

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 33 of the Methodology for development of tariffs for services of electricity distribution in Brčko District of Bosnia and Herzegovina (Official Gazette of BiH, 89/11 and 90/14), deciding upon the application of the Public Utility Company *Komunalno Brčko* d.o.o. Brčko, number: 03-02088/16 of 10 May 2016, at the session held on 22 December 2016, the State Electricity Regulatory Commission passed a

## DECISION

### ON TARIFF RATES FOR ELECTRICITY DISTRIBUTION SERVICES IN BRČKO DISTRICT OF BOSNIA AND HERZEGOVINA

#### Article 1 (Subject)

This Decision defines tariffs, that is, electricity distribution prices presented through tariff rates which are used for billing and charging electricity distribution services for customers 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 electricity distribution activity shall amount to 12,613,908.10 BAM.

#### Article 3 (Tariff Rates)

Tariff rates for services of electricity distribution for customers in the Brčko District of Bosnia and Herzegovina shall be the following:

Description			Tariff rates for electricity distribution services*					
			Billing capacity		Active power		Excessive take-off of reactive energy	
Consumption categories and customer groups		Unit of measurement	BAM/kW/month		fening/kWh		fening/kvarh	
Name of category	Name of group	Season	VS (winter)	NS (summer)	VS (winter)	NS (summer)	VS (winter)	NS (summer)
		Time of day						
35 kV		VT	2.69		0.73		2.40	
		MT			0.37			
10 kV		VT	6.81		1.57		3.02	
		MT			0.78			
0.4 kV – public lighting		ST			6.16			
0.4 kV – other consumers	1 TG	VT	11.50		2.22		4.19	
		MT			1.11			
	2 TG	ST	3.41	2.62	4.95	3.81	4.30	3.31
		VT			5.64	4.34		
3 TG	VT			2.82	2.17			
	MT							
0.4 kV – households	1 TG	ST	1.95	1.50	4.40	3.39		
		VT			4.97	3.83		
	2 TG	MT			2.49	1.91		

\* The above tariff rates do not include value added tax.

**Article 4**  
**(Billing capacity)**

Billing capacity shall be 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 Daily Tariff Rates)**

- (1) Tariff rates for active energy shall be applied depending on the season as follows:
  - a) in high season (VS) from 1 October to 31 March,
  - b) in low season (NS) from 1 April to 30 September.
- (2) Tariff rates for active energy shall be applied depending on the time of the day 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 of 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)**

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 in the area of Brčko District BiH.

**Article 7**  
**(Final Provisions)**

This Decision shall enter into force on the day of the adoption and it shall apply as of 1 January 2017.

The statement of the Decision shall be published in the *Official Gazette of BiH* and the official gazette of Brčko District 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 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).

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 11 May 2016, by its letter number: 04-28-5-150-1/16 the Company filed with SERC the application for setting electricity distribution tariffs and tariffs for supply within universal service which was supplemented by letters number: 04-28-5-150-6/16 of 23 June and number: 04-28-5-150-8/16 of 8 July 2016.

The tariff proceedings were initiated by the adoption of a 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: 04-28-5-150-9/16 of 21 July 2016.

The tariff proceedings were conducted pursuant to SERC rules and procedures. A notice on initiating the proceedings and a public notice were issued on 22 July 2016. There were no entities interested in acquiring intervener status in the proceedings. A preparatory hearing was held on 11 August 2016 in Tuzla, while the formal hearing was held on 31 August 2016 in Brčko. The Presiding Officer's Report was submitted to the tariff applicant on 15 September 2016. There were no comments 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. Data provided by the Electricity Distribution Company present planned costs and expenditures for 2016 and realisation in 2013, 2014 and 2015 (Table 1).

Some difference in costs may be observed in the presented data, in terms of both the achieved financial values in 2015 and the plan for 2016 being considerably different compared to to-date trends, thus making the comparison and monitoring of these costs through the presented time horizon more difficult. So the costs of distribution activity in 2015 are lower by 31.6% compared to those incurred in 2014. This method of presenting data by the Company has direct implications on setting the total revenue requirement for the distribution activity and the amounts to be allocated to individual tariff elements. At the formal hearing, the Company did not provide any adequate explanation of the deviations occurring in the distribution activity costs.

