

**REGULATORY COMMISSION FOR
ENERGY OF THE REPUBLIC OF
SRPSKA
TREBINJE**



**REGULATORNA KOMISIJA
ZA ENERGETIKU
REPUBLIKE SRPSKE
TREBINJE**

**METHODOLOGIES FOR DETERMINING THE FEE FOR THE USE OF THE
DISTRIBUTION NETWORK AND CALCULATION OF THE PRICE OF USING
THE CLOSED DISTRIBUTION SYSTEM**

Trebinje, December 2021

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Pursuant to Article 28, paragraphs (4), (5), (6), (7), (8) and (9) of the Law on Electricity, Official Gazette of the Republic of Srpska, No. 68/20 and Article 33, paragraph 1. Item a) of the Rules of Procedure of the Regulatory Commission for Energy of the Republic of Srpska (Official Gazette of the Republika Srpska, No. 59/10) The Regulatory Commission for Energy of the Republic of Srpska, at its 23rd regular session, held on December 29, 2021, adopted

**METHODOLOGIES FOR DETERMINING THE FEE FOR THE USE OF THE
DISTRIBUTION NETWORK AND CALCULATION OF THE PRICE OF USING THE
CLOSED DISTRIBUTION SYSTEM**

PART ONE – GENERAL PROVISIONS

**Article 1.
(Subject)**

The methodology for determining the fee for the distribution network use and calculating the price of using the closed electricity distribution system (hereinafter: the Methodology) regulates:

- a) Criteria for approving the required revenue of the distribution system operator for the purpose of determining tariff rates for distribution system users,
- b) Criteria for determining the required income of the closed distribution system users,
- c) Rules for allocating eligible costs to system users, consumption categories and tariff groups by tariff elements,
- d) The manner of determining tariff rates for the electricity distribution system and the closed electricity distribution system users, and
- e) The rules of the tariff procedure in which the tariff rates for the users of the electricity distribution system are determined;

**Article 2.
(Objective)**

The objectives of the Methodology are:

- a) providing economic conditions for reliable and efficient operation and development of the electricity distribution system, as well as optimal quality of electricity supply;
- b) determination of a single fee (tariff rates) for the use of the distribution network (distribution network tariff) in the Republic of Srpska in a previously known, cost-based, efficient and public manner;

- c) Ensuring mutual settlement of revenues of distribution system operators, realized by applying a single fee (tariff rates) for the use of the distribution network in the Republic of Srpska in an efficient and public manner;
- d) Enabling non-discriminatory third party access to the electricity distribution system of the Republic of Srpska and improving competitiveness;
- e) Determination of tariff rates for users of closed distribution systems in a known and cost-based manner in advance and
- f) Encouraging the development and integration of the electricity market;

**Article 3.
(Interpretation of terms)**

(1) The terms used in this Rulebook and its annexes have the following meanings

Simultaneous load	Load of the customer, tariff group or consumption category achieved at the time of peak load of the power system
System user	Generator, namely end user
End user	A buyer who buys electricity for his own use.
Customer	Customer means a wholesaler or end user of electricity.
Non-simultaneous peak load	Peak load of customer, tariff group or consumption category achieved at any time, regardless of the peak load time of the power system
Public service obligation	Obligation imposed on the energy entity to perform a certain energy activity as a public service under regulated conditions, which will ensure security of supply, and which may relate to regularity, quality and price of service, and conditions related to energy efficiency and use of energy from renewable energy sources
Distribution system operator	Distribution system operator for electricity is an energy entity that performs the activity of electricity distribution and distribution system control, is responsible for operation, maintenance and development of the distribution system in a particular area, its connection with other systems and ensuring long-term ability of the system to meet

electricity distribution needs in an economically justifiable manner.

Connecting capacity of the end user	The connecting capacity of the end user is determined on the basis of the nominal current of the main installation fuse or the adjusted current of the load limiting device (and the nominal supply voltage), i.e the energy characteristics of the installed lines and equipment of the end user.
Supply	Sale of electricity to end users, including resale.
Supplier	Electric power entity which carries out the electric power activity.
Connection fee	Fee for construction of the construction (NIP) and fee for providing conditions for connection.
Cross-subsidizing	Allocation of costs of distribution system operators to categories of consumption and / or tariff groups of customers that are not based on direct dependence or causality of costs so that one group bears costs that belong to another group according to the principle of causality.
Peak load of the end customer	The highest measured mean value of active power taken by the end customer from the network in a successive time interval of 15 minutes during the billing period.
Closed distribution system	System through which electricity is distributed in a spatially limited industrial and commercial zone or common service zone, if the business or production process of that system users is connected for specific and security reasons or that system distributes electricity primarily to the system owner or operator, or their affiliates companies.
Law	The law means the Law on Energy and the Law on Electricity.

(1) In addition to the terms listed in paragraph (1) of this Article, this Rulebook uses terms covered by the Law and bylaws of the Regulatory Commission.

Article 4. (Principles)

The methodology is based on the following principles:

- a) the prices charged to distribution system operators are fair, justified, non-discriminatory, based on public and non-discriminatory criteria for the recognition of costs;
- b) the required revenue on the basis of which tariff rates are determined is based on the cost principle and reflects the eligible costs of business activities, and the return on capital required to finance the regulatory basis;
- c) The required revenue on the basis of which tariff rates are determined is based on a fair balance between the quality of service and the price paid by system users;
- g) encouraging increased efficiency of distribution system operators, increasing security of electricity supply to customers according to defined service quality standards, including information security, and encouraging market integration and application of modern technologies;
- d) Encouraging the performance of distribution activities and the management of the distribution system in a way that contributes to reducing operating costs and the sustainability of investments in the distribution network;
- f) Encouraging efficiency in the use of the distribution system;
- h) reimburse all eligible costs by system users, classified into consumption categories and tariff groups, according to the principle of proportionality and non-discrimination in accordance with the corresponding costs caused to the electricity distribution system by electricity consumption;
- z) Prohibition of cross-subsidies between different categories of consumption and tariff groups of end customers and
- i) Uniqueness of tariff rates for the use of the distribution system on the entire territory of the Republic of Srpska.

PART TWO – ELECTRIC DISTRIBUTION SYSTEM COSTS

CHAPTER I – REGULATORY REVENUE REQUIREMENT OF THE DSITRIBUTION SYSTEM OPERATOR

Article 5.

