26,000	26,000	26,000	30,000
	Other costs and expenditures	2,096,000	2,086,000	2,086,000	2,716,000	2,357,000

All tariffs are determined in accordance with the Methodology for setting tariffs for electricity supply within public service in the Brčko District of BIH (Official Gazette of BIH, 90/14), hereinafter: the Methodology. Pursuant to Article 15 of the Methodology, the costs of electricity purchase are allocated to the tariff element *active power* while the costs of electricity supply within the universal service are allocated to the tariff element *charge per customer's metering point*. Table 2. presents an estimated number of customers in the middle of 2023 and planned electricity consumption per consumption category realised in 2023:

Table 2.

Consumption category	Number of customers	%	Consumption (kWh)	%
35 kV	1	0.003	8,000,000	3.10
10 kV	80	0.217	44,000,000	17.05
0.4 kV – other consumers	3,774	10.233	53,000,000	20.54
0.4 kV – households	32,569	88.308	142,500,000	55.23
0.4 kV – public lighting	457	1.239	10,500,000	4.07
Total	36,881	100.000	258,000,000	100.00

The customers belonging to the categories of households and other consumers (the customers entitled to supply within the universal service) participate with 98.54% in the total number of customers in the area of the Brčko District of BIH.

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

The approved amount of costs in the supply activity amounting to BAM 2,357,000 is 12.99% higher than the supply cost which was approved in the previous tariff proceeding amounting to BAM 2,086,000. By putting into a ratio the proposed amount with the total number of customers planned for the supply within the universal service in 2023, the amount of the charge per customer's metering point of 5.40 BAM is reached. It is a 4.85% increase in comparison to the previous value of the charge per customer's metering point of BAM 5.15.

Komunalno Brčko requested an increase in an average price of electricity supply within the universal service by 28.14% where the average increase in price for customers belonging to the categories of households and 0.4 kV- other consumers would be increased by 29.48% and 24.89% on average respectively. Furthermore, a 15% increase in the tariff element of active power for 1TG in the category of 0.4 kV- other consumers was requested. Furthermore, it was requested that a profit be recognised to the public supplier amounting to 2% of total cost of electricity procurement for the consumption categories supplied within the universal service, which is in accordance with Article 14 of the Methodology, which would enable Komunalno Brčko to ensure a symbolic reserve of funds for electricity procurement under the existing unfavourable conditions. In case of any deviation from the planned volumes of energy on a quarterly basis, Komunalno Brčko will pay 78.7056 fening/kWh (402.42 €/MWh) for the exceeded amount.

Furthermore, the elimination of differentiated tariff rates per seasons was requested where an extremely high electricity purchase price is the main reason for the change of the tariff design, and the elimination of the seasonal tariff differentiation would enable a continuous revenue from electricity sale to end-customers, thus mitigating to some extent a 'financial shock' for the company.

The planned electricity volume to be delivered to the categories of *households* and *other consumers* in 2022 amounts to 142.50 GWh and 53 GWh respectively.

As the main reason for the request to increase the tariff rates for electricity distribution, an increase in the electricity purchase price for 2023 was stated, which Komunalno Brčko agreed with the provider MH “Elektroprivreda Republike Srpske” – Parent Company, a.d., Trebinje, which amounts to 14.5044 fening/kWh, which is a 33.6% increase in comparison to price realisation for purchase of electricity in 2022, which amounted to 10.8560 fening/kWh. The agreed purchase price of electricity in 2023 includes 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. Furthermore, in case of any deviation in the withdrawal of electricity from the volumes planned on a quarterly basis, Komunalno Brčko will pay 78.7056 fening/kWh (402.42 €/MWh) for the exceeded amount of electricity withdrawn.

A calculative price for calculation of costs for electricity purchase amounts to 13.0850 fening/kWh, and it comprises the price of energy of 12.7129 fening/kWh and the price of imbalances of 0.3721 fening/kWh, and it represents the value of the contracted electricity purchase price for 2023 amounting to 14.5044 fening/kWh, reduced by transferred-in costs which were considered when setting the electricity distribution tariff.

Consequently, the costs of electricity procurement for the electricity supply within the universal service amount to BAM 25,581,175, of which BAM 18,646,125 for the customers in the category of households and BAM 6,935,050 for the customers in the category of other consumers.

