

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 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: 03.02-13339/14 of 7 November 2014, at its session held on 29 November 2014, the State Electricity Regulatory Commission adopted

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

(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	KM/kW/month		fening/kWh		KM/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		8.10		5.15		4.19	
		MT			4.05					
	2 TG	ST	3.41	2.62	17.78	13.68				
		VT			20.50	15.77	4.30	3.31		
	3 TG	MT			10.25	7.88				
0.4 kV – households	1 TG	ST	1.95	1.50	10.85	8.34	5.15			
		VT			12.28	9.45				
	MT	6.14			4.72					

* Tariff rates do not include value added tax.

Article 3

(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 4

(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 5

(Obligation to Publish Tariffs)

The Public Utility Company “Komunalno Brčko” d.o.o., Brčko Distrikt BiH 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 Brčko District BiH area.

Article 6

(Final Provisions)

- (1) This Decision shall enter into force on the day of its adoption and it shall be applied as of 1 January 2015.
- (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), the Company is 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 a license for performance of the electricity supply activity in the area of Brčko District of BiH, registration number: 05-28-12-413-30/12 granted pursuant to the SERC decision (“Official Gazette of BiH”, 5/13).

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.

In follow-up activities on drawing up transparent rules for regulation of electricity activities in the area of the Brčko District of BiH, on 6 November 2014, SERC adopted the *Methodology for setting tariffs for electricity supply within public service in Brčko District of Bosnia and Herzegovina*.

On 7 November 2014, the Company filed with SERC the application for setting electricity distribution tariffs and tariffs for supply within universal service number: 03.02-13339/14 (received by SERC under number: 04-28-5-358/14 on the same day).

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.

According to the 2015 Plan, the electricity volume planned by the Company for the need of supplying customers belonging to the category of households and other consumers in the Brčko District of BiH amounts to 216,967,785 kWh.

Data provided by the Electricity Distribution Company present planned costs and expenditures for 2015, realisation in 2013 and estimated realisation in 2014 (Table 1).

As in these tariff proceedings tariffs for supply within the universal service were to be set, the Commission focused its attention on setting the value of the related supply cost for the category of households and small customers which according to their characteristics fully belong to the category of other consumers.

According to data on planned consumption by end-customers in 2015, the number of customers belonging to the categories of households and other consumers participate with 98.8% in total number of customers, while consumption of the mentioned categories amounts to 83.9% of total electricity consumption in the Brčko District of BiH, which may be observed in the following table:

Consumption category	Number of customers	%	Consumption (kWh)	%
35 kV	1	0.003	12,734,408	4.93
10 kV	13	0.036	18,123,448	7.01
0.4 kV – public lighting	419	1.176	10,767,198	4.16
0.4 kV – other consumers	4,242	11.906	64,644,054	25.00
0.4 kV – households	30,954	86.879	152,323,731	58.90
Total	35,629	100.000	258,592,839	100.00

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

Taking into account the aforementioned and considering the state of play in supply costs of other companies involved in this activity in Bosnia and Herzegovina as well as the amount approved in the previous tariff proceedings, the amounts of 1,913,000 BAM and 262,200 BAM are approved for supply of households and other consumers respectively. Therefore, an

amount of 2,175,200 BAM is approved for electricity supply services within the universal service in the area of the Brčko District of BiH.

The following table presents data of the Company for the electricity supply activity as well as values approved for 2015.

Table 1.

Costs and expenditures (BAM)	2013 <i>(realised)</i>	2014 <i>(estimated)</i>	2015 <i>(requested)</i>	2015 <i>(approved)</i>
Tangible costs	300,690	320,000	355,000	248,500
Costs of services	182,106	178,500	206,000	150,100
Labour costs	1,556,180	1,555,328	1,500,000	1,350,600
Depreciation	120,795	170,000	200,000	150,000
Non-tangible costs	151,511	165,000	180,000	100,000
Other expenditures	176,625	190,000	195,000	120,000
Costs of interests and other financial costs				30,000
Regulatory fee				26,000
Total costs and expenditures	2,596,141	2,698,828	2,736,000	2,175,200

Taking into account the regulatory principle of avoiding sudden changes in tariffs and price shocks, considering the market opening process and the uncertainty with regard to the energy purchase price and other elements which are an integral part of sales arrangements for electricity supply in the Brčko District of BiH, the Commission decided not to approve any profit in the activity of electricity supply within the universal service in these tariff proceedings.