(Regulatory revenue requirement as the base for tariff rates)

(1) Determining the price of the distribution system management and distribution system management system (hereinafter: electricity distribution activities) for the purposes of determining the fee for the use of the distribution network, ie tariff rates for distribution system users is based on determining the annual regulatory required revenue of the electricity distribution system operator.

(2) The regulatory required revenue shall be based on justified and expedient costs of performing the electricity distribution activity as a public service in accordance with the regulations.

(3) The regulatory required revenue of the distribution system operator in the Republic of Srpska shall be determined by the Regulatory Commission for Energy of the Republic of Srpska.

Article 6.

(Regulatory revenue requirement and power balance)

(1) The regulatory required revenue of the distribution system operator for performing the electricity distribution activity shall be determined for planned activities that ensure the functioning of the distribution network in accordance with regulations and technical standards, all for the needs of electricity distribution planned by the electricity balance.

(2) The distribution system operator shall submit to the Regulatory Commission the electricity balance, ie the electricity distribution plan based on the final customer consumption plan, the electricity production plan of power plants connected to the electricity distribution system managed by it and the electricity exchange plan with other electricity systems. Electricity distribution), for each year of the tariff period, which must be harmonized with the Electricity Balance of the Republic of Srpska.

(3) The electricity distribution plan referred to in paragraph (2) of this Article shall contain all necessary data and elements in accordance with the tariff system for the sale of electricity and the use of the distribution network (hereinafter: the Tariff System).

(4) The Regulatory Commission shall review the Electricity Distribution Plan and, in case of non-compliance, make the necessary adjustments for the purpose of determining tariff rates for users of distribution systems, in accordance with the objectives referred to in Article 2 of this Methodology.

Article 7.

(Tariff period)

(1) Тарифни период је период за који се утврђује регулаторни потребан приход и у току Tariff period is the period for which the regulatory required revenue is determined and during which tariff rates for users of distribution systems remain unchanged.

(2) The length of the tariff period shall be determined for a period of three years.

(3) Exceptionally, tariff rates for users of distribution systems may, at the justified request of the distribution system operator, be changed during the tariff period in the event of a significant change in uncontrolled operating costs.

Article 8.

(Calculation of the regulatory required requirement)

Regulatory annual required revenue of the distribution system operator, for the purpose of determining the fee for the use of the electricity distribution network, ie tariff rates for distribution system users, shall be calculated by applying the following formula and expressed in convertible marks (KM):

$$PPP = TP + PK - OP + K$$

where the elements are:

PPP – regulatory annual revenue requirement,

ТП – costs of business activity,

ПК – approved return on the capital,

ОП – other revenues and

К – Revenue correction, positive or negative, based on the deviation of the generated revenue in relation to the determined regulatory revenue in the previous tariff procedure.

(1) The elements of regulatory required revenue referred to in paragraph (1) of this Article shall be determined by analysis of fixed assets and costs separately for each year of the regulatory period in accordance with this Methodology.

CHAPTER II – DETERMINATION OF THE REGULATORY REVENUE REQUIREMENT ELEMENTS

Section A. Regulatory base

Article 9.

(Regulatory base)

(1) The regulatory basis shall be determined on the basis of the value of fixed assets necessary for the performance of distribution activities and shall be the basis for determining the costs of business activities and return on capital.

(2) The regulatory basis is determined as the net value of engaged fixed assets (intangible and tangible) and permanent current assets required for the performance of distribution activities.

(3) The net value of fixed assets is recognized as the amount of purchase value or market / fair value of assets less accumulated depreciation and accumulated loss due to impairment of assets, but only for assets that are effectively used to perform distribution activities.

(4) Regulatory basis is calculated by applying the following formula:

$$PO = НВСИ_{Т-1} + (СП_{Т} + СП_{Т+1} + СП_{Т+2} + СП_{Т+3}) - (РС_{Т} + РС_{Т+1} + РС_{Т+2} + РС_{Т+3}) + ТОИ$$

where:

PO – regulatory base,

НВСИ_{Т-1} – net value of fixed assets at the end of the year preceding the year of the tariff procedure,

СП – funds in preparation, ie funds whose procurement is planned by the three-year investment plan in the year of conducting the tariff procedure and the years of the tariff period,

РС – written off means, ie funds that will expire in the year of the tariff procedure and the years of the tariff period,

ТОИ - permanent working capital for the year of the regulatory period and

τ – the year in which the tariff procedure is conducted

(5) The Regulatory Commission recognizes funds in preparation (SP), ie funds whose procurement is planned according to the three-year investment plan of the distribution system operator to which the Regulatory Commission has approved for the first two years of the tariff period.

(6) For the third year of the tariff period that is not covered by the three-year investment plan, an assessment shall be made on the basis of the three-year investment plan and the ten-year distribution network development plan.

(7) Exceptionally, in case of conducting the first tariff procedure in accordance with this Methodology before giving the consent of the Regulatory Commission to the three-year investment plan, the value of funds in preparation according to the existing three-year investment plan of the distribution system operator shall be considered.

(8) Assets in preparation (SP) that enter the regulatory basis are recognized as half of the value of assets whose activation is planned in the tariff period.

(9) The Regulatory Commission shall monitor the deviations of the realized and approved funds in the preparation and make the necessary corrections in the following tariff procedure.

Article 10.

(Estimate of the fixed property value)

(1) The distribution system operator is obliged to assess the value of fixed assets in accordance with accounting policies.

(2) If the valuation of fixed assets is not recorded in the business books of the distribution system operator, it must be adopted at least three months before submitting the request for approval of tariff rates in order for the Regulatory Commission to consider it.

Article 11.

(Re-examining fixed property)

(1) The Regulatory Commission shall review the realization of approved investments from the point of view of justification and results achieved by the realization of investments.

(2) The Regulatory Commission shall verify the application of the rules for keeping accounting records and the rules on recognition and valuation of fixed assets defined by the accounting policies of distribution system operators and on the basis of which the request was submitted, in order to determine regulatory revenue required.

(3) The regulatory basis does not include the value of property taken over free of charge (donations, transfer of property free of charge, participation of citizens in the construction of facilities, state benefits and assistance).

Article 12.