During the formal public hearing Komunalno Brčko stated that pursuant to the Electricity Law of the Brčko District of BIH, certain number of customers belonging to the category of other consumers with annual consumption exceeding 35,000 kWh lost their status of ‘small customer’, so for these customers the price of electricity supply was set in a market-based manner. On 31 January 2023, Komunalno Brčko informed SERC by its letter of these facts and stated that this covers 312 customers belonging to the category of other consumers (8.41% of total number of customers under this category) which has the realisation of 29.861.506 kWh in 2022, or 57.78% of consumption in this category.

In 2022, an amount of 0.879 GWh of electricity treated as ‘self-consumption’ is noted. This energy has not been evaluated in financial terms and it is used for supply of the regulated company’s facilities. Energy for self-consumption in 2023 is balanced to an amount of 0.9 GWh.

The labour costs in term of the amount are dominant costs in business operations of the regulated company and account for 74.4% of total cost of the supply activity. Furthermore, non-transparent allocation of labour costs has been noticed for a longer period pertaining to the employees of the Work Unit of Administration who are engaged in the activities of electricity distribution and supply. During the formal public hearing it was explained that 83% of the employees of the Work Unit of Administration had been engaged in the activities of electricity distribution and supply. Out of this number, 70% of these employees had been engaged in tasks within the distribution activity while 30% had been engaged in the supply activity. Furthermore, Komunalno Brčko did not analyse the number of employees in terms of allocation to the regulated (universal service) and non-regulated part of the supply activity.

Taking into consideration the need of Komunalno Brčko to hire specialised workforce and the relatively low salaries of the employees, and having regard to the existing inflation rate which amounted to 14.8% in 2022, and accepting the argumentation of the regulated company about the need to attract specialised workforce as well as the need to keep the existing specialised staff in the company, an amount of BAM 1,760,000 is approved for labour costs in the electricity supply activity, which is around 10% increase in comparison to the realisation in 2022.

Pursuant to Article 15 paragraph (1) of the Methodology, total costs of electricity purchase are allocated to the tariff element active power, which results in an increase in tariff rates for active power in the categories of *households* and 0.4 kV- *other consumers*. An average selling price for supply of customers within the universal service increased by 26.35% both for the consumption categories of *households* and 0.4 kV- *other consumers* in comparison to the average prices in these consumption categories realised in 2022. The given changes in the average prices per consumption category are the result of the projection based on the capacity and electricity volumes realised within the consumption category, tariff groups and time-of-day periods in 2022, i.e. the energy consumption pattern which was submitted within the tariff application of Komunalno Brčko. Any change in energy volumes per consumption categories, tariff elements, tariff groups and time-of-day periods will be reflected in deviations from the average price changes projected in this manner.

While setting the tariff rates for electricity supply within the universal service, the seasonal tariff rates were calculated in 1:1 ratio, instead of the previous ratio of 1.3:1, thus accepting the arguments of Komunalno Brčko regarding the need to equalise the seasonal tariff rates.

Furthermore, taking into account the amount of approved cost for electricity supply within the universal service and consequently the increase in tariff rates for the customers supplied within the universal service, in order to limit a significant increase in electricity costs for customers belonging to the consumption category of households, the Commission decided not to approve profit within the activity of electricity supply within the universal service in this tariff proceeding.

As SERC is obligated to gradually eliminate the existing cross-subsidies between the categories of *other consumers* and *households* pursuant to Article 21 of the Methodology, with the aforementioned changes in tariff rates the cross-subsidy is projected to 9.8%, which is significantly less in comparison to the existing cross-subsidies with other public suppliers in BIH.

Taking into account the importance of continuous electricity supply for all customers in the Brčko District of BIH as well as the obvious increase in prices on the regional power exchanges, an active role of the relevant institutions of the Brčko District of BIH continues to be necessary through special protection programmers for the vulnerable customer categories. Furthermore, these institutions can provide appropriate financial assistance to the public supplier in the electricity procurement in line with applicable practice in the countries in the region and Europe during the current energy crisis.

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 activity of electricity supply within the universal service 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: 04-28-5-324-27/22
16 February 2023
Tuzla

Chairman of the Commission
Suad Zeljković