



REPUBLIKA E SHQIPËRISË

ENERGY REGULATORY AUTHORITY

BOARD

DECISION

No. 73, Dated 13.04.2022

ON

**APPROVING THE TARIFFS FOR ELECTRICITY DISTRIBUTION SERVICE
ACCORDING TO VOLTAGE LEVEL, FOR 1 MAY– 31 DECEMBER 2022 PERIOD**

Based on Article 16, Article 19, letters "c", point "i", of Law no. 43/2015, "On Power Sector", as amended, Council of Ministers Decision no. 244, dated 30.03.2016, "On approving the conditions to set public service obligation, that will be implemented to the licensees on power sector, which perform electricity generation, transmission, distribution and electricity supply activity" as amended; Council of Ministers Decision no. 253, dated 24.04.2019, "On the approval of the financial consolidation plan of the public power sector", as amended; Council of Ministers Decision no. 584, dated 08.10.2021, "On announcing the state of emergency in energy supply"; Council of Ministers Decision no. 109, dated 22.02.2006, "On the permitted power factor rate"; article 15 and article 22, of the "Rules on ERE Organization, Operation and Procedures", approved with ERE Board Decision, no. 96, dated 17.06.2016; "Methodology for calculating electricity transmission tariffs" approved with ERE board decision no. 182, dated 10.11.2017; ERE board decision no. 244, dated 26.11.2018, "On the approval of 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" ERE Board, on their meeting dated 13.04.2022, after reviewing the report Protocol no. 486/2 dated 11.04.2022, prepared by the Tariff and Prices Directory "On approving the tariffs for electricity distribution service according to voltage level, for 1 May– 31 December 2022 period",

Observed that:

- DSO company with official letter Protocol no. 8016 dated 03.09.202, submitted at ERE the request to review the application for the tariffs of the Distribution System Operator (DSO) for 2022.
- Following the announcement of the state of emergency in energy supply with Council of Ministers decision no. 584, dated 08.10.2021, "On announcing the state of emergency in energy supply" and Council of Ministers decision no. 620, dated 22.10.2021, "On approving the conditions for establishing the obligation of public service to the licensees in the power sector, during the state of emergency in the supply of electricity and for coping with its prevention ", provided in the conditions of immediate changes of predictions, DSO company with official letter

Protocol no. 8637/1 dated 12.10.2021, submitted at ERE the request for updating the application of distribution tariffs for 2022.

- ERE with official letter Protocol no. 952/2, dated 11.10.2021, requested DSO company to update the application data in accordance with the provisions of Council of Ministers decision no. 584, dated 08.10.2021 2021 “On announcing the state of emergency in energy supply”, as well as the fulfillment of the requirements of the “Methodology for calculating electricity transmission tariffs” approved with ERE board decision no. 182, dated 10.11.2017.
- DSO company with official letter Protocol no. 8016/3 dated 18.10.2021, submitted at ERE the updated application of distribution fees for 2022.
- ERE Board with decision no. 233, dated 19.11.2021, decided to open the procedure to review the application of DSO company tariffs for 2022.
- ERE Board with decision no. 252, dated 21.12.2021, decided to extend the legal force of ERE board decision no. 213, dated 15.12.2020, until the end of the procedure for reviewing the application of DSO company for the electricity distribution tariffs per voltage level for 2022, in order that DSO company shall be able to carry out the activity for which it is licensed, in accordance with the provisions of law no. 43/2015, "On power sector", as amended.
- During the process for the review of the application, within the need during the process for the review of the application, in the context of the need for further clarifications, ERE, through continuous correspondence, requested from DSO company to provide information, arguments and justifying documentation related to all the identified issues, for the effect of maintaining the principle of transparency and for making a decision that is as fair and cost-reflective as possible. For further clarifications, ERE, through continuous correspondence, requested DSO company to provide information, arguments and justifying documentation related to all identified issues, for the effect of maintaining the principle of transparency and for making a decision that is as fair and cost-reflective as possible.
- Pursuant to the deadlines defined in the “Rules on ERE Organization, Operation and Procedures”, the application, as well as any correspondence submitted by DSO company, have been published on ERE website www.ere.gov.al
- On 03.12.2021 and 09.03.2022, technical hearings were held between the representatives of ERE and DSO company regarding the process of reviewing the application for the determination of distribution tariffs for 2022.
- Pursuant to point 7, article 22, of the “Rules on ERE Organization, Operation and Procedures” approved with ERE board decision no. 96, dated 17.06.2016, ERE on 29.12.2021 held a public hearing with representatives from DSO company as well as with the interested parties, regarding the application for determining the tariffs of DSO company for 2022.
- Following the update of the application and the clarifications requested by ERE, DSO company with official letter Protocol no. 11226/1, dated 02.02.2022, declared that from the calculations conducted with the updated information, the average electricity distribution tariff for 2022 is

required to be 6.69 ALL/kWh. Distribution tariffs for voltage levels according to the updated calculations of DSO company are requested as follows:

a) Electricity distribution tariff for 2022 at 35 kV voltage of about 2.62 ALL/kWh, from the current tariff of 1.5 ALL/kWh;

b) Electricity distribution tariff for 2022 at the 20/10/6 kV voltage of 4.14 ALL/kWh, from the current tariff of 3.9 ALL/kWh for the 20 kV voltage level;

c) Electricity distribution tariff for 2022 at 0.4 kV voltage of 7.37 ALL/kWh, from the average distribution tariff of about 4.79 ALL/kWh into force, which served for the 0.4 kV voltage level.