(Permanent working capital)

The regulatory basis includes the net value of fixed assets (net current or current assets) in the amount required to maintain inventories of materials and spare parts for the smooth running of the distribution business, the amount needed to finance receivables from system users, taking into account the period of current receivables in relation to the period of commitment to suppliers, and the minimum daily level of cash.

Section B. Costs of business activity

Article 13.

(Costs of business activity)

(1) The costs of business activities that are included in the regulatory required revenue include the eligible costs required to perform the electricity distribution activity and are determined for each year of the regulatory period.

(2) Business activity costs refer to:

- (a) depreciation costs,
- (b) Operating and maintenance costs and
- (c) the cost of distribution losses

(3) The distribution system operator is obliged to record the costs of business activities on the accounts in accordance with the rules prescribing the keeping of accounting records and the regulatory chart of accounts.

Article 14.

(Estimate of justification of costs)

(1) The Regulatory Commission shall assess the justification of all costs of the distribution system operator for the purpose of their inclusion in the regulatory required revenue, having in mind the relevant facts about the nature and time of occurrence of costs.

(2) The costs of business activities for the performance of distribution activities shall be determined on the basis of the documentation submitted in the tariff procedure and the documentation available to the Regulatory Commission.

(3) The justification of the cost is assessed, guided by the principles of the Methodology, according to the nature of the cost, feasibility analysis, quantity and price analysis and benchmarking, taking into account the specifics of each distribution system operator.

(4) The distribution system operator is obliged to submit all prescribed documentation, as well as other relevant documentation, and to explain the justification of all items of operating costs, as well as the reasons for their deviation from the costs approved in the previous tariff procedure.

(5) Eligible operating costs do not include costs resulting from the failure of the distribution system operator, costs that are not in the function of performing distribution activities, as well as costs already paid by the system user through connection fees or non-standard services; namely the revenue, based on this, enters other revenue that is a deductible item in regulatory required revenue.

Article 15

(Allocation of the business activity costs)

The costs of business activities, for the purpose of determining the regulatory required revenue and creating conditions for increasing efficiency, are divided into:

- a) Controlled costs of business activities that may be influenced by the distribution system operator,
- b) Uncontrolled operating costs that the distribution system operator cannot influence and
- c) Partially controlled costs of business activities;

Article 16

(Controlled costs of business activities)

Controlled costs of business activities are:

- a) Depreciation costs and
- b) Controlled labor and maintenance costs: material costs (material procurement, production material costs, overhead material costs, fuel and energy costs), wage costs, wage compensation and other personal expenses, production service costs, reservation costs, vertically integrated entity costs and part of the intangible costs that may be affected by the distribution system operator.

Article 17.

(Depreciation costs)

(1) Depreciation costs are determined for fixed assets that are in the function of performing distribution activities, based on the useful life of fixed assets, by applying the proportional method of depreciation calculation.

(2) Depreciation costs are determined on the basis of the purchase value of fixed assets at the end of the year preceding the year of the tariff procedure increased by depreciation costs of assets to be activated in the tariff year and the tariff period, and reduced by depreciation costs to be spent in the years of the tariff procedure and in the years of the tariff period.

(3) The value of depreciation of fixed assets in preparation that will be activated in the year of the tariff procedure (t) and the years of the tariff period (t + n) is determined for fixed assets included in the regulatory framework in accordance with Article 9 of this Rulebook.

(4) Depreciation of assets obtained without compensation (donation) is recognized in the depreciation expense.

(5) Depreciation costs for the first year of the regulatory period shall be determined according to the following formula

$$A_{T+1} = A_{T-1} + (A_{AI T} + A_{AI T+1}) - (A_{PI T} + A_{PI T+1})$$

Where:

A_{T-1} – depreciation of assets at the end of the year preceding the year of the tariff procedure,

$A_{AИT}$ – depreciation of assets that will be activated in the year t of the tariff procedure,

$A_{AИT+1}$ – depreciation of assets to be activated in the first year of the tariff period,

$A_{PИT}$ – depreciation of assets that will be spent in the year t conducting the tariff procedure,

$A_{PИT+1}$ – depreciation of assets that will be spent in the first year of the tariff period.

(6) Depreciation costs for the second year of the regulatory period are determined according to the following formula:

$$A_{T+2} = A_{T+1} + A_{AИT+2} - A_{PИT+2}$$

Where:

$A_{AИT+2}$ – depreciation of assets to be activated in the second year of the tariff period,

$A_{PИT+2}$ – depreciation of assets to be spent in the second year of the tariff period.

(7) Depreciation costs for the third year of the regulatory period shall be determined according to the following formula:

$$A_{T+3} = A_{T+2} + A_{AИT+3} - A_{PИT+3}$$

where:

$A_{AИT+3}$ – depreciation of assets to be activated in the third year of the tariff period,

$A_{PИT+3}$ – depreciation of assets to be spent in the third year of the tariff period.

(8) Depreciation costs for the regulatory period A_t are determined as the average value of depreciation costs calculated on the basis of paragraphs (7), (8) and (9) according to the following formula

$$A = (A_{T+1} + A_{T+2} + A_{T+3}) / 3.$$

Article 18.

(Controlled costs of operation and maintenance)

(1) Controlled operating and maintenance costs and provisions recognized in regulatory required revenue, ie controlled operating costs without depreciation (TRO) are approved based on approved costs from the previous tariff procedure, inflation rate, efficiency coefficient and correction due to deviations in performance in relation to the one approved in the previous tariff procedure.

(2) Controlled operating and maintenance costs for the first year of the regulatory period shall be determined according to the following formula

$$TPO_{T+1} = (TPO_{од} + \Delta TPO_T) * (1 + И_{T+1}/100)$$

where

TPO_{T+1} – operating and maintenance costs for the first year of the regulatory period (BAM),

$TPO_{од}$ – operating and maintenance costs approved in the previous tariff procedure (BAM)

ΔTPO_T – permanent change in controlled operating and maintenance costs incurred in the current regulatory period due to circumstances beyond the control of the distribution system operator (BAM) and

I_{T+1} – planned annual inflation rate (general price growth index) in the Republic of Srpska for the first year of the tariff period (%).

