Pursuant to Articles 4.2 and 4.8 of the Law on Transmission, Regulator and Electricity System Operator in Bosnia and Herzegovina (“Official Gazette of BiH”, 7/02, 13/03, 76/09 and 1/11), Article 14 of the Statute of the State Electricity Regulatory Commission (“Official Gazette of BiH”, 41/03 and 59/04) and Article 42 of the Rules of Procedure (“Official Gazette of BiH” 2/05), at the session held on 6 November 2014, the State Electricity Regulatory Commission adopted

METHODOLOGY
FOR SETTING TARIFFS FOR ELECTRICITY SUPPLY WITHIN PUBLIC SERVICE IN BRČKO DISTRICT OF BOSNIA AND HERZEGOVINA

Article 1
(Subject)

This act defines a methodology for setting tariffs for electricity supply within the public service (hereinafter: the Methodology), i.e., the universal service and last resort supply service in the Brčko District of Bosnia and Herzegovina.

Article 2
(Terms and Abbreviations)

The terms and abbreviations used in this Methodology shall have the following meaning:

‘Balance responsible party’ means a market participant that undertakes financial responsibility for the net imbalance (balancing generation, consumption and exchange) or for the net imbalance of a group of market participants, including the group.

‘Default supplier’ means the power entity holding a supply license and performing the supply with electricity as the public service, i.e., the supply within the universal service and last resort supply.

‘Small customer’ means small and commercial electricity customers whose facilities are connected to the distribution system at the voltage level lower than 1 kV and that have less than 50 employees with total annual revenue not exceeding 10 million BAM.

‘Electricity procurement’ means purchase of electricity through bidding, auctions, power exchanges or in any other manner as stipulated by the Law.

‘Charge per customer’s metering point’ means the tariff element reflecting costs of the electricity supply activity within the universal service.

‘Regulatory period’ means the period in which the same relevant criteria are used to determine approved costs of power entities’ business operations.

‘Electricity supply within the universal service’ means purchase of electricity and sale of electricity to end customers belonging to the category of households and small customers in a unique manner at realistic, clearly comparable and transparent prices.

‘Last resort supply’ means a special method of electricity sale within the electricity supply which is performed as the public service through ensuring the right to the electricity supply under regulated conditions to those customers that have lost their supplier under specific circumstances.

‘Tariff elements’ means billing volumes through which results of a regulated entity are indicated and which are used to calculate prices of these results.
‘Universal service’ means the right of households and small customers to be supplied with electricity of certain quality at economically justified, clearly and easily comparable and transparent prices.

I UNIVERSAL SERVICE

Article 3
(Regulatory Period)

(1) The regulatory period is one calendar year.

(2) Total expenditures and total incomes in relation to business operation of the default supplier performing the universal service shall cover the regulatory period.

Article 4
(Expenditures and Incomes of Default Supplier)

(1) Total expenditures of the default supplier shall be based on business plans.

(2) The default supplier shall develop a business plan for the forthcoming calendar year which includes of planned costs of electricity purchase and costs and expenditures of business operations related to performance of the universal service and last resort supply service.

(3) Total incomes of the default supplier earned by applying tariff rates for the universal service shall cover approved costs of the default supplier.

Article 5
(Unbundling of Accounts)

The default supplier is obligated to keep incomes and expenditures related to the provision of universal service separately from incomes and expenditures related to business operation in the open electricity market.

Article 6
(Electricity Price within Public Service)

The price at which the default supplier delivers electricity to customers within the universal service shall include costs of energy purchase, costs of network fees (transmission and distribution fees) and costs of supply.

Article 7
(Fees and Taxes)

The price referred to in Article 6 of this Methodology does not include fees to incentivise production from renewable energy sources and the amount of value added tax which, pursuant to the applicable rules and regulates, is stated separately on electricity bills.

Article 8
(Electricity Procurement)

(1) The default supplier shall develop electricity forecasts for multiannual, annual, quarterly, monthly, weekly and daily periods.
(2) The default supplier shall purchase electricity in the electricity market for different periods based on electricity forecasts.

(3) Hourly loads of end customers that are supplied within the universal service shall be estimated based on an analysis of realised hourly load profiles.

