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AUTORITETI RREGULLATOR PER SHERBIMET E UUT REGULATORNI AUTORITET ZA USLUGE VODE WATER SERVICES REGULATORY AUTHORITY



ANNUAL PERFORMANCE REPORT FOR WATER SERVICE PROVIDERS IN KOSOVO-2019





MISSION

"Regulation of water service in an effective and transparent manner in accordance with European good practice, which ensures that water and wastewater service deliver qualitative, sustainable services with affordable prices throughout Kosovo, having consideration into environmental and public health protection"

VISSION

"Water efficient, safe and quality service for all customers throughout Kosovo"



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Acronyms

| WSRA | Water Services Regulatory Authority |
|---------|--|
| KAS | Kosovo Agency of Statistics |
| BPRR | Biznes Planet Rregullatore |
| RAB | Regulatory Asset Base |
| BD | Bords of Directors |
| KNIPH | Kosovo National Institut of Public Health |
| СРІК | Customer Price Index in Kosovo |
| IMCW | Inter-Ministerial Council on Waters |
| RWC | Regional Water Company |
| PMU-POE | Policy and Monitoring Unit of Public Owned Enterprises |
| WC | Water Centre |
| NRW | Non- Revenue Water |
| AI | Administrative Instruction |
| RAG | Regulatory Accounting Guidelines |
| SP | Service Providers |
| IGS | Informativ Geografic System |
| KPI | Key Performance Indicators |
| IIG | Inter-instiutional Group (Government, WSRA, RWC, SHUKOS) |
| WWTP | Wastewater Treatment Plant |



1.FOREWORD



Performance monitoring of licensed Service Providers is the responsibility of WSRA, while the results of this finalized monitoring presented through this report provide to all stakeholders and customers important information about the activities and achievements of licensed providers in improvement of water services during 2019.

The report reflects the annual work of seven RWCs, also provides comparative analysis and evaluation of achievements in specific key performance indicators in relation to: their previous performance, achievements in relation to each other and in relation to the overall absolute performance.

The focus of WSRA in 2019 was to work on several objectives which consist of: Protecting the interest of customers, increasing the level of water services and care for the financial sustainability of service providers.

Through a fair tariff policy we have managed to ensure that service providers operate consistently with financial stability, by not overcharging customers. We have set the tariffs on the planning objectives that the companies had set in their business plans, their fulfilment the WSRA has monitored through a detailed system of evaluation of the fulfilment of the objectives and evaluation of the performance of the RWC.

In accordance with the latest legal changes within the authority, the 'Customers Complaints Resolution Commission' has been established, which is the final body in the administrative procedure.

As you will find described in detail in the report, service providers have marked positive trends in terms of increasing the quality of services provided to customers and commercial efficiency, while non-revenue water still remains at a very high level and without any substantial improvement, although in terms of reducing NRW through the drafting of strategies implementation of their individual action plans during 2019, there has been a more pronounced commitment of licensed service providers.

It is worth noting that due to the drought reigned during 2019, a situation which still continues, some of the service providers have failed to meet obligation for regular water supply and have been forced to apply planned supply interruptions, and careful management of water resources.

Due to the situation created by the COVID-2019, this year the annual performance report was published with delay. We hope that findings described in this report will be a working reference in particular for the Boards of Directors and Management of RWCs in order to provide further improvements in water supply services in the areas of their respective service.

I would like to take this opportunity to congratulate the staff of service providers for their continued commitment to providing water services in the current situation caused by pandemic, as well as the WSRA staff in their commitment to compiling this report.

Best regards,

Raif Preteni, Director of WSRA



2.PERFORMANCE OF RWC

2.1 WATER SUPPLY

2.1.1 Non-financial performance (technical)

Water quality

The quality of drinking water provided by RWC is an essential indicator for the well-being and health of the population.

Drinking water quality standards in our country are in line with the values of standards referred to in the Drinking Water Directive 98/83/EC transposed in the administrative instruction -16/2012.



Fig.1. Water quality for 2018 and 2019

During 2019, a total of 9,229 samples were tested, of which 98.8% are in compliance with drinking water quality standards. Regarding the bacteriological aspect, a total of 6,238 samples were tested, of which 99.2% e were in accordance with the allowed parametric values, while in terms of physico-chemical quality, 2,991 samples were tested, of which 97.9% turned out to be in accordance with the values allowed.

In gjeneral, there is a slight deterioration, of 0.6% compared to a year ago and mainly in terms of physico-chemical quality.