- DSO company declared that the total amount of electricity expected to be distributed in the network in order to supply end-use customers for 2022, shall be 5,775,730 MWh.

- Pursuant to Council of Ministers decision no. 758, dated 09.12.2021 "For an amendment in Council of Ministers decision no. 253, dated 24.4.2019 On the approval of the financial consolidation plan of the public power sector", the target level of losses in the distribution network for 2022 is 19.6%. Based on this level, the losses in absolute value due to the calculation of the distribution tariff for 2022, are considered to be about 1,408,013 MWh.

- In the context of price trends in the international electricity markets, electricity purchase price in the unregulated market to cover losses in the distribution network for 2022 is the one proposed by DSO company.

- Regarding the cost of electricity transmission used to cover losses in the distribution network for 2022, it is taken into consideration the amount calculated by DSO company applying the electricity transmission service tariff for May 1 - December 31, 2022 period of about 0.85 ALL/kWh.

- Regarding the Adjusted Base of Assets and Accumulated Depreciation, the amount approved by ERE in 2015 was taken into consideration. For the additions of assets put into operation and the depreciation values for 2015-2021 period, the values based on the financial data of the company were taken into consideration.

- In the absence of the submission of the application for the review of the investment plan for 2022, according to the "Regulation on the procedures for submission and approval of the investment plans of electricity transmission and distribution operator" approved with ERE Board decision no. 135, dated 06.09.2017 and pursuant to point 3, of Council of Ministers decision no. 584, dated 8.10.2021, ERE has considered accepting the investments value for 2022, according to the predictions of the "5-year plan for the development of the distribution network (2018-2022)".

- Since the regulatory period proposed by DSO company is 1 year, it is considered reasonable to keep the same rate of weighted average cost of capital approved by ERE of about 7.81%.

- In the absence of the submission of the study by the company and based on the "Methodology for calculating electricity transmission tariffs" approved with ERE board decision no. 182, dated 10.11.2017; the permitted value of working capital was recognized as 1/12 of the operating expenses of DSO company

- DSO company with official letter Protocol no. 801/1 dated 22.02.2022, clarified that the full financial statements of 2021 are still in the drafting process and shall be made available by the company immediately after their completion.
- Based on Council of Ministers decision no. 758, dated 9.12.2021, "For an amendment in Council of Ministers decision no. 253, dated 24.4.2019, "On the approval of the financial consolidation plan of the public power sector", it is estimated to recognize the correction of income from the difference of actual losses in the distribution network for 2015 - 2021 period with those known in the tariff approved by ERE, according to the electricity market model into force.
- The deductible income from the new connections has been estimated according to the realization from the financial statements of the company for 2015-2020 period, as well as the expected income for 2021-2022
- The applicable reactive energy billing price, based on the calculation of costs caused by reactive energy in the distribution network, is about 1.92 ALL/kVArh for 2022.
- The income realized by the company from the billing of reactive energy for 2015-2021 period as well as those predicted for 2022 have been assessed as deductible income in the distribution tariff for 2022.
- In the absence of real costs of metering and reading, the fixed service tariff for "zero" reading (ALL/month) shall be left into force.
- Regarding the customers with connection points in medium voltage and metering in low voltage, DSO company in the application submitted for the approval of distribution tariffs for 2022, did not record the cost incurred by these customers in the electricity distribution network.
- From the calculation of the costs of the electricity distribution activity, the average distribution tariff calculated for January 1 - December 31, 2022 period, it results to be 5.62 ALL /kWh.
- Since the calculations for the average distribution tariff are for the entire annual amount of the energy expected to be delivered in the distribution network for 2022 and the new tariffs shall be applied for May 1 - December 31, 2022 period, the correctable difference for January 1 - April 30, 2022 period, shall be reflected in the increase of the average distribution tariff for the remaining period of 2022, in order to recover the unbilled income in the first 4 months of the year and shall be corrected in the discount in the following regulatory period.
- The average distribution tariff for May 1 - December 31, 2022 period, is about 5.89 ALL/kWh.
- ERE shall review the operating and capital expenses, as well as the amounts of energy delivered in the distribution network against their real values, in accordance with the provisions of the "Methodology for calculating electricity transmission tariffs" approved with ERE board decision no. 182, dated 10.11.2017.

For all of the above mentioned, ERE Board

Decided:

1. To approve the electricity distribution service tariffs according to voltage level, for May 1 - December 31, 2022 period, as follows:
 - Electricity distribution tariff for customers connected at the 35 kV voltage level - 1.55 ALL/Kwh;
 - Electricity distribution tariff for customers connected at 0.6-20 kV voltage level- 3.99 ALL/Kwh;
 - Electricity distribution tariff for customers connected at 0.4 kV voltage level- 6.42 ALL/Kwh;
2. To approve the applicable price for reactive energy billing for May 1 - December 31, 2022 period, of about 1.92 ALL/kVArh.
3. Letting into force the fixed service tariff for "zero" reading of about 200 ALL/month.
4. The Legal Directory shall inform the interested parties about ERE Board Decision.

This decision enters immediately into force.

Each party involved in this procedure can request ERE, within 7 calendar days from the date of the decision, to review the board's decision in case it has provided new evidence that could lead the board to make a decision different from the previous one or for detected material errors. This decision can be appealed to the Tirana Administrative Court, within 30 calendar days from the day of publication in the Official Gazette.

This decision shall be published in the Official Gazette.

ERE Chairman
Petrit AHMETI