Taking into account the cost approved for the activity of supply within the universal service and the number of customers entitled to this type of supply, pursuant to *Methodology for setting tariffs for electricity supply within public service in Brčko District of BiH*, the price of tariff element *charge per customer's metering point* is set to an amount of 5.15 BAM customer/month.

The procedure for electricity purchase for the need of Brčko District in 2015 had not been completed, so the purchase price in 2015 is still unknown. Taking into account this fact, the purchase price from the second half of 2014 amounting to 8.025 fening/kWh was used to calculate tariff rates for customers belonging to the categories of households and other consumers. This price is by 12.89% higher than the average purchase price in 2013 which amounted to 7.109 fening/kWh. Furthermore, this price is by 6.44% higher than the average purchase price in 2014 which amounted to 7.567 fening/kWh.

It should be pointed out that purchase arrangements in 2014 stipulated the inclusion of transferred costs (costs of electricity transmission services, ISO services and system services) in the price of energy delivered to the Company. Taking into account this fact, the average purchase price amounts to 6.7 fening/kWh, because the difference includes the transferred costs amounting to 1.325 fening/kWh in total (tariff for transmission services - 0.889 0.2176 fening/kWh and covering losses in the transmission system – 0.1682 fening/kWh) which as such were considered within the tariff proceedings for electricity distribution.

According to the submitted data, the planned electricity volume for delivery to customers within the household category in 2015 amounts to 152.32 GWh. Considering the previous realisation of delivery in this category (131 GWh in 2013 and 128 GWh in 2014), therefore, a realistic estimation is taken into consideration when calculating final tariff rates, that is, a volume of 133, which is a 1.5% increase compared to the realisation in 2013. Taking into account the previous analysis, the cost of energy purchase for the consumption category of households is set to an amount of 8,911,000 BAM.

As far as other consumers are concerned, there is also a planned amount of energy for 2015 in the tariff application (64.64 GWh) which considerably deviates from the historical trend recorded for this category. In 2013, the realisation of consumption for this category amounted to 55 GWh, which means that, in terms of setting tariff rates, there is a planned increase of 1.5% for this energy, that is, an amount of 55.82 GWh. The cost of electricity purchase for the consumption category of other consumers amounts to 3,739,940 BAM.

Total costs of electricity purchase for customers supplied within the universal service in the area of Brčko District of BiH amount to 12,650,940 BAM.

Pursuant to the *Methodology for setting tariffs for electricity supply within public service in Brčko District of BiH*, SERC is obligated to gradually eliminate cross-subsidies that currently exist between other consumers and households. In 2013, the cross-subsidies between these two categories amounted to 37%.

Total cost of power activities for customers belonging to the category of households and other consumption in the Brčko District of BiH which are allocated to tariff rates, are set with the projected subsidies between these two categories of 22.7%, whereby a part of purchase costs for the category of other consumers amounting to 1.5 million BAM was allocated to the category of other consumers.

The process of correcting the price distortion between households and other consumers which has been inherited and, as such, present for decades, inevitably leads to somewhat higher increase in the electricity price for households. However, it should be kept in mind that there is already a program for subsidising the consumption category of households in the area of Brčko District of BiH, which has been implemented for a longer period giving the significant results because this program includes approximately a third of customers from the category of households, which makes it the most massive subsidy scheme also at the level of Bosnia and Herzegovina. In this context, it may be expected that the existing subsidy scheme would present a relevant mitigating factor in the situation where an increase in prices for households is unavoidable.

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 in 2015 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 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 supply for customers belonging to the category of households in the area of the Brčko District of BiH, the Commission decided as given 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 publishing this decision.

Number: 04-28-5-358-23/14
29 December 2014
Tuzla

Chairman of the Commission
Nikola Pejić