(3) The values of the correction of operating and maintenance costs of $\Delta TROT$ referred to in paragraph (1) of this Article, proposed by the distribution system operator, shall be determined by the Regulatory Commission on the basis of data, explanations and documentation submitted in the tariff procedure.

(4) Controlled operating and maintenance costs for the second year of the regulatory period are determined according to the following formula:

$$TPO_{T+2} = TPO_{T+1} * (1 + I_{T+2} / 100)$$

Where

I_{T+2} – planned annual inflation rate for the second year of the tariff period (%).

(5) Controlled operating and maintenance costs for the third year of the regulatory period shall be determined according to the following formula

$$TPO_{T+3} = TPO_{T+2} * (1 + I_{T+3} / 100)$$

where:

I_{T+3} – planned annual inflation rate for the third year of the tariff period (%).

(6) Controlled operating and maintenance costs for the regulatory period shall be determined as the average value of operating and maintenance costs referred to in paragraphs (2), (3) and (4) adjusted for one-off adjustment by applying the efficiency coefficient as follows:

$$TPO = (TPO_{T+1} + TPO_{T+2} + TPO_{T+3}) / 3 * (1 - K_{ef} / 100)$$

where

TPO – annual operating and maintenance costs for the tariff period (KM) i

K_{ef} – efficiency ratio in percent (%).

(7) The efficiency coefficient is a measure of efficiency achieved by the application of new technologies, ie a measure of cost reduction due to the application of new technologies and thus achieved savings.

(8) (8) The distribution system operator is obliged to record and document separately the costs of operation and maintenance arising from the use of fixed assets that are not in its ownership and do not enter the regulatory basis.

Article 19.

(Costs of vertically intergrated structure)

(1) The controlled operating and maintenance costs referred to in Article 18 of this Ordinance may include the costs of operations performed by the vertically integrated entity for the distribution system operator.

(2) The distribution system operator is obliged to document and explain the costs referred to in paragraph (1) of this Article.

Article 20.

(Non-controlled costs of operationa and maintenance)

(1) Uncontrolled operating and maintenance costs are costs that are unavoidable in business, the amount of which the distribution system operator cannot directly influence, and relate to part of intangible costs: costs of non-productive services, costs of premiums and insurance, payment costs, costs membership fees, tax and contribution costs, regulatory fee costs and other intangible costs.

(2) Uncontrolled operating and maintenance costs are determined according to the following formula:

$$TPO_{HK} = TPO_{HK\ o\ d} + \Delta TPO_{HK}$$

Where:

$TPO_{HK\ o\ d}$ – uncontrolled operating and maintenance costs approved in the previous tariff procedure and

ΔTPO_{HK} - change of uncontrolled operating and maintenance costs for the next tariff period.

Article 21.

(Partially controlled operating costs - cost of distribution losses)

(1) Operating costs that may be partially affected are the costs of purchasing electricity to cover the approved electricity losses in the distribution system

(2) The distribution system operator shall plan and procure electricity to cover distribution losses in accordance with the Law on transparent, non-discriminatory and market principles.

(3) Distribution system operators may jointly conduct the procedure of electricity procurement in order to achieve the same cost of losses for all end customers in the Republic of Srpska.

(4) The costs of distributive losses for the regulatory period are determined on the basis of the following formula:

$$T\Gamma = (\Gamma_{EE\ 35\ kV} + \Gamma_{EE\ 10\ kV} + \Gamma_{EE\ 0,4\ kV}) * \Upsilon_{EE}$$

Where

Γ_{EE} – average annual amount of electricity (kWh) required to compensate for losses in the regulatory period, by voltage levels (35 kV, 10 kV and 0.4 kV) and

Π_{EE} - average price of electricity to compensate for losses in the regulatory period (KM / kWh).

- (5) The average annual amount of electricity required to compensate for losses for end customers at 35 kV is determined based on the following formula:

$$\Gamma_{EE\ 35\ kV} = (EEB_{35\ kV} + \Pi_{35\ kV}) * (1 / (1 - \Gamma_{35\ kV}/100) - 1)$$

where:

$EEB_{35\ kV}$ – planned average annual consumption of end customers at 35 kV voltage in the regulatory period (kWh),

$\Pi_{35\ kV}$ – planned production of electricity at 35 kV voltage which can be proven to be delivered to the transmission network (kWh) and

$\Gamma_{35\ kV}$ – approved rate of distribution losses at 35 kV voltage (%).

- (6) The average annual amount of electricity required to compensate for losses for end customers at 10 kV shall be determined on the basis of the following formula:

$$\Gamma_{EE\ 10\ kV} = (EEB_{10\ kV} + \Pi_{10\ kV}) * (1 / (1 - (\Gamma_{35\ kV} + \Gamma_{10\ kV}) / 100) - 1)$$

where:

$EEB_{10\ kV}$ - planned average annual consumption of end customers at 10 kV voltage in the regulatory period (kWh),

$\Pi_{10\ kV}$ - planned production of electricity at 10 kV voltage which can be proven to be delivered to the transmission network (kWh) and

$\Gamma_{10\ kV}$ – approved rate of distribution losses at 10 kV voltage (%).

- (7) The average annual amount of electricity required to compensate for losses for end customers at 0.4 kV is determined based on the following formula:

$$\Gamma_{EE\ 0,4\ kV} = (EEB_{0,4\ kV} + \Pi_{0,4\ kV}) * (1 / (1 - (\Gamma_{35\ kV} + \Gamma_{10\ kV} + \Gamma_{0,4\ kV}) / 100) - 1)$$

where:

$EEB_{0,4\ kV}$ - planned average annual consumption of end customers at 0.4 kV voltage in the regulatory period (kWh),

$\Pi_{0,4\ kV}$ - planned production of electricity at 10 kV voltage which can be proven to be delivered to the transmission network (kWh) and

$\Gamma_{0,4\ kV}$ - approved rate of distribution losses at 0.4 kV voltage (%).

- (8) The average rate of distribution losses G (%) is determined on the basis of approved individual rates which are determined as a percentage of taken over electricity for each voltage level for which electricity is taken over for the needs of end customers connected to the electricity distribution network.

- (9) The price of electricity to cover approved losses (CEE) shall be determined in one of the following ways:

a) as an average of the realized prices of electricity procured in accordance with transparent, non-discriminatory and market principles for the tariff period for which tariff rates are determined, in case the energy has already been procured or

b) as an average of prices of purchased electricity realized in the previous year, with the possibility of hedging by using financial derivatives (futures) for the years of the

regulatory period on electricity exchanges relevant to Bosnia and Herzegovina, in the country or region.

