



Tariff policy in the water sector of Kosovo

By Bernd Pessel: Financial and Tariff expert

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Leaders in the design, implementation and operation of markets for electricity, gas and water.



 **MVV** Energie AG

*Edinburgh
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1 Presentation overview

Purpose of Presentation:

- Objectives of the policy of setting tariffs in the **water sector**
- Special items of tariff setting
- Main issues of tariff calculation
- Summary

2.1 Special items of Tariff setting

Management issues and Financial/Economic Issues...

A. Preconditions at utilities are

- accounting system
- Reasonable business planning with targets for improving collection rate
- Reporting system
- Proper documentation of Metering and invoicing system to customers
- Investment and maintenance procedures

2.2 Special Items of tariff setting

B. Financial/Economic Items

- Consistency of data
- Asset registration and evaluation

3 Main issues of tariff calculation

- Data collection on the basis of profit centres
- Internal regulations for
 - provisions of bad debts on the basis of ages of debts
 - decisions for booking expenses as repair costs, maintenance costs or investments
- Calculation of
 - Depreciation
 - Replacement value and replacement costs
 - Reversal of grants and donations, which are given for investments
- Asset management plan

Explanations of key issues

4.1 Investment:

- The value in money for the construction or buying of goods and services, which are normally used over a long time in the company

4.2 Donation

- Payments from foreign sources which must not be paid back and are without interest. Donations can be paid for investments, for operational costs and for covering losses after the end of the year. This has influence to the accounting and additionally to the tariff setting calculation.

4.3 Depreciation

- Calculation of loss of value of assets. The depreciation rate is based on the normal lifetime or use of the assets. According to IFRS standards every year there must be made a revaluation of the single assets and a verification of the depreciation. The normal types of depreciation are the “linear” and “degressive method”.

4.4 Replacement value

- The value of replacement of assets (new installation) after normal lifetime

4.5 Replacement costs

- Yearly calculation of the costs for accumulating the replacement value after the normal lifetime taking into consideration the earning of interest during the accumulation phase. Normally the calculation of replacement costs is limited to the part of own capital (equity) with a reasonable amount assumed. Calculation of replacement costs is not a part of bookkeeping and accounting, it is a special calculation.

4.6 Reversal of grants and donations

- The value of grants for investments must be shown as yearly incomes (total amount divided by years of lifetime). Grants for repairs and maintenance costs are immediately booked and shown as incomes.

5 Summary

- This is only an overview of some preconditions of tariff setting and of explanation of some special expressions
- The policy and the influence of it will be shown later during the workshop in the documentation of policy issues