A summary of statistics (norms), of the quality of water supplied during 2019, according to RWCs and at the sector leve lis given in table no. 1.

| RWC | PR | ΡZ | PE | MI | GJA | FE | GJI | SECTOR |
|-----------------|------|-----|------|------|-----|------|------|--------|
| | | | | | | | | |
| Microbiological | 100 | 100 | 99.3 | 99.5 | 100 | 95.5 | 96.9 | 99.2 |
| Physic-chem. | 99.8 | 100 | 100 | 97.6 | 100 | 91.7 | 92.1 | 97.9 |
| Average | 99.9 | 100 | 99.5 | 99.1 | 100 | 94.5 | 94.9 | 98.8 |

Tab. 1. Rate (%) of microbiological and physico-chemical tests in compliance with water quality standards by RWCs

Among the seven companies, RWC 'Bifurkacion' and RWC 'Hidromorava' have the lowest level of compliance rate of 94.5% (Bifurkacioni) and 94.9% (Hidromorava). These two RWCs have provided a poor quality of water, both in bacteriological and physico-chemical terms, also due to the lack of regular drinking water supply.

However, to ensure good and sustainable water quality, further investments are needed to equip laboratories and accredit laboratories for more efficient operational control.



Water pressure

This indicator reflects the average percentage of properties that thave water supply, which in normal circumstances, can not guarantee water pressure (1.5-2 bar) in their taps.



During 2019, only RWC 'Hidomorava' reported properties that thave problems with providing pressure / below the reference level and that in the amount of 5,445 properties. Mainly related to lack of regular supply. Most RWCs still do not have the ability to monitor and provide reliable information on pressure in their service network, they do not have and established system of manometers and online monitoring of the distribution network. WSRA has assessed the data regarding water pressure with poor reliability.

Continuity of water supply

Reliability of service represents one of the important service standards, which represents the percentage of properties continuously served with water divided into three categories: properties that thave 24 hour water supply, 18-23 hours water supply properties that have less than 18 hours water supply, excluding special cases that may occur such as: interruptions due to the technical occurring in the field or interruptions to planned works of the Company.





The RWCs, which have reported that they provide their customers 24 hours with drinking water are: RWC 'Gjakova', 'Mitrovica' and WRC 'Hidroregjioni Jugor', but also other companies do not stand bad in terms of this indicator by exceeding the value of over 90% of 24 hours supply of drinking water to their customers, with the exception of RWC 'Hidromorava', which supplies 24 hours of drinking water only 44% of its customers, mainly due to lack of water resources in lake Perplepnica. The year 2019 was a year with less rainfall that mostly had an impact on the supply regions from RWC 'Hidromorava', 'Bifurkacioni' and 'Prishtina'.





Pipe burst

This indicator represents the total number of pipe burst during the year per 100 km length of the water supply network (excluding connection service pipes).



Fig. 4. Number of defects in the water supply network per 100 km

During 2019, number of defects in the water supply network per 100 km varies from 484 cases in RWC 'Hidroregjioni Jugor', best case is in RWC 'Hidromorava' with 100 cases in 100 km network.

The average of the sector during 2019 reaches the value of 223 cases per 100 km of water supply pipe. In relation to 2018, during this year of analysis, we have a trend of increaseing the number of cases of defects in the water supply netwokr.

The poor performance of the water supply network has been affected by the age of pipes, the lack of adequate maintenance by the RWCs, as well as the road works by various operators who have often been careless about the water supply infrastructure.

Non- Revenue Water

One of the main challenges faced by Water Service Providers in the country is the large discrepancy between the amount of water produced and placed in the distribution system and the amount of water billed to customers. This difference is known as non-revenue water (NRW) and represents a lack of technical, financial and managerial efficiency of service providers. The NRW consists of three loss components: commercial loss, physical loss and authorized but non-revenue.



Fig. 5. NRW Rate (%)

The amount of NRW during 2019 by all companies reaches the value over 87 mil.m³ or compared to 2018, over 3.8 mil.m³ less amount of non-revenue water.



At the sector level, the NRW rate has dropped to 56%, which is 2% less than in 2018. With the exception of RWC 'Bifurkacioni', other companies have made progress in reducing the NRW during the assessment year. Despite the progress made by companies during this year of analysis, all RWCs without exception are far from acceptable level of NRW of 25%.

WRC 'Bifurkacioni', has the highest level of NRW of 65%, followed by RWC 'Hidrodrini' and RWC 'Prishtina'. The high NRW figures in these RWCs show how little commitment has been made in recent yeaers in this regard.

Regarding the reduction of NRW, in the best position is RWC 'Gjakova', where the level of water losses has marked a downward trend year after year and currently the rate is 43%.

The figure below provides statistics on performance rates and projected rates for NRW reduction which were approved by WSRA for 2019.



Fig.6.Rate (%) of non-revenue water (planning-implementation)-2019

None of RWCs have managed to meet the planned objectives with the tariff process. In the best case RWC 'Gjakova' was close to reaching the target in 2019, where the implementation was lower than planned by 1%.

