

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 03-39-AdminE-004 of 8 November 2019, at its session held on 11 March 2020, the State Electricity Regulatory Commission adopted 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 „Komunalno Brčko" d.o.o. Brčko (hereinafter: Komunalno Brčko) for the activity of electricity supply within the universal service shall amount to BAM 2,096,000.

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 take-off of reactive energy	
Consumption categories and customer groups		Unit of measurement	BAM/kW/month		fening/kWh		BAM/month		fening/kvarh	
		Season								
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		8.77		5.15		4.19	
		MT			4.39					
	2 TG	ST	3.41	2.62	17.68	13.59			4.30	3.31
		VT			20.36	15.66				
	3 TG	VT	1.95	1.50	10.18	7.83			5.15	
		MT			13.58	10.45				
0.4 kV – households	1 TG	ST	1.95	1.50	15.72	12.10	5.15			
	2 TG	VT			7.86	6.05				
		MT								

* Tariff rates do not include value added tax.

Article 4
(Billing Demand)

Billing demand shall amount to 5 kW for customer groups belonging to consumption category at 0.4 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
(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 Tariff Rates)

Komunalno 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 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 April 2020.
- (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 d.o.o., 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 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.

Komunalno Brčko is the holder of the 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 number 05-28-12-413-27/12 of 17 January 2013 (Official Gazette of BiH, 5/13) and the licence for the activity of electricity trading and supply in territory of Bosnia and Herzegovina, registration number: 05-28-12-223-16/17 granted pursuant to the SERC Decision number 05-28-12-223-16/17 of 11 October 2017 (Official Gazette of BiH, 75/17).

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 8 November 2019, by its letter number: 04-28-5-391-1/19 Komunalno Brčko filed with SERC the application for setting of electricity distribution tariffs and tariffs for supply within the universal service.

The tariff proceedings were initiated by the adoption of a SERC 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 04-28-5-391-2/19 of 13 November 2019.

The tariff proceedings were conducted pursuant to SERC rules. A notice on initiating the proceedings and a press release were issued on 15 November 2019. There were no entities interested in acquiring intervener status in the proceedings. A preliminary hearing was held on 3 December 2019 in Tuzla, while the formal hearing was held on 11 December 2019 in Brčko. The Presiding Officer's Report was submitted to the tariff applicant on 27 December 2019. Komunalno Brčko submitted its comments on the Presiding Officer's Report on 9 January 2020.

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 of the Company for the activity of electricity supply present the planned costs and expenditures for 2020, estimations for 2019 and realisation for the period 2017 – 2018 (Table 1).

Table 1.

Costs and expenditures (BAM)	2017 Approved (BAM)	2018 Approved (BAM)	2018 Realised (BAM)	2019 Estimated (BAM)	2020 Planned (BAM)	Approved (BAM)
Tangible costs	248,500	248,500	229,113	220,000	250,000	220,000
Costs of services	150,100	150,100	124,123	120,000	150,000	150,000
Labour costs	1,350,600	1,350,600	1,451,405	1,390,000	1,550,000	1,390,000
Depreciation	150,000	150,000	160,184	130,000	200,000	150,000
Non-tangible costs	100,000	100,000	122,296	100,000	100,000	100,000
Other expenditures	120,000	30,000	20,188	30,000	30,000	30,000
Costs of interest	30,000	30,000	140,109	120,000	30,000	30,000
Regulatory fee	26,000	26,000	26,000	26,000	26,000	26,000
Total	2,175,200	2,085,200	2,273,418	2,136,000	2,336,000	2,096,000

Table 2 presents an estimated number of customers on 31 December 2019 and electricity consumption per consumption category realised in 2019:

Table 2.

Consumption category	Number of customers	%	Consumption (kWh)	%
35 kV	1	0.003	8,064,000	3.32
10 kV	31	0.087	39,093,576	16.11
0.4 kV – other consumers	4,319	12.102	50,571,697	20.83
0.4 kV - households	30,915	86.623	134,840,991	55.55
0.4 kV – public lighting	423	1.185	10,167,672	4.19
Total	35,689	100.00	242,737,936	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 the 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 the 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.