Taking into consideration the aforesaid, the Commission fully agrees with the Presiding Officer's argumentation with regard to setting the amount of individual costs as provided in table 1, and approves the amount of 7,179,248 BAM for the purpose of servicing operational and capital costs of the distribution activity.

Table 1.

Costs and expenditures (BAM)	2013	2014	2015 (realised)	2016 (estimated)	2016 (approved)
Tangible costs	1,261,440	1,300,000	1,003,811	997,563	1,260,000
Costs of services	481,597	490,000	500,905	396,916	460,000
Labour costs	4,357,321	4,331,136	3,137,923	3,172,144	4,300,000
Depreciation	386,210	500,000	429,890	515,797	614,248
Non-tangible costs	391,147	410,000	308,813	344,809	263,000
Other expenditures	227,090	250,000	153,700	161,519	175,000
Costs of interests and other financial costs	139,158	170,000	124,055	130,952	50,000
Regulatory fee (distribution)			57,000		57,000
Total costs and expenditures	7,243,963	7,451,136	5,659,097	5,719,700	7,179,248

All network fees (charges) are calculated pursuant to the Methodology for development of tariffs for services of electricity distribution in Brčko District of Bosnia and Herzegovina (Official Gazette of BiH, 89/11 and 90/14).

With a view to setting distribution network charges, that is, tariff rates for electricity distribution services in the Brčko District of BiH, it is also necessary to set other costs which are an integral part of total costs of the distribution activity (the so-called transferred costs).

*Costs of distribution losses* are set based on the electricity purchase price which does not include transferred costs (tariff for transmission services, tariff for ISO operation and tariff for system service) and approved volumes of electricity to cover losses. A calculative price for calculation of costs to cover losses in the distribution network amounts to 6.70 fening/kWh. Pursuant to the Methodology, SERC is competent to approve a percentage of loss in the distribution network. The loss realised in 2015 amounted to 13.08% of total electricity purchased and are higher than the BiH average which amounts to 10.51%. With a view to cutting distribution losses and gradually reducing them to the level of BiH average, and taking into consideration operational measures continuously implemented by the Company in order to cut distribution losses, they are approved at the level of 12%, or 30,908,864 kWh, which finally results in the cost amounting to 2,070,893.86 BAM.

*Costs of transmission system* for distribution system users are set on the basis of unit price of 0.578 f/kWh and 1.472 BAM/kW for electricity planned to be taken over from the transmission system (257,573,864 kWh of electricity planned to be taken over and 512,072 kW of capacity planned to be taken over in 2016), and they amount to an absolute value of 2,242,547.21 BAM.

*Costs of operation of the Independent System Operator* based on the unit price of 0.0592 f/kWh and take-on of active power from the transmission network amount to 152,483.73 BAM.

*Costs on the basis of system tariff* (costs of proving capacity reserve for secondary and tertiary control and costs of losses in the transmission system) are calculated in accordance with a single tariff of 0.3781 f/kWh and amount to 968,735.30 BAM.

The total revenue requirement (total costs) to calculate the tariff for electricity distribution services in Brčko District BiH amounts to 12,613,908.10 BAM and comprises operational and capital costs of the distribution activity amounting to 7,179,248 BAM, costs of electricity losses in the distribution system amounting to 2,070,893.86 BAM and transferred costs (electricity transmission services, ISO services and system services) amounting to 3,363,766.24 BAM.

Pursuant to the Methodology, total cost of the Brčko District of BiH distribution system are allocated to consumption categories of distribution system users by tariff elements and rates.

It is the opinion of the Commission that the proposed tariff rates provide the realistic basis for the Company to realise the revenue requirement in the electricity distribution activity which would enable 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 also concrete the circumstances at 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 to also regulate electricity distribution issues 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 publishing this Decision.

Number: 04-28-5-150-25/16

Chairman of the Commission

22 December 2016

Tuzla

Suad Zeljković