(10) The price referred to in paragraph (9) of this Article shall also include the associated costs of using the transmission network, ie the costs of imbalance.

Article 22.

(Assessment of justification of the amount of distribution losses)

- (1) The distribution system operator is obliged to explain the required rates of distribution losses, especially technical and non-technical, for each year of the regulatory period.
- (2) The distribution system operator is obliged to monitor losses in the distribution network and take measures to reduce them.
- (3) The Regulatory Commission determines the approved rate of distribution losses, based on the required rate of distribution losses and submitted documentation (analysis, studies ...) of distribution system operators, analysis of network parameters: structure and condition of network and metering devices, electricity consumption structure, comparative analyzes and other available data. Одјељак В. Поврат на капитал

Section B: Return on capital

Article 23.

(Return on capital)

- (1) Return on capital (return on capital) is the part of income generated on the basis of invested capital needed to finance the regulatory basis, expressed in KM, and is calculated by the following formula

$$\text{ПК} = \text{РО} * \text{СПК}$$

Where:

РО – Regulaotry Base, referred to in Article 9 of this Methodology and

СПК – Rate of return on capital (%).

Article 24.

(Rate of return on capital)

- (1) The rate of return on capital, before tax, is determined as a weighted average cost of capital which includes the cost of equity and the cost of borrowed capital, weighted according to their share in the total capital of distribution system operators, and is calculated according to the following formula:

$$\text{СПК} = [(\text{Ц}_{\text{СК}} * \text{СК} / (\text{СК} + \text{ПК}) + \text{Ц}_{\text{ПК}} * \text{ПК} / (\text{СК} + \text{ПК})) * \text{K}_{\text{pp}}$$

where:

СПК – rate of return on capital (%),

СК – One's own capital (BAM),

Π_{CK} – price of one's own capital (%),
 ΠK – borrowed capital (KM),
 Π_{PK} – price of the borrowed capital (%),
 K_{pp} – correction coefficient,
 $YK = CK + \Pi K$ – total capital (KM).

- (1) The price of equity shall be determined in a manner that reflects the specific risk of the distribution system operator and the prevailing conditions for obtaining capital on the financial market in the tariff period in the following manner:

$$\Pi_{CK} = R_f + \beta * (R_m - R_f)$$

where:

R_f – risk-free interest rate on government bonds for a period of 5 to 10 years, on the Banja Luka Financial Exchange;

β – the beta coefficient represents the ratio of the risk of the distribution system operator with the risk of the total portfolio of the financial market, ie the ratio of the total return on shares of the distribution system operator and the total return on all shares on the financial market

R_m – market risk premium, the excess return that the owner expects to realize as compensation for risk exposure.

- (2) The price of borrowed capital for financing the regulatory basis shall be determined on the basis of the weighted average interest rate on borrowed capital in the regulatory period.
- (3) The correction factor K_{rr} is determined in the range from 1 to the value obtained according to the following formula:

$$K_{pp} = (1 - P_{pp}/PO)$$

where:

P_{pp} – realized revaluation reserves.

Section D. Other revenues

Article 25.

(Other revenues)

- (1) Regulatory required revenue of the distribution system operator, determined in the manner specified in the provisions of Chapters I and II, part two of this Ordinance, shall be reduced by the amount of other revenues generated by the distribution system operator with fixed assets whose costs are recognized in operating expenses..
- (2) Other revenues referred to in paragraph (1) of this Article include revenues from activation of own effects, deferred part of revenues from the period based on the realization of donated funds, revenues from the sale of funds and other revenues from fixed assets included in the regulatory framework.
- (3) The amount of connection fees determined as income of the current period in accordance with the Rulebook on Methodology for Determining the Fee for

Connection to the Distribution Network is considered other income from distribution activities generated by using licensed funds and is a deductible item in determining approved required revenue.

- (4) Other revenue for the regulatory period is determined as the average value of other income for all years of the regulatory period.

Section E. Correction of revenue

Article 26.

(Determination of the revenue correction)

- (1) The basis for correction of regulatory required revenue for the next tariff period are deviations, positive or negative, of realized revenue, ie realized costs and consumption of end customers, from regulatory required revenue determined in the previous tariff procedure, in accordance with the provisions of this Methodology.
- (2) Revenue adjustment is calculated by analyzing all costs included in the regulatory required revenue according to the following formula:

$$K = K_A + K_{TPO} + K_{TPOHK} + K_{TG} + K_{PK} + K_{OH} + K_{EEB}$$

Where:

K_A – correction of depreciation due to deviations of realization in relation to the one approved in the previous tariff procedure,

K_{TPO} – correction of controlled operating and maintenance costs incurred in the previous regulatory period due to circumstances that the distribution system operator could not influence or due to irresponsible operations of the distribution system operator,

K_{TPOHK} – correction of uncontrolled operating and maintenance costs due to deviations from the approved in the previous tariff procedure,

K_{TG} – correction of the costs of distribution losses due to unforeseen changes in the market,

K_{PK} – correction of return on capital on the basis of deviation of the value of the regulatory basis in relation to the one approved in the previous tariff procedure,

K_{OH} – correction of other income due to deviation of realization in relation to the one approved in the previous tariff procedure and

K_{EEB} – correction of revenues due to the deviation of the realization of electricity consumption of end customers from the consumption planned in the previous tariff procedure.

- (3) The amount of revenue adjustment is determined by analyzing the reasons that led to the deviation of each individual cost, taking into account the justification of cost, materiality and the need to encourage distribution system operators to reduce operating costs and improve electricity distribution and distribution system management.

- (4) Correction of operating and maintenance costs caused by natural disasters of hydrometeorological or geological origin caused by natural forces (earthquakes, fire, floods, avalanches, landslides, landslides, atmospheric discharges, stormy winds, excessive ice and snow, severe frosts) and / or social phenomena (orders of the competent authorities, war, terrorism, etc.) can be delimited for a certain period of time, in the event that its one-time recognition would significantly affect the change in regulatory required revenue.
- (5) The adjustment of the regulatory required revenue shall not be made for deviations of costs resulting from the savings of the distribution system operator higher than those planned in the previous tariff procedure.