Komunalno Brčko requested an increase in an average price of electricity supply within the universal service by 6.96% where the average increase in price for customers belonging to the categories of *households* and 0.4 kV-*other consumers* would be increased by 7.4% and 5.6% on average respectively. Furthermore, a 25% increase in the tariff element of active power for 1TG in the category of 0.4 kV-*other consumers* was requested. As the average number of customers in the Brčko District has been constant for a longer period, the Commission accepted the Presiding Officer's argumentation with regard to setting the amount of individual costs as provided in Table 1, and approved the amount of 2,096,000 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 2020 amounts to 138.85 GWh and 51.37 GWh respectively.

Komunalno Brčko signed a new power purchase agreement for the period January – December 2020, with the price of 10.2318 fening/kWh which includes the cost of electricity and transferred-in costs (cost of balancing, the tariff for operation of the ISO BiH and Elektroprenos BiH and the tariff for system service). Through an annex to the agreement this amount increased to 10.2874 fening/kWh taking into account an increase in the tariff for system service as of 1 January 2020. These transferred-in costs were considered when setting the tariffs for electricity distribution and they amounted to 1.5675 fening/kWh, and with their deduction from the purchase price for 2020 an amount of 8.6643 fening/kWh is reached as a calculative price for calculation of the electricity purchase costs. Subsequently, the costs of purchasing energy for supply of customers that are supplied within the universal service amount to 16,481,495 BAM, of which 12,030,445 BAM for customers in the category of *households* and 4,451,050 BAM for the customers belonging to the category *other consumers*.

The application of the provision of Article 15.1 of the Methodology for setting tariffs for electricity supply within public service in the Brčko District of BiH results in the allocation of total purchase costs 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 in the consumption categories of *households* and *0.4 kV-other consumers* increased by 4.5% and 0.5% respectively in comparison to the average prices in these consumption categories realised in 2018. 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 a consumption category, tariff groups and time-of-day and seasonal periods in 2018, i.e. the energy consumption patten which was submitted within the tariff application. Any change in energy volumes per consumption categories, tariff elements, tariff groups and time-of-day and seasonal periods will be reflected in deviations from the average price changes projected in this manner.

Furthermore, taking into account the amount of approved cost for electricity supply within the universal service as well as the need to avoid hikes in tariffs in accordance with the best international regulatory practice, 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 the Methodology for setting of tariffs for electricity supply within the public service in the Brčko District of BiH, with the aforementioned changes in tariff rates the cross-subsidy is projected to 10.5% which is significantly less in comparison to the existing cross-subsidies with other public suppliers in BiH.

As in the previous tariff proceedings, an amount of 0.7 GWh of electricity treated as ‘self-consumption’ is noted, which is used by for the purpose of heating, self-consumption by the facilities and power supply in the water supply activity. This energy has not been evaluated in financial terms and continuously puts at risk the business operation of the electricity distribution activity and the activity of electricity supply within the universal service. Komunalno Brčko reduced ‘self-consumption’ significantly in comparison to the previous period, but the subsidising of the water supply activity at the expense of electricity activities is still maintained, which is not acceptable from the aspect of regulatory practice.

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. With the transparent and optimal allocation of the employees, the Company may significantly influence on the labour costs which comprise more than 50% of total operational costs and improve its business performance

Taking into account the importance of continuous electricity supply for all customers in the Brčko District of BiH, 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.

It is the opinion of the Commission that the proposed tariff rates provide the realistic basis for the regulated company to realise the revenue requirement in the activity of supply within the universal service sufficient 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 of realisation of 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 to also regulate the issues of electricity supply within the universal service in the area of the Brčko District of BiH, the Commission decided as provided in the operative part 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 against this Decision by filing a lawsuit within sixty (60) days of receipt thereof.

Number: 04-28-5-391-22/19
11 March 2020
Tuzla

Chairman of the Commission
Suad Zeljković