(4) For those consumption categories, that is, customer groups supplied within the universal service, where customers do not have time-of-use meters, a distribution system operator is obligated to prepare alternative load profiles.

(5) The default supplier shall purchase electricity in an economic and efficient manner with a view to selecting the economically most favourable bid.

(6) The default supplier shall purchase electricity using a transparent method of purchase. When purchasing electricity the standard conditions of sale shall apply (periods of delivery, volumes, location of delivery, unit price, payment terms and conditions, payment guarantees etc.).

(7) Any purchase of electricity produced using renewable energy sources which are in the system of incentives and cogeneration, shall be kept separately from the purchase referred to in Paragraph (5) of this Methodology and shall be stated separately both in accounting and statistical reports.

(8) The default supplier shall submit to SERC data on electricity purchases per purchase period and purchase method.

**Article 9**

*(Deviations from Submitted Daily Schedules)*

(1) The default supplier, as a balance responsible party, shall pay, that is, charge for, deviations from the submitted daily schedule, pursuant to Market Rules, in line with calculations performed by an independent system operator.

(2) The default supplier shall make expenditures, that is, incomes based on deviations from the submitted daily schedule, depending on volumes and directions of deviations.

(3) SERC shall approve a total difference between expenditures and incomes based on deviations if its amount exceeds 0.2% of the value of electricity purchased in the observed calendar year.

(4) When purchasing electricity, the default supplier may conclude full supply contracts in case of which the default supplier shall be exempted from costs of balancing, that is, those costs shall be assumed by the other contracting party.

**Article 10**

*(Total Costs of Electricity Purchase)*

Total costs of electricity purchase with a view to supplying customers within the universal service shall include costs of purchase and the difference between expenditures and incomes based on deviations from submitted daily schedules pursuant to Article 9, Paragraph (3) of this Methodology.

**Article 11**

*(Costs of Electricity Transmission and Distribution Services)*

(1) Costs of electricity transmission services shall reflect costs of electricity transmission which are defined by SERC based of the Tariff pricing methodology for services of
electricity transmission, operation of independent system operator and ancillary services – revised text ("Official Gazette of BiH", 93/11 and 61/14).

(2) Costs of electricity distribution services shall reflect costs of electricity distribution in the Brčko District of BiH which are defined by SERC based on the Methodology for development of tariffs for services of electricity distribution in Brčko District of Bosnia and Herzegovina ("Official Gazette of BiH", 89/11).

(3) For customers connected to the distribution system, tariffs for transmission services, tariff for operation of independent system operator and tariff for system service shall be included in the price for electricity distribution services unless otherwise stipulated by a contract on energy purchase.

Article 12

(Price of Supply Service within Universal Service)

The price of supply service within universal service shall reflect costs of processing metering point and customer data, administration of contracts, invoicing and billing, bill collection and operation of customer service centres.

Article 13

(Costs of Supply Service within Universal Service)

(1) Costs of supply service within universal service shall include costs of materials, costs of services, labour costs, costs of depreciation of fixed assets and other costs and expenditures.

(2) When determining labour costs, it is necessary to state separately labour costs pertaining to the default supply activity and labour costs pertaining to the electricity distribution activity, that is, other activities within the default supplier’s scope of work.

(3) When determining costs of depreciation of fixed assets, it is necessary to state separately costs of depreciation of fixed assets pertaining to the default supply activity and costs of depreciation of fixed assets pertaining to the electricity distribution activity, that is, other activities within the default supplier’s scope of work.

(4) For the purpose of determining the costs referred to in Paragraph (3) and (4) adequate percentage shares may be used if the same assets, that is, the same employees, are used to carry out tasks and jobs within two or more different activities.

Article 14

(Profit of Default Supplier)

A profit not exceeding 2% of total electricity purchase costs shall be approved to the default supplier.

Article 15

(Allocation of Purchase Costs and Supply Costs to Tariff Elements)

(1) For the purpose of supplying customers within the universal service, total costs of electricity purchase increased by the approved profit of default supplier, shall be allocated to the tariff element ‘active power’.

(2) Costs of supplying customers within the universal service shall be allocated to the tariff element ‘charge per customer’s metering point’.
Article 16

(Tariff Element ‘Active Power’)

(1) Active power shall be determined by metering by means of an electric meter for active power, and it is expressed in kWh (kWh).