TITLE III - TOTAL COSTS FOR DISTRIBUTION SYSTEM USERS (DISTRIBUTION COSTS AND TRANSMISSION NETWORK COSTS)

Article 27.

(Revenue requirement to determine tariff rates for distribution system users)

- (1) In order to determine the tariff rates for users of the distribution system, the regulatory revenue required for the performance of distribution activities referred to in Article 8 of the Methodology shall be increased by the corresponding uncontrolled costs of using the high voltage transmission network:

$$\Pi\Pi = P\Pi\Pi + T\Pi\Pi + K_{T\Pi\Pi}$$

where:

$\Pi\Pi$ – total revenue requirement,

$T\Pi\Pi$ – costs of transmission network and

$K_{T\Pi\Pi}$ – correction of transmission network costs due to deviations from the approved in the previous tariff procedure.

- (2) Revenue referred to in paragraph (1) of this Article represents the total costs for users of the distribution system which are expressed through tariff elements and tariff rates.

Article 28.

(Recognition of costs of the transmission network use)

Costs of using the transmission network are recognized in the amount determined on the basis of the unit price of services of Elektroprenos BiH, Independent System Operator and Ancillary Services determined by the State Electricity Regulatory Commission and the end-customer consumption plan, ie the distribution system operator's plan. the needs of end customers connected to the distribution system, for the tariff period.

PART THREE - TARIFF RATES FOR USERS OF DISTRIBUTION SYSTEMS IN THE REPUBLIC OF SRPSKA

CHAPTER I – TARIFF SYSTEM BASES

Article 29.

(Tariff elements)

- (1) The electricity consumption of the system user using the distribution system is expressed, measured and calculated through tariff elements.
- (2) The distribution system operator shall generate the necessary revenue and calculate the fee for the use of the distribution network through tariff elements.
- (3) Tariff elements are:
 - a) Capacity charge, expressed in kW,
 - b) Active electricity, expressed in kWh and
 - c) Excessively taken reactive electricity kVArh;
- (5) Capacity charge is a measure of engaged transmission and distribution capacity for the needs of network users at any time during the billing period and is determined in one of the following ways:
 - a) by measuring peak load,
 - b) on the basis of the connection capacity determined by the connection agreement,
 - c) on the basis of the consumed active electricity or
 - d) on the basis of the analysis of the system load and analysis of load of end users (category of consumption and tariff groups).
- (6) The consumption of active electricity shall be determined by metering and calculated in accordance with the provisions of the general conditions for the supply and supply of electricity and the Tariff System.
- (7) Excessively taken electricity is a positive difference between actually taken reactive electricity and reactive electricity corresponding to the power factor $\cos \varphi = 0.95$ inductive, which is calculated for reactive electricity exceeding 33% of taken over active electricity during the reference period for the calculation defined by the tariff system.

Article 30.

(Categories of consumption and tariff groups)

- (1) System users are classified into consumption categories and tariff groups depending on the voltage level at the place of taking over electricity, connected power, purpose of electricity use and according to the time of consumption.
- (2) The Regulatory Commission shall issue a special decision on the Tariff System which shall precisely determine the tariff elements, consumption categories and tariff groups, daily and seasonal time intervals of application of different prices of tariff elements and other issues related to them..
- (3) The distribution system operator may propose to introduce, abolish or change any category of consumption or tariff group, as well as other changes in the decision

referred to in paragraph (1) of this Article, but may not make changes without a decision of the Regulatory Commission.

Article 31.
(Tariff rates)

- (1) Tariff rates are unit prices determined for each tariff element, consumption category, tariff group, and different daily intervals and seasons.
- (2) Tariff rates shall be determined in such a way as to affirm electricity consumption in time periods that best suit the conditions and possibilities of the electricity distribution system, direct customers to rational electricity consumption, encourage energy efficiency principles and distribute costs to system users in proportion to costs. considering the voltage level, place, manner, amount and time of taking over electricity.

Article 32.
(Tariff rates per the time of consumption)

- (1) Tariff rates according to consumption time are determined with the aim of stimulating consumption models which alleviate excessive uneven load of the system and achieve reduction of electricity distribution costs..
- (2) Tariff rates may differ for periods during the year (seasonal tariff rates) and for periods during the day (daily tariff rates).

Article 33.
(Tariff system and tariff rates)

- (1) Tariff elements, consumption categories and tariff groups, relations for temporal differentiation of tariff rates (seasonal and daily) applied for the calculation of the fee for the use of the distribution network shall be determined by the Tariff System, in accordance with the provisions of this Methodology.
- (2) Tariff rates for distribution system users, ie tariff rates for the calculation of the fee for the use of the distribution network shall be determined by the Decision for determining tariff rates for distribution system users in the Republic of Srpska, in accordance with the provisions of this Methodology.

CHAPTER II ALLOCATION OF THE DISTRIBUTION SYSTEM COSTS ON THE SYSTEM USERS

Article 34.
(The principle of cumulateness)

Tariff rates for users of the distribution system by voltage levels are determined on a cumulative basis, which means that tariff rates for the end customer who takes over electricity at a voltage level include the corresponding part of the cost of using the network at higher voltage levels.

Article 35.

(Allocation of costs to consumption categories)

- (1) The costs of using the distribution system shall be allocated to the users of the system by consumption categories and tariff groups, respecting the principle of proportionality and non-discrimination in such a way that the system user should pay the costs caused to the electricity distribution system.
- (2) The costs of using the distribution network, except for the costs of distribution losses, are allocated to consumption categories and tariff groups based on the analysis of the use of distribution capacity and unit capacity of the distribution network by voltage levels, consumption categories and tariff groups (marginal cost of distribution system). methods based on the proportional value of fixed assets.
- (3) Analysis of the use of distribution capacity is performed by analysis of data on installed power of distribution network, connected power of power plants, connected power of end customers, participation of end customer in peak load of distribution system, consumption category and tariff group (simultaneous and non-simultaneous peak load).
- (4) The distribution system operator is obliged to analyze the use of distribution capacity (load analysis) and to develop standard load profiles of end customers who do not have metering devices for hourly load registration, in order to implement this Methodology and enable proper allocation of balancing costs to suppliers , or end customers.
- (5) The distribution system operator shall publish the standard load curves referred to in paragraph (4) of this Article by 30 June 2022 at the latest..