WSRA has always suggested that in order to succeed, it is necessary to create sustainable structures, within the company with: professional staff, advanced tools and technology, necessary training and financial incentives to meet the objectives, taking into accunt that dealing with water losses will be an ongoing work for water service providers.

2.1.2 Non-financial performance (commercial)

Coverage with water supply services

In 2019, on average, about 75% of population is supplied with drinking water by RWCs within their respective service area. This is 2% more than in 2018. Out of a total of 1,238 settlements, 584 have access to public water supply systems managed by RWCs.

Fig. 7. Rate (%) of population coverage with water supply services

The highest coverage with water supply services lies in RWC 'Gjakova', with a rate of 90% which if compered to the previous year 2018 has marked progress by 3%. Progress has also been made at RWC 'Hidromorava' and 'Hidrodrini'.

RWCs have the potential to further extend water supply services to a significant number or rural areas, most of which have systems in place and are awaiting to takeover management by the RWC.



Water metering

Metering of consumed water is one of the important standards of water service, it is a prerequisite for a fair billing by charging customers based on their real consumption. Water metering is also an important tool for controlling water consumption and losses.



All RWC have marked good performance in equipping household customers with water meters during 2019 compared to the previous year 2018. This indicator has marked progress by 1% during 2019 compared to the previous year 2018. RWC 'Mitrovica' still stands quite low in this service standard, where only 78% of its household customers have water meters installed. While all other companies have a high percentage of water meter coverage, although the legal standard of service level for water metering requires RWCs to bill all their customers only through functional and verified water meters in aspect of accuracy.

Continously, and in particular since 2018, WSRA has asked all RWCs to make mandatory measurement of water consumed by customers. It is evident that none of the RWC have fulfilled the given obligations, still about 4% of customers mainly in households are billed according to the consumption estimate. However, RWCs have reported over 12,842 new water meters installed for the household category in 2019. WSRA continous to monitor companies closely, and we expect them to completely eliminate billing without water meters during 2020.

Complaints

The number of complaints is an important indicator for assessing customer satisfaction with the service received from their service provider.





Fig. 9. Number of complaints about water supply services

Durig 2019, number of technical complaints but also those of a commercial nature, addressed to RWCs by customers for water services has decreased by 5,997 complaints or (36%) compared to the previous year 2018.

There are a total of 10,444, of which 8,052 are complaints of technical nature related mainly to: water quality, pressure, interruptions and breakdawns / leaks, while 2,392 are commercial complaints related to: debt disputes, invoices, address changes and other requests of the same nature.

WSRA still has reservations about the reliability of this data, most RWCs use advanced software programs (CRM, CRS), but lack regular accurately defined updates.

RWCs must maintain an up-to-date and unique record of customer complaints and resolve them within a timeframe set by the legal framework.

2.1.3 Financial Performance

Volume of water sold

RWCs, during the current tariff process (2018-2020), have presented their projections for the volume of water they will sell in order to supply their customers. For 2019 it is planned to bill over 66 milion m³ of water from all RWCs, while they have managed to realize over 62 milion m³, for about 4 milion m³ less realization or expressed in percentage 93%, excluding bulk water services for the northern part.



Fig.10. Quantitative norms for water sold by RWCs in relation to estimates according to the business plan

At the sector level, the volumetric sales realized in relation to those planned have marked a decrease in performance from 94, as they were during 2018 to 93% in 2019. The planned target has been met by RWCs 'Mitrovica', 'Gjakova', 'Hidrodrini' and RWC 'Prishtina'. Delays in the implementation of planning have been identified at RWCs 'Hidromorava', 'Bifurkacioni' and 'Hidroregjioni Jugor', mainly due to lack of water resources, due to drought.

Sales value

The total value of water sales is an important indicator of financial performance through which operating costs and capital maintenance are covered while creating financial sustainability itself.





Fig.11. Value of water supply sales in relation to planned sales

In 2019 the value of sales in almost all RWCs was lower than the planned value of sales. The non-realization of water sales is primarily a result of the inefficiency of RWCs to increase quantitative sales, but part can also be attributed to the reduction of production, which in the year under review was lower than in the previous year 2018.

The value of sales realized for 2019 at the level of the water supply sector was \notin 30, 7 million, while the planned one was around \notin 33.2 million, which means that 92.5% of sales were realized from what was planned, and is lower by 0.7% compared to 2018 which was 93.2%.

RWC 'Mitrovica' also this year leads with the highest percentage of sales realization in relation to other companies, at the same time exceeding the planned target of 7%, while RWC 'Hidromorava' remains with the lowest realization percentage of 77%, with a decrease of 12% compared to 2018.



