

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: 03-01824/17 of 25 September 2017, at the session held on 27 December 2017, 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 2,085,200 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	BAM/kW/month		fening/kWh		BAM/month		fening/kvarh	
Name of category	Name of group	Season	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		7.92		5.15		4.19	
		MT			3.96					
	2 TG	ST	3.41	2.62	17.38	13.36	5.15			
		VT			20.02	15.40		4.30	3.31	
	3 TG	MT			10.01	7.70				
0.4 kV –households	1 TG	ST	1.95	1.50	12.61	9.70	5.15			
		VT			14.30	11.00				
	2 TG	MT			7.15	5.50				

*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 2018.
- (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 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 (Official Gazette of BiH, 5/13) and the licence for electricity trading and supply in territory of Bosnia and Herzegovina, registration number: 05-28-12-223-16/17 granted pursuant to the SERC decision (Official Gazette of BiH, 75/17).

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 27 September 2017, by its letter number: 04-28-5-310-1/17 the Company filed with SERC the application for setting electricity distribution tariffs and tariffs for supply within 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: 04-28-5-310-3/17 of 11 October 2017.

The tariff proceedings were conducted pursuant to SERC rules and procedures. A notice on initiating the proceedings and a public notice were issued on 12 October 2017. There were no entities interested in acquiring intervener status in the proceedings. A preliminary hearing was held on 8 November 2017 in Tuzla, while the formal hearing was held on 15 November 2017 in Brčko. The Presiding Officer's Report was submitted to the tariff applicant on 5 December 2017. *Komunalno Brčko* submitted its comments on the Presiding Officer's Report on 12 December 2017.

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 2018 and realisation for the period 2014 – 2017 (Table 1).

Table 1.

Costs and expenditures (BAM)	2014	2015	2016 Approved	2017 Estimated	2018 Planned	2018 Approved
Tangible costs	320,000	508,250	248,500	248,500	250,000	248,500
Costs of services	178,500	389,592	150,100	150,100	150,000	150,100
Labour costs	1,555,328	2,440,607	1,350,600	1,350,600	1,620,000	1,350,600
Depreciation	170,000	334,358	150,000	150,000	150,700	150,000
Non-tangible costs	165,000	240,188	100,000	100,000	120,000	100,000
Other expenditures	190,000	119,543	120,000	120,000	146,000	30,000
Costs of interests	120,000	185,349	30,000	30,000	50,000	30,000
Regulatory fee			26,000	26,000	26,000	26,000
Total	2,698,828	4,217,887	2,175,200	2,175,200	2,512,700	2,085,200

Table 2 presents an estimated number of customers and electricity consumption per consumption category in 2018.

Table 2.

Consumption category	Number of customers	%	Consumption (kWh)	%
35 kV	1	0.003	9,904,568	3.88
10 kV	44	0.124	37,066,504	14.51
0.4 kV – other consumers	3,759	10.611	54,654,122	21.40
0.4 kV – households	31,189	88.045	143,207,067	56.07
0.4 kV – public lighting	431	1.217	10,559,781	4.13
Total	35,424	100.000	255,392,042	100.00

The customers belonging to the categories of households and other consumers (the customers entitled to supply within the universal service) participate with 98.66% 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 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.

Compared to the previous period, the Company asked for a 15% increase of the cost of supply in 2018. However, 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 2,085,200 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 2018 amounts to 143.8 GWh and 54.65 GWh respectively. Taking into account power purchase arrangements in the previous period, and an increase of purchase price in 2017 which had negative effects on the business activities of the Company, for 2018 the Commission approved the purchase price of 9.00 fening/kWh which is 12% higher than the price approved previously (8.025 fening/kWh). The purchase price projected in this manner enables the reasonable balance between the electricity purchase costs and the final price for the customers within the universal service. Furthermore, taking into account that the transferred-in costs amount to 1.217 fening/kWh (average transmission network charge for customers in the Brčko District amounting to 0.839 fening /kWh, tariff for the ISO operation amounting to 0.0592 fening /kWh, tariff for system service amounting to 0.3187 fening /kWh), which as such were considered in the tariff proceedings for the electricity distribution tariff, they result in the

amount of 7.783 fening/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 15,166,357 BAM, of which 11,145,806 BAM for customers in the category of households and 4,020,551 BAM for the customers belonging to the category other consumers.

Pursuant to the Methodology for setting of tariffs for electricity supply within the public service in the Brčko District of BiH, SERC is obligated to gradually eliminate cross-subsidies between other consumers and households inherited from the previous period. Acting upon this, in the previous tariff proceedings SERC significantly reduced cross-subsidies between these two consumption categories. Taking into account the amount of approved cost for supply within the universal service as well as avoiding 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 to maintain the achieved level of cross-subsidies. In this manner, a part of purchase costs for the category of households amounting to 673,000 BAM was allocated to the category of other consumers, consequently an average selling price for supply of customers under the category of other consumers increased by 3.0% while an average selling price for customers under the category of households increased by 7.6% in comparison to the previous one.

As in the previous tariff proceedings, an amount of 3.95 GWh treated as “self-consumption” is noted, which is used by the Company for the purpose of power supply in the water supply activity and heating and self-consumption in its facilities. 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 supply within the universal service. In this manner, the water supply activity has been directly subsidised at the expense of electricity activities, 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 BiH, an active role of the relevant institutions of the Brčko District BiH is necessary through special protection programmers for the vulnerable customer categories.

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 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 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 extended 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 distribution for customers 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 receiving this decision.

Number: 04-28-5-310-21/17
27 December 2017
Tuzla

Chairman of the Commission
Nikola Pejić