



REPUBLIKA E SHQIPËRIË

## ENERGY REGULATORY AUTHORITY

### BOARD

### DECISION

**No. 25, Dated 25.01.2021**

### **ON THE APPLICATION OF THE DISTRIBUTION SYSTEM OPERATOR (DSO) COMPANY TO APPROVE THE ELECTRICITY DISTRIBUTION SERVICE TARIFF IN VOLTAGE LEVEL FOR 2021**

Based on article 16, article 19, article 20, letter “c”, article 21, of Law no.43/2015 “On Power Sector” as amended; Council of Ministers Decision no. 244, dated 30.03.2016, “On approving the conditions for imposing public service obligation, that shall be implemented to the licensee on power sector, which exercise the electricity production, transmission, distribution and electricity supply activity”, as amended and article 15 and 19, point 1, letter c and point 3 of the “Rules on ERE organization, operation and procedures”, approved with ERE Board Decision no.96, dated 17.06.2016, ERE Board, on their meeting dated 25.01.2021, after reviewing the report Protocol no. 13/5, dated 22.01.2021, prepared by the Tariff and Prices Directory, on the application of the distribution system operator (DSO) company to approve the electricity distribution service tariff in voltage level for 2021,

#### **Observed that:**

- ERE among others, based on the provisions of Article 19 of Law no. 43/2015, "On Power Sector", as amended, is the institution responsible for approving, in accordance with the principle of transparency, the cost of the provided service, tariffs for licensed activities for which public service obligation is imposed.
- DSO Company with official letter protocol no. 9811 dated 23.12.2020 (protocolled at ERE with protocol no. 1308 dated 28.12.2020), submitted the application for the tariffs of DSO in voltage level for 2021.
- DSO Company in its application proposed an average electricity distribution tariff of about 5.98 ALL / kWh from 4.79 ALL / kWh approved by ERE for 2015 and maintained in force for the years 2016 - 2020, as well as tariffs according to the voltage level of the Electricity Distribution System Operator for 2021, as follows:
  - a) Electricity distribution tariff in 35 kV voltage level-3.70 (ALL)/Kwh
  - b) Electricity distribution tariff in 6kV voltage level-4.00 (ALL)/Kwh
  - c) Electricity distribution tariff in 0.4 kV voltage level-6.30 (ALL)/Kwh

**Pursuant to the provisions of the " Rules on ERE Organization, Operation and Procedures", it results that DSO company for purposes of this application submitted:**

- A general information and statements about the distribution activity, listing its main responsibilities which derive from the laws, bylaws and regulatory acts in force, including the costs that the distribution tariffs intend to cover.
- In the application it was observed that only the values of the components of the required income are presented, not accompanied by explanations, analysis and accompanying documentation for each item of these expenses.
- DSO company considers 2020 as a testing year , which is already closed and the company has data on the realization of each technical, economic and financial indicator but does not reflect and argue data on costs and revenues and applied/realized tariffs for each voltage level.

**Pursuant to the provisions of the " Methodology for calculating the tariffs in the electricity distribution system operator ", for the purposes of this application by DSO company it was observed that:**

- The company has not presented analytically each group of the allowed operating expenses (OPEX) expenditures and has not argued their actual realization according to the already closed exercise periods and the provisions of these expenditures for future regulatory periods.
- The company presented data on the realization of financial and economic indicators for the 10 months of 2020 and their prevision for 2020 but has not submitted the operating financial statements for this period, in particular the performance statement where expenditures should be recorded in analytical form realized for each allowed operating expenses (OPEX) item.
- The application is not accompanied by analytical data in accordance with the "Unified and standardized system of accounts for the licensees in the power sector for the transmission, distribution activities and for the universal service suppliers for electricity ", approved with ERE Board Decision no. 244, dated 26.11.2018.
- It is not possible to perform assessments and analyzes if the avoidance of cross-subsidization between electricity distribution and supply activities has been adapted based on the provisions of Law no. 43/2015 "On Power Sector", as amended, and the effective unbounding of the accounts of licensed activities.
- The application finds only statements and tables unaccompanied by arguments, clarifications or documentation on: (i) operating expenses and their allocation; (ii) the cost of the debt; (iii) other costs included in the tariff; (iv) loans taken in previous periods or loans provided for 2021; (v) correction of required income, etc.
- DSO company did not submit sufficient data to evaluate the accuracy of the calculation of the Weighted Average Cost of Capital (WACC) as well as assessments on the receipts related to each component of the Weighted Average Cost of Capital (WACC).

- The data presented in the application related to the allowed return on equity after tax (AROE) are different from those published in the same source (link) creating uncertainty on the performance of fair estimates for the calculation of the allowed return on equity used by DSO company and consequently even in the calculation of the Weighted Average Cost of Capital (WACC) as a whole.
- No explanatory information is provided on the company's loans as part of the new and old debt (amortization plan, interest rate, etc.) as well as what the values presented in the calculation of the Regulatory Asset Base include.
- The investment plan is not presented as a separate application and based on the provisions of the “Regulation on the procedures for submission and approval of the investment plans of electricity transmission and distribution operators” ", approved with ERE Board Decision no. 135, dated 06.09.2017.
- No data are presented on the balance of the coincident peak load flow or of the total amount of all non-coincident loads for customer groups according to the voltage level.
- The correction of the requested income does not represent the effects of the income realized from those approved in the previous period which should be reflected in the required income for 2021 in relation to the distribution activity which should be accompanied by evidence and proof for the reasons and the level of each correction / adjustment, pursuant to the provisions of the Methodology for calculating the tariffs in the electricity distribution system operator.
- The application of DSO company generally does not meet the criteria of form and content and there are mainly shortcomings in providing explanations and supporting documents on specific aspects of the revenue components required by the requirements of the “Rules on ERE organization, operation and procedures”, approved with ERE Board Decision no. 96, dated 17.06.2016 and the " Methodology for calculating the tariffs in the electricity distribution system operator" approved with ERE Board Decision no. 182, dated 10.11.2017, as well as other legal acts in force.

**Decided:**

1. To not open the procedure to review the application of DSO company regarding the approval of the required tariffs in voltage level for 2021.
2. Tariff and Prices Directory shall inform the applicant about ERE Board Decision.

This decision enters immediately into force.

About this decision may be required its review within 7 calendar days and may be complained on Tirana Administrative Court within 30 calendar days from the day of its publication on the Official Gazette.

This decision shall be published on the Official Gazette

**ERE CHAIRMAN**

**Petrit AHMETI**