Relative value of sales

WSRA

Fig.12. Water supply value of during 2019 relative to 2018

Unlike last year when most RWCs had shown positive trends in water supply sales, this year only three have shown progres in this service.

RWC 'Hidromorava' is the company which has realized the lowest sales in 2019 with -7.54% compared to 2018, the results of which has been the reduction of water produced to the level of 13% in addition to the reduction of volumetric sales of 7%.

In absolute value, sales in euros at the sector level in 2019 are lower by -0.44% compared to 2018 as a result of the reduction of commercial / institutional customers, despite the increase in volumetric sales by 2.3%.



Cost per unit¹ of water produced

The cost per unit of produced water is also an important financial indicator based on which we understand the costs per m3 of produced water.



Fig. 13. Cost per unit of water produced during 2019 compared to 2018 (Euro/m3 of water produced)

The average cost of unit of water produced in 2019 has not changed compared to 2018, so it has remained at the same level of 0.05 €/m3.

Though among the seven RWCs there is a wide variation of production costs. This is greatly influenced by the type of supply, depending on whether the source is surface or underground, by the way of capture and the quality of the water used.

It remains as a concrete case, for many years now RWC 'Hidroregjioni Jugor', the high cost of water produced in this company has been affected by high costs for water treatment, in particular by high costs of energy and fuel during the operation of pumps.

High cost reduction per unit of water produced for 2019 compared to last year was at RWC "Gjakova" by 50% (from 0.054 €/m3 as it was in 2018 to 0.026 €/m3 for 2019), the results of which was a very high reduction in the cost of water produced and an increse in volumetric sales of water.

Total cost per unit of water supply

It includes total operating expenses and capital maintenance expenses of water supply business, exluding return on equity and bad debts, all in relation to the volume of water sold for the same reporting period.



¹ Unit costs for the previous year 2018 are adjusted for the inflation rate 1.027



In 2019 at the sector level, the cost per unit of water supply was $0.40 \notin m^3$ and is lower by $0.04 \notin m^3$, compared to the previous year 2018.

In relation to other companies the RWC 'Hidrodrini' has a significantly lower cost level $(0.24 \notin m^3)$, while reducing the cost even more compared to the previous year. While RWC 'Hidroregjioni Jugor' has the highest cost of 0.47 $\notin m^3$, increased even further from 0.45 $\notin m^3$ as it was in 2018, mainly this can be attributed to the increase of operating expenses including capital maintenance at the level of 4% and reduction of volumetric sales.

We see a high cost improvement per per unit of water supply of RWC "Prishtina' from $0.56 \notin m^3$ as it was in 2018 to $0.47 \notin m^3$ for the current year, influenced by the increase of volumetric sales of water and reduction of costs operational including maintenance.

Total cost per unit of water supply in relation to the plans

This indicator presents the costs per realized water supply unit (operating costs including capital maintenance, deducted for subsidies received / volumetric sales) in relation to planned costs (operating costs including capital maintenance/ volumetric sales).



Fig. 15. Water supply unit costs relative to planned unit costs

At the sector level, meeting the cost targets per unit of water supply in 2019, has further deviated from the planned target of 90%, but compared to the previous year it has improved by 9% from 105% to 96%.

The fulfilment of the planned costs per unit in almost all RWCs were higher those planned, with the exception of RWC 'Mitrovica', which is almost at the desired level of 76%, however even this does not show a good performance, because the planned unit costs have included significant costs for infrastructure renovation and depreciation according to the current cost for new assets (capital maitenance) and this company has not managed to realize even 7% of them, even exceeding the planned operating costs.

Better performance in this indicator in relation to other companies has managed to have RWC 'Hidrodrini' with the realization of unit costs at the level of 87%. Expenditures planned for infastructure renovation and depreciation according to the current cost for new assets this company has managed to realize at the level of 50% while increasing volumetric sales and reducing operating costs.

Capital expenditures

The tariff review proces of 2018-2020 has included provisions for capital expenditures for both maintenance and capital increase. Most of these expenditures, especially those for capital maintenans, were expected to be financed from own sources and are therefore included in tariffs.

Current capital expenditures undertaken by RWCs in recent years are negligable compared to what was planned. Another worrying thing is that almost all companies in 2019, capital expenditures or better to say at the level of



77% of them have dedicated to the expension of capital expenditured and the remaining 23% to capital maintenance, a fact which results in deteriorating asset base and declining service level.



Fig. 16. Water supply capital expenditures relative the planned for 2019

Current expenditures in most RWCs, with the exception of RWC 'Prishtina', 'Hidrodrini' and 'Gjakova' were lower than the expected level, starting from 1% of RWC 'Mitrovica' up to 28% of RWC 'Bifurkacioni'.