Article 36.

(Allocation of costs on tariff elements)

- (1) Costs of using the distribution network, ie costs from the business activities of the distribution system operator, except for the costs of distribution losses, are by their nature fixed costs and do not depend on the consumption of the end customer, ie production of power plants connected to the distribution network.
- (2) Fixed costs of using the distribution network shall be allocated to the tariff element capacity charge.
- (3) Variable costs of electricity supply to cover distribution losses shall be allocated to the tariff element active electricity.
- (4) Costs of excessively taken reactive electricity in the distribution network shall be determined on the basis of data submitted by distribution system operators on identified and calculated costs arising from the need for additional capacity and additional losses of active electricity in the distribution network due to excessive reactive electricity takeover.

Part of the fixed costs of using the distribution network referred to in paragraph (1) and paragraph (2) may be reallocated to the tariff item for active electricity depending on the type and method of electricity metering, electricity usage time and active electricity ratio and engaged power or peak load.

Article 37.

(Allocation of costs of the transmission network)

Costs of using the transmission network are allocated to users of the distribution system - end customers by consumption categories and tariff groups based on the analysis referred to in Article 35, paragraph (2) and (3) of the Methodology and are allocated to tariff elements in accordance with the State Regulatory Commission. for electricity, allocates costs to tariff elements for the distribution system operator as a transmission system user.

CHAPTER III - DETERMINATION OF TARIFF RATES FOR USERS OF CLOSED DISTRIBUTION SYSTEM

Article 38.

(Closed distribution system)

- (1) The closed distribution system operator shall determine the tariff rates for the users of the closed distribution system according to the principles and criteria for determining the required revenue in accordance with this Methodology.
- (2) Tariff rates for the closed distribution system users shall be determined by adding the tariff rates derived from the operating costs of a closed distribution system operator to the tariff rates for the distribution system users in the Republic of Srpska for the category of consumption and tariff group where electricity is delivered to the closed distribution system operator. distribution system.
- (3) The closed distribution system operator shall document the procedure of calculating tariff rates resulting from the operating costs of the closed distribution system operator, submit it to the Regulatory Commission for approval, and make it available to end customers of closed distribution system users.
- (4) If the operator of a closed distribution system takes electricity from the distribution system at the same voltage level as it delivers it to end customers, he may not charge additional costs and is obliged to apply uniform tariff rates for distribution system users in Republika Srpska.
- (5) In case it determines that the tariff rates for the users of the closed distribution system have not been determined in accordance with the Methodology, the Regulatory Commission shall order the distribution system operator to make the necessary corrections..
- (6) A closed distribution system operator that fails to determine tariff rates resulting from the operating costs of a closed distribution system in accordance with paragraphs (1) and (3) of this Article shall be obliged to apply tariff rates for distribution system users for end customers - users of closed distribution systems. Republika Srpska for the category of consumption and tariff group to which the user of the system belongs in accordance with the provisions of the Tariff System.

PART FOUR – UNIFORMITY OF TARIFF RATES AND SETTLEMENT BETWEEN DISTRIBUTION SYSTEM OPERATORS

Article 39.

(Uniqueness of tariff rates)

Tariff rates for users of distribution systems are the same for all users of systems in the Republic of Srpska, within the same category of consumption and tariff group.

Article 40.

(Calculation of uniform tariff rates)

Uniform tariff rates for the distribution system users are determined on the basis of the total determined required revenues (PP) of all distribution system operators in the Republic of Srpska and the Electricity Distribution Plan in the Republic of Srpska.

Article 41.

(Settlement)

- (1) The difference between the determined required revenue of the distribution system operator and the revenue obtained by applying uniform tariff rates to the planned consumption of system users of that distribution area is the basis for settlement between distribution system operators.
- (2) The distribution system operator that will generate revenue in excess of the determined required revenue by applying uniform tariff rates shall redirect the surplus of generated revenue to distribution system operators who have generated a deficit of revenue on the same basis.
- (3) On the basis of established uniform tariff rates and planned consumption, the Regulatory Commission shall, by a special decision, determine the amount of surplus or deficit of planned revenue, in relation to the determined required revenue, and settlement obligations for distribution system operators in the tariff period.
- (4) After the tariff procedure has been carried out, the distribution system operators shall conclude an agreement on the obligation and manner of implementing the decision referred to in paragraph (3) of this Article and submit it to the Regulatory Commission.
- (5) In the tariff procedure, the Regulatory Commission shall review the settlement coefficients and correct the surplus or deficit of realized income in relation to the determined required income, caused by deviation from the Electricity Distribution Plan, which is taken into account in the next tariff period..

PART FIVE – TARIFF PROCEDURE

Article 42.

(Initiation of a tariff procedure)

- (1) The required revenue of the distribution system operator and tariff rates for the users of the distribution system shall be determined in the tariff procedure.

- (2) Tariff procedure shall be initiated by submitting a request for approval of the required revenue for the purpose of determining tariff rates for users of the distribution system in the Republic of Srpska (hereinafter: the Request) by the distribution system operator.
- (3) The distribution system operator shall submit the Request no later than April 30 of the last year of the current tariff period.

Article 43.

(Tariff procedure conduct)

- (1) Tariff procedure shall be conducted in accordance with the provisions of the Methodology and the Rulebook regulating the manner of public review in specific procedures conducted by the Regulatory Commission..
- (2) The burden of proof in the tariff procedure is on the distribution system operator.

Article 44.

(Submission of application)

- (1) The request shall be submitted on the forms available on the website of the Regulatory Commission.
- (2) Along with the completed Application Form, the Applicant shall also submit the completed prescribed forms and other necessary documentation as prescribed by the Ordinance on Reporting, as well as other documents that he considers relevant for proving the data from the application..
- (3) The request, forms and documentation referred to in paragraphs (1) and (2) of this Article shall be submitted in writing, certified and signed by the person authorized to represent the applicant in one copy and in an appropriate electronic format (* .doc, *). xls, * .pdf).
- (4) The statement on the accuracy and credibility of the submitted data under full material and criminal responsibility shall be signed by the person authorized to represent the applicant.
- (5) The Regulatory Commission shall not consider forms and documentation submitted contrary to the provisions of paragraphs (3) and (4) of this Article..
- (6) The Regulatory Commission shall not consider forms and documentation submitted contrary to the provisions of paragraphs (3) and (4) of this Article..

