

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 03-02873/21 of 4 October 2021, at its session held on 15 December 2021, 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 2,086,000.

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	Season	VS	NS	VS	NS	VS	NS	VS	NS
		Time of day	(winter)	(summer)	(winter)	(summer)	(winter)	(summer)	(winter)	(summer)
0.4 kV – other consumers	1 TG	VT	11.50		10.09		5.15		4.19	
		MT			5.05					
	2 TG	ST	3.41	2.62	17.95	13.79			4.30	3.31
		VT			21.38	16.44				
3 TG	MT			10.69	8.22					
	ST			14.12	10.87					
0.4 kV – households	1 TG	VT	1.95	1.50	16.66	12.83	5.15			
		MT			8.33	6.41				
	2 TG			8.33	6.41					

* 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
(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)

Komunalno 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 January 2022.
- (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. 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: 05-28-12-223-16/17 granted pursuant to the SERC Decision on 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 4 October 2021, by its letter number 03-02873/21 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 04-28-5-264-6/21 of 13 October 2021.

The tariff proceedings were conducted pursuant to SERC rules. A notice on initiating the proceedings and a public notice were issued on 15 October 2021. There were no entities interested in acquiring intervener status in the proceedings. A preliminary hearing was held on 4 November 2021 via an on-line platform, while the formal public hearing was held on 10 November 2021 in Brčko. The Presiding Officer's Report was submitted to the tariff applicant on 30 November 2021. There were no comments by the applicant 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.

Table 1 provides data for the activity of electricity supply as follows: approved costs for 2018, 2019 and 2020, estimated costs for 2021, planned costs for 2022 and the amount of approved costs for 2022.

Table 1.

	SUPPLY Type of costs	2018 and 2019 Approved per each year (BAM)	2020 Approved (BAM)	2021 Estimated (BAM)	2022 Requested (BAM)	2022 Approved (BAM)
1.	Tangible costs	248,500	220,000	150,000	200,000	220,000
2.	Costs of services	150,100	150,000	150,000	150,000	150,000
3.	Labour costs	1,350,600	1,390,000	1,450,000	1,400,000	1,400,000
4.	Depreciation	150,000	150,000	150,000	150,000	150,000
5.	Non-tangible costs	100,000	100,000	100,000	100,000	80,000
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	26,000
	Total costs and expenditures	2,085,200	2,096,000	2,086,000	2,086,000	2,086,000

Table 2 presents an estimated number of customers at the beginning of 2022 and electricity consumption per consumption category realised in 2020:

Table 2.

Consumption category	Number of customers	%	Consumption (kWh)	%
35 kV	1	0.003	7,140,000	2.93
10 kV	67	0.183	39,741,163	16.31
0.4 kV – other consumers	3,735	10.228	48,091,033	19.73
0.4 kV - households	32,270	88.365	138,369,227	56.78
0.4 kV – public lighting	446	1.221	10,346,388	4.25
Total	36,519	100.00	243,687,811	100.00

The customers belonging to the categories of *households* and *other consumers* (the customers entitled to supply within the universal service) participate with 98.59% in the total number of customers in the area of the 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 6.2% where the average increase in price for customers belonging to the categories of *households* and 0.4 kV- *other consumers* would be increased by 6.43% and 5.92% 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 for setting tariffs for electricity supply within public service in the Brčko District of Bosnia and Herzegovina (Official Gazette of BiH, 90/14, hereinafter: the Methodology).

As the average number of customers in the Brčko District of BiH 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 2,086,000 BAM for the activity of supply within the universal service, that is, to keep 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 2022 amounts to 141.87 GWh and 50.47 GWh respectively.

Komunalno Brčko signed an Agreement on electricity purchase and delivery for the needs of consumption in the Brčko District of BiH for 2021 and 2022. The agreed purchase price of electricity in 2022 amounts to 10.8855 fening/kWh which includes the costs incurred on the basis of the tariff for electricity transmission services, tariff for operation of an independent system operator, tariff for system service and costs of balancing. These transferred-in costs were considered when setting the tariffs for electricity distribution and they amounted to 1.4388 fening/kWh at the moment of signing the electricity purchase agreement, and with their deduction from the purchase price for 2022 an amount of 9.4467 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 within the universal service amount to 18,170,028 BAM, of which 13,402,175 BAM for customers in the category of *households* and 4,767,853 BAM for the customers belonging to the category *other consumers*. The Commission notes down that by signing a two-year agreement Komunalno Brčko has reached the purchase price for 2022 at the approximately the same level as in 2021.

In the first ten months of 2021, an amount of 0.57 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 2022 is balanced to an amount of 0.7 GWh.

The labour costs in term of the amount are dominant costs in business operations of the regulated company and account for 67% 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.

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 in the consumption categories of *households* and 0.4 kV- *other consumers* increased by 3.77% and 3.17% respectively in comparison to the average prices in these consumption categories realised in 2021. 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 and seasonal 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 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 these tariff proceedings.

As SERC is obligated to gradually eliminate the existing cross-subsidies between the categories of *other consumers* and *households* pursuant to the Methodology, with the aforementioned changes in tariff rates the cross-subsidy is projected to 12.2%, 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.

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: 04-28-5-264-19/21
15 December 2021
Tuzla

Chairwoman
Branislava Milekić