The value of investments from own sources revenues for 2019 was about \in 2,7 million Euros, while from grants of \notin 1,2 million.

At the sector level for 2019, companies from own source revenues have planned to spend about \in 2.7 million which are covered by the approved tariffs, a target which has been achieved at the level 100%.

| Realization of investments in water service from own source revenues and grants for 2019 | | | | | | |
|--|--------------------|------------------|-----------------------------|-----------|--|--|
| Company | Inv. in production | Inv. in distrib. | Inv.in busin. activities | Total | | |
| PR | 418,427 | 610,084 | 393,754 | 1,422,265 | | |
| PZ | 226,716 | 621,763 | 112,796 | 961,275 | | |
| PE | 136,608 | 420,261 | 196,463 | 753,332 | | |
| MIT | 0.00 | 26,742 | 50,320 | 77,062 | | |
| GJA | 14,402 | 473,729 | 36,208 | 524,339 | | |
| FE | 23,133 | 4,687 | 34,938 | 62,758 | | |
| GJI | 40,287 | 4,786 | 3,165 | 48,238 | | |
| Total | 859,573 | 2,162,052 | 827,644 | 3,849,269 | | |

Tab.2. Value of investments in water service

RWC 'Prishtina', leads with the realization of capital expenditures \in of 1.4 million, of whch most of these investments are realized in distribution and that in the renewal of infrastructure such as water supply network / pipes, replacement of large water meters, submersible pumps, network works for pressure regulation, detector, etc., another part of the investments have been made in the expension of non-infrastructure resources with the construction of reservoirs and the supply of chlorine containers. With these expenditures, it is intended to improve the continuity of water supply, to improve the serviceability of the infrastructure and to raise the level of service standards, which we can say have been realized at an almost desire level.



RWC 'Hidroregjioni Jugor' in relation to other companies remains in the second order for realization of investments at the level of € 961,275, and most of them have been realized by increasing the infrastructure in distribution and mainly by expending the network in the villages Mamushë, Carrallukë and Grejkoc.

RWC 'Mitrovica', for 2018 had planned investments of about € 7.6 million, in the project of rehabilitation of water supply network in some neighborhoods of Vushtrri and Skenderaj and expansion of network in Mitrovica, but these projects have been realized only 1% of them. Their non-realization was due to non-fulfillment of billing and collection objectives, increase of operating expenses and non-acceptance of planned donations.



2.2 WASTEWATER SERVICES

2.2.1 Non-financial performance (technical)

Quality of discharged wastewater

Currently the wastewater treatment service in the country is very low. There is only one wastewater treatment plant in Skenderaj, managed by RWC 'Mitrovica' and some small plants at the level of villages managed by RWC 'Prishtina', from which we obtained adequate data. The rest of the wastewater discharged by RWCs did not meet to fulfil environmental standards.

We hope that in the coming years this service will be operational, as we have entered a phase of planning, investment and intensive construction of wastewater treatment plants. Such plants with considerable capacities are under construction in the region of Prizren, Peja and Gjakova.

Frequency of sewer blockage

This indicator presents the number of reported cases related to sewer blockage reported in the reporting period per 100 km length of sewerage network. A sewer blockage is a partial or complete blockage of a network or wells that impedes the flow of wastewater and does not involve blockages in insfrastructure within property and does not involve blockages in infrastructure within customer property.





All RWCs reported an increase in the level of blockaged of sewerage system by 100 km. At an average level they increased from 304 cases in 2018 to 441 in 2019. The company which has reported the most data regarding sewer blockages during 2019 is RWC 'Gjakova' with 2,342 cases of blockages per 100 km length of sewerage network or expressed in percentage over 100 % with many cases in relation to previous year 2018. RWC 'Hidrodrini', on the other hand did not report data, therefore we were not able to make assessment for this company in this indicator.

In general, other companies have little difference from each other, but without exception have poor performance in this indicator. Blockage of the sewerage system in the country is not uncommon, given the fact that part of the system is quite outdated in terms of absorption capacity, then the low carelessness of citizens and lack of maintenance by companies. Another factor is the fact that a part of the sewerage system is shared with the atmospheric sewerage system and sometimes remains without proper care by the responsible authorities.



2.2.2 Non-financial performance (commercial)

Coverage with wastewater service (sewerage)

Wastewater service coverage is defined as the percentage of the population within the service area that has wastewater service (sewerage).



Fig.18. Coverage of population with wastewater services (%)

At the sector level during 2019, the coverage with wastewater services, reaches the value of 65% which is compared to the previous year 2018 has marked progress by 1%.

RWC 'Prishtina', with 78% has the highest level of coverage with wastewater services compared to all other companies.

In general all RWCs, if we compare them with the previous year, are almost in the same position with symbolic movements in terms of progress.