Article 45.

(Amendments to the application)

- (1) If the request contains a deficiency that prevents action on it, the applicant shall be notified in writing of the deficiency and shall be warned of the consequences in case of failure to eliminate deficiencies or failure to submit additional documentation or information..
- (2) The applicant is obliged to act upon the notification referred to in paragraph (1) of this Article within 15 days.

- (3) Upon the expiry of the period referred to in paragraph (2) of this Article, the Regulatory Commission shall continue the tariff procedure and assess the missing data.

Article 46.

(Notice on the submitted application)

- (1) The distribution system operator is obliged to, within eight days from the day of submitting the Request, inform the suppliers and the public, through public media and the website, about the submitted Request..
- (2) The notification referred to in paragraph (1) of this Article shall contain:
- a) the required percentage of change in the required revenue approved in the previous tariff procedure;процијењени проценат промјене трошкова за крајњег купца по категоријама потрошње и групама купца;
 - b) the main reasons for the required changes;
 - c) information that the hearings during the tariff procedure are open to the public and
 - d) other relevant information.

Article 47.

(Public consideration)

- (1) The Regulatory Commission shall make a decision on the type, number, place and time of public hearings to be held during the public hearing, of which it shall inform the parties in the procedure and interested persons , the head of the procedure, and when it comes to the formal hearing determines the criteria and deadline for interested parties to acquire the status of a party in the tariff procedure.
- (2) The Regulatory Commission may organize a general, professional and formal hearing in the tariff procedure in accordance with the rulebook governing public hearings..
- (3) In the tariff procedure, a formal hearing shall be held for the purpose of direct presentation of evidence, and complete and correct determination of the factual situation.
- (4) Exceptionally in the case of conducting the extraordinary tariff procedure referred to in Article 7, paragraph (3) of the Methodology, the tariff procedure may be conducted in a shortened procedure without conducting a formal hearing..

Article 48.

(Public notice)

- (1) The Regulatory Commission shall publish a public notice on the submitted request and holding a public hearing in the public review procedure, which shall contain:
- a) place and time of the hearing,
 - b) name of the Applicant,
 - c) subject of the hearing,
 - d) basic elements of the Application,

- e) estimated changes in tariffs for users of the distribution system in the Republic of Srpska resulting from the Request of the distribution system operator,
 - f) criteria and deadline for submitting an application for acquiring the status of a party in the procedure and
 - g) the manner and deadline for submitting comments from interested parties.
- (2) The public notice shall be published in daily newspapers available on the entire territory of the Republika Srpska and on the website of the Regulatory Commission.
- (3) Information which, at the request of the applicant, is protected by a confidentiality clause may not be made available to the public..

Article 49.

(Additional data and facts)

- (1) During the tariff procedure, the Regulatory Commission may request the submission of additional data and information relevant for determining the prices of tariff rates for users of the distribution system.
- (2) The distribution system operator shall, at the request of the Regulatory Commission, submit for inspection all required data and information at its disposal.

Article 50.

(Estimate of data)

- (1) The Regulatory Commission shall perform an assessment in case of non-submission of the necessary data in accordance with the provisions of the Methodology or in case the submitted data are not relevant, harmonized and reliable.
- (2) The assessment is performed according to the principle of prudence and expediency, using historical and experiential data, and comparative analysis of relevant data of other distribution system operators from the Republic of Srpska and the surrounding area.
- (3) The Regulatory Commission may order the preparation of an assessment of fixed assets from a qualified appraiser, whereby the costs of such assessment shall be borne by the applicant..

Article 51.

(Estimate of evidences)

- (1) During the tariff procedure, decisive facts shall be determined on the basis of a conscientious and careful assessment of each piece of evidence separately and all evidence together, as well as on the basis of the results of the entire procedure..
- (2) Based on the evidence collected:
- a) all fixed assets proposed to be part of the regulatory framework are reviewed and verified, and individual items are accepted, rejected in whole or in part, or the value of any of the items is modified;

- b) all costs and revenues submitted as a basis for tariff rates are considered and verified, and any item that is not justified is accepted, rejected in whole or in part or modified;
 - c) any quantity or analysis used to calculate the required revenue required or required to establish tariff rates is accepted, rejected in whole or in part or modified.
- (3) Exceptionally, the Regulatory Commission may limit relative changes in tariff rates in one tariff procedure in order to avoid sudden changes and protect end customers.

Article 52.

(Presiding Officer Report)

- (1) After the public consideration and the public hearing, the presiding officer prepares a report in writing with a recommendation for making a decision on the tariff procedure, which he submits to the applicant and sets a deadline for submitting comments on the report.
- (2) The Presiding Officer Report with the position on the submitted comments shall be submitted to the Regulatory Commission, for the purpose of making a final decision.

Article 53.

(Decisions and rulings)

- (1) The final decision on the determined required revenue, the decision on determining tariff rates for distribution system users in the Republic of Srpska, and the decision on settlement between distribution system operators in accordance with the Methodology, shall be made no later than November 30 of the current tariff period.
- (2) Decisions and rulings of the Regulatory Commission are final and an administrative dispute may be initiated against them before the competent court.

Article 54.

(Publication)

- (1) Decisions and rulings of the Regulatory Commission adopted in the tariff procedure shall be published in the Official Gazette of the Republika Srpska and on the website of the Regulatory Commission..
- (2) Decisions and rulings made by the Regulatory Commission shall be published on the website of the distribution system operator.

PART SIX – TRANSITIONAL AND FINAL PROVISIONS

Article 55. (Effective Date)

This Rulebook shall enter into force on the eighth day from the day of its publication in the Official Gazette of the Republic of Srpska.

Article 56. (Termination)

With the entry into force of this Rulebook, the provisions of the Rulebook on Tariff Methodology and Tariff Procedure relating to determining the required revenue of distribution system operators and tariff rates for distribution system users (Official Gazette of Republic of Srpska, No. 96/12 and 15/15) shall cease to apply.

Number: 01-588-8/21/P-23-458

Trebinje, 28 December 2021

President
Vladislav Vladicic