(2) The price of tariff element ‘active power’ shall be stated as currency unit per unit of consumed electricity (fening/kWh).

(3) Each customer connected to the distribution network is obligated to have an appropriate device for registration of take-on active power in accordance with the General Conditions for Electricity Supply and Distribution Grid Code for the Brčko District BiH.

Article 17

(Average Price of Tariff Element ‘Active Power’)

The average price of tariff element ‘active power’ \( p_a \) is calculated as follows:

\[
 p_a = \frac{C_{us}}{W_{us}}
\]

where:

- \( C_{us} \) – total cost of electricity purchase for the purpose of supplying customers within the universal service as defined in Article 10 of this Methodology, increased by the approved profit of default supplier
- \( W_{us} \) – total active electric power taken over by customers supplied within the universal service.

Article 18

(Differentiation of Tariff Rates within Tariff Element ‘Active Power’)

(1) Tariff rates are determined separately according to seasons, time of day and consumption categories and groups of customers supplied within the universal service.

(2) Tariff rates according to seasons are higher (VS) and lower (NS), and the ratio thereof shall be proposed by the default supplier in line with the realised load profile on an annual basis for the previous period.

(3) Tariff rates according to time of day are higher (VS) and lower (NS), and the ratio thereof shall be proposed by the default supplier in line with the realised load profile on a daily basis for the previous period.

(4) When filing a tariff application, the default supplier may propose the introduction, revocation or modification of any consumption category, customer group, duration and mutual ratio of seasonal and time of day tariffs for customers supplied within the universal service, subject to a final decision by SERC.

Article 19

(Tariff Element ‘Charge per Customer’s Metering Point’)

(1) The price of supply service within the universal service shall be calculated through tariff element ‘charge per customer’s metering point’.

(2) The charge for supply shall be stated as currency unit per customer on a monthly basis (KM/customer/month).
Article 20

*(Price of Tariff Element ‘Charge per Customer’s Metering Point’)*

The price of tariff element ‘charge per customer’s metering point’ $p_s$ is calculated as follows:

$$p_s = \frac{C_s}{(12 \times N_{us})}$$

where:

- $C_s$ – cost of supply service within the universal service
- $N_{us}$ – an average number of metering points in a calendar year.

Article 21

*(Elimination of Cross-Subsidies)*

With the aim of eliminating cross-subsidies between the consumption category ‘households’ and the category ‘other consumers’, the value of tariff rates for customers belonging to these categories will gradually converge in the following three years respecting the regulatory principle of avoiding price shocks.

II LAST RESORT SUPPLY SERVICE

Article 22

*(Price of Last Resort Supply Service)*

The price of last resort supply service shall include the cost of electricity purchase, cost of using the distribution, that is, transmission network and cost of last resort supply service which shall not exceed 5% of total electricity purchase costs.

Article 23

*(Fees and Taxes)*

The price referred to in Article 21 of this Methodology does not include fees to incentivise production from renewable energy sources and the amount of value added tax which the last resort supplier is obligated to state separately pursuant to the applicable rules and regulates.

Article 24

*(Price Monitoring of Last Resort Supply Service)*

1. The last resort supplier is obligated to submit and justify to SERC all costs based on which the price of last resort supply service is formed.
2. SERC shall monitor the method of determining the price of last resort supply service.

III TRANSITIONAL AND FINAL PROVISIONS

Article 25

*(Publication of Tariffs)*

The regulated entity is obligated to publish tariffs for supply within the universal service and last resort supply and make them publicly available.
Article 26

(Interpretation)

(1) SERC shall provide the interpretation of this act.

(2) If an issue is not treated in this document, SERC shall decide how to address it on a case by case basis or issue a special instruction for the application of some provisions of this Methodology.

Article 27

(Transitional Provision)

The tariff proceedings in cases where no decision has been made before this Methodology has entered into force, shall be finalised pursuant to the provisions of this Methodology.

Article 28

(Entry into Force)

This Methodology shall enter into force on the eighth day after its publication in the “Official Gazette of BiH”, and it shall also be published in the official gazette of the Brčko District of BiH.

Number: 04-28-5-321-10/14

6 November 2014

Tuzla

Chairman of the Commission

Nikola PEJIĆ