Complaints

Number of complaints is an important indicator for assessing how satisfied customers are with the service received from their service provider.





The number of complaints in total during 2019 about wastewater services reaches the value of 2,888 of which 2,841 are related to technical aspects and 47 to the commercial aspects.

During 2019, number of complaints about wastewater, both technical and commercial have decreased by 1,763 complaints less compared to the previous year 2018, or in percentage of 38%.



The largest number of complaints during 2019 about wastewater service has been submitted by RWC 'Hidrodrini' with total of 1,569 complaints, while the company which has not submitted any complaints to wastewater services is RWC 'Mitrovica'.

Compliants in this service have mainly been related to sewer blockages, flood cases and sewer cleaning requests. As can be seen in the figure above, customers have complained less about commercial issues in the wastewater service.

2.2.3 Financial performance

Sales value of wastewater

Figure 20, below presents the sales performance of wastewater service in relation to the planned estimated as they were defined in RWC tariff application for the tariff review process - 2019.



Fig. 20. The value of wastewater sales in relation to planning

Almost all RWCs have not been able to achieve the objectives of wastewater sales during 2019 with the exception of RWC 'Hidrodrini', and 'Mitrovica' which have even exceeded the planned targets by 18% (Hidrodrini), and 7% (Mitrovica).

At the sector level in 2019 the value of value of sales realized for wastewater services was \notin 4,549,732, while the planned one was \notin 5,064,303, which means that 90% of sales were realized from what was planned and is lower for 5% compared to 2018 when it was 95%.

Poor performance of actual water sales, compared to planned sales, has affected that current sales in wastewater services at the sector level are below the planned value level.





Relative value of wastewater service sales



Fig. 21. The relative value of wastewater service sales during 2019 compared to 2018

The trendi of the value of sales realized for wastewater services during the reporting period 2019 in relation to 2018, at the sector level has been positive, the increase was 7.56% compared to last year.

RWC 'Hidroregjioni Jugor' this year remains the company with the highest sales of wastewater service compared to last year with 70% increase, while this company in water supply services had shown a negative trend, the results of this increase was mainly the wastewater treatment tariff applied from Janari 1, 2019 to October of the same year, to all customers who receive wastewater services.

Even in the wastewater service RWC 'Hidromorava' is the company wich has realized the lowest sales in 2019 with -13.2% compared to 2018, the result of which has been the reduction of volumeetric sales of water while also reflecting in the reduction of volumetriv sales of wastewater as a result of the lack of atmospheric precipitation and the fall of the water level below normal.

Total cost per unit for wastewater service²



Costs per unit of wastewater service are defined as annual costs for household customers served³.



The cost per unit of wastewater services at the sector level in 2019 compared to 2018 has been lower by 0.9 €/m3 or 12%.

² The unit cost for 2018 is adjusted for the inflation rate of 1.027 and differs from the cost present in the Preliminary Report

³ Served household customers are defined as the actual number of household customars converted to the equivalent of household customers based on the proportional distribution of water consumed.



In 2018, three of seven companies recorded a decrease in unit costs for wastewater service, which resulted in a decrease in the number of serviced households, despite the increase in total wastewater costs in many of these companies.

The lowest cost in this indicator, at the same time the highest improvement for 2019 has RWC 'Prishtina', with ≤ 1.94 /customer with a decrease of ≤ 4.14 / customers compared to the previous year, while the highest cost for 2019 in relation to 2018 has RWC 'Hidroregjioni Jugor', with an increase also from the previous year of ≤ 3.62 /m3 or 31%, the result of which have been the costs of high operating, despite the increase in the number of customers.

Total cost per unit of wastewater services in relation to planning

The total cost per unit of wastewater services is also an important financial indicator which ranks in the group of key indicator based on which the performance of wastewater is measured. The indicator presented graphically below shows the ratio between the cost per unit of wastewater services performed (operating costs including capital maintenance / with household customer equivalents⁴⁾ and the cost per unit of planned wastewater services (operating costs including capital maintenance / household customer equivalents).



Fig. 23. Cost per unit of wastewater services in relation to planned costs (%)

Fulfillment of planned costs per unit arising from tariff review 4 (2018-2020) specifically for 2019 (adjusted according to price levels in 2017), in all RWC were lower than planned.

Although the companies have reached almost the desired level of less than 90%, still these companies have not shown good performance, because most of them have exceeded operating costs, while capital maintenance costs have not reached even 9% to realize them.

Capital expenditures for wastewater

The capital expenditures for wastewater present the total capital expenditures realized for maintenance and capital increase in wastewater services in relation to the capital expenditures approved on the business plan.

⁴ Served household customers are defined as the current number of household customers plus the number of non-household customers converted to the equivalent of household customers based on the proportional distribution of water consumed.







Fig. 24. Capital expenditures on wastewater service in relation to planning -2019

Companies have foreseen significant provisions for 2018, (\leq 14.1 million), for capital increase and capital maintenance in wastewater services, foreseen to be provided by both own funds and donations, but in reality the current costs were much lower than the expected level, and that of \leq 109,437 or 1% of those planned during the tariff proces 2018-2020 (specifically 2019).

Companies have planned to spend about €1.1 million from own source revenues in 2019, but these costs have managed to cover only 9%.

Regarding the investments made in wastewater services in relation to the planning, RWC 'Bifurkacioni' leads with 15%, which have mainly been oriented towards maintenance and expansion of non-infrastructure assets (Business Activity).

| Realization of investiments in wastewater services from own source revenues and grants for 2019 | | | | | | | |
|---|-------------------|--------------------|---------------------|------------------------------|---------|--|--|
| RWC | Inv.in collection | lnv. in treatm. | inv.in discharge | Inv. in business activity | Total | | |
| PR | 1,350 | 0 | 0 | 12,178 | 13,528 | | |
| PZ | 0 | 0 | 0 | 16,557 | 16,557 | | |
| PE | 33,195 | 0 | 0 | 20,844 | 54,039 | | |
| MIT | 0 | 0 | 0 | 5,591 | 5,591 | | |
| GJA | 6,206 | 0 | 0 | 1,906 | 8,112 | | |
| FE | 1,195 | 0 | 0 | 10,167 | 11,362 | | |
| GJI | 0 | 0 | 0 | 248 | 248 | | |
| Total | 41,946 | 0 | 0 | 67,491 | 109,437 | | |

Tab. 3. Value of investments in wastewater service

While RWC 'Prishtina' leads to realization of water services, RWC 'Hidrodrini' leads to realization wastewater services with realizimin of investments of 49%, of total amount of investments and which percentage is realized mainly in the renewal of the infrastructure for collection of wastewater.

RWC 'Hidroregjioni Jugor', 'Gjakova'and 'Hidromorava'are the companies that thave planned significant capital expenditures in wastewater service: increase rehabilitation of the network, in the construction of wastwater treatment plants, installation and provision of manhole covers to the sewage system, the construction of the main collectors for wastewater collection, etc. in reality these companies have not managed to realize 1% of them.

It is unsatisfactory that despite the large capital investment requirements of this service, the amounts budgeted by both RWCs and development agencies in the country, continue to be very small.



2.3 GENERAL FINANCIAL PERFORMANCE OF RWC

2.3.1 Revenue collection

This is one of the most significant indicators which in addition to billing effeciency and reduction of water losses, has direct impacts on the financial viability of the company.



Fig.25. Efficiency in renevue collection / billing (excluding other operating income)

In 2019, almost all companies have managed to improve collection efficiency, except RWC 'Prishtina' and RWC 'Hidroregjioni Jugor', which compared to the previous year have shown poorer performance.

The highest progress in the collection rate has been achieved by RWC 'Bifurkacioni' with an increase of 8% compared to previous year, however we can not say that it has shown good performance, as the company has reduced sales in monetary value and collection of billed revenues has kept at the same level as in 2018.

The collection rate for water and wastewater service bills as the sector average for 2019 was 93% and is 2% higher in 2018.

The target set by the regulatory (tariff) processes for 2019 at the sector level has exceeded by 88%, all companies have achieved their plans and most of them, such as RWC 3%. In 2019, all companies have achieved their plans and most of them have exceeded them, such as RWC 'Gjakova' and 'Hidrodrini' by 8%, RWC 'Hidroregjioni Jugor' 4%, WRC 'Hidromorava' by 2%, RWc 'Prishtina' by 1% and RWC 'Mitrovica' by 1%, while at the same level as planned remains RWC 'Bifurkacioni' me 88%.



Fig. 26. Realized collection / planned collection for 2019

The high efficiency of the collection realized in relation to the planning generally refers to the payment of invoices by the customers of the institutions, but also a part of the household customers from which the companies cannot collect the billed cash.



This year, RWC 'Gjakova' holds the record with 99% of household collection, while RWC 'Hidromorava' leads with highest collection rate in category of businesses with 114% and in the category of institutional customers with %.

The RWC 'Mitrovica' household customers remain the weakest debt payers, only 70% of them manage to repay the debt for the service provided by their service provider, although compared to the previous year they had an increase of 10%.

A further improvement of collection efficiency requires permanent and continuous commitment through the development of sustainable action plans, the improvement of regular water meter readings, regular billing, as well as the taking of timely operational and legal measures for dishonest customers.

2.3.2 Return on equity

Return on equity as a necessary condition to reach as sufficient level of borrowing to attract much needed investment for the sector has been into use in the tariff proces (2009-2011) and has continued in the years so far.

For the tariff review 2018-2020, WSRA has proposed a real state return (after inflationit) of 4% on the regulatory basis of assets (RBA), so a real rate of return on capital which is based on the good practices of Western European countries.



Fig. 27. Return on Regulatory Asset Base (RAB)

Return on capital at the sector level shown a positive trend compared to the previous year and that for 4.48% from 0.34% in 2018 to 4.82% for 2019.

This year all companies have managed to have positive returns, most of them have even exceeded the planned level 4%, which means that they have managed to keep their costs, including depreciation at current cost and infrastructure maintenance in RBA^5 , within their income limits.

1) RWC 'Mitrovica, although still remains at the lowest level of return on capital, compared to last year leads with the highest improvement of 10.73% from -10.46 as it was in 2018 në 0.28% for 2019. This big difference is due to the slight inrease in operating revenues and mainly the subsidy that this company has received, despite the increase in operating expenses, including capital maintenance.

⁵ For further details on the asset regulatory basis (how it is defined) WSRA RAG.



2.4 GENERAL PERFORMANCE OF RWC

This part of the report assesses the overall performance for both serctors (water supply and wastewater service) based on quality, service levels, coverage and cost efficiency. These are then combined and commercial and financial efficiency (revenue collection and return to RAB) to reach at an overall measurement of RWC performance.

The criteria for measuring the performance of the water supply and wastewater service are such that a result of 100%, reflects the assurance of the level of service compared to a modern performance of efficient and functional water service / supply services.

Considering that WSRA has continuosly aimed at advancing the performance monitoring process, after an analysis and evaluation of the whole process in order to develop and implement an even more effective monitoring framework for 2019 a part of the PMV was changed, respectively two representative indicators were added to the KPI scheme: coverage with wastewater treatment services and the treatment of customer complaints with direct interest in customer satisfaction.

We have also changed the method of calculating service coverage, in order to reflect this indicator in terms of geographical coverage. Now the service coverage of the population will be assessed settlement by settlement in those areas where they live. In this case some of the indicators that have had the highest weight rating have lost the weight. In water supply we have reduced the weight of the water quality by 5% while we have increased the weight of the NRW indicator with the same value by 5%. In the wastewater services, the service coverage indicator is divicded into two parts: the coverage with wastewater treatment services has been given a weight of 20%, to reflect the focus on the need to develop this as an important indicator environmental. The grievance handling indicator has been given a weight of 5%, as we have assessed it as an aspect of direct interest in customer satisfaction. Based on our analysis, the changes made to the KPI scheme have had a significant impact on the overall score and final ranking of the RWC in 2019 and taking into account these facts, when assessing the overall performance in this report will we limit ourselves only to the assessment of overall performance 2019, without making comparasions for progres from 2018. There are 15 (fifteen) key performance indicators along with their related weights: service standards, financial and operational performance and data quality (reliability), as shown in the KPI scheme.

| Group | Unit of measurement of performance | Subgroup coefficient | | Group coefficient | |
|------------|---|-------------------------|-------|-------------------|------|
| Water | Quality of drinking water 20% | | | | |
| | Pressure | essure 5% | | | |
| | Availability | 20% | 1000/ | 45% | |
| | Coverage with water services | 20% | 100% | | |
| | Cost efficiency 10% | | | | |
| | Non-Revenue Water | 25% | | | 100% |
| Wastewater | Quality of discharge | 10% | | | |
| | ReliabilityCoverage with wastewater servicesCoverage with wastewater treatment services | | 100% | 20% | |
| | | | 100% | 30% | |
| | | | | | |

Tab. 4 Performance Measurement Structure (KPI and its weight)



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| | Cost efficiency | 10% | | | |
|-----------------------------|--|-----|-----|--|--|
| | | | | | |
| Gjeneral - | Complaints handled in a timely manner | 5% | | | |
| Financial and non-financial | Points (reliability) determined by the Audit | 5% | | | |
| | Profitability | 5% | | | |
| | Commercial Efficiency | | 10% | | |

2.4.1 Overall performance - water service

Overall water supply performance analyzes and evaluates the overall performance of RWCs taking into account efforts to improve KPI such as: service coverage, quality of supplied water, water pressure, continuity of supply, non-revenue water well as cost efficiency.

The total performance results of a company is calculated as a sum of the performance result for each indicator calculated based on the criteria and methodology set out in the PMV and recent changes.

The overall average water supply in 2019, has reached the level of 33.59% from the ideal target level of 45%.



Fig. 28. Results of water supply performance evaluation and RWC ranking (2019)

Based on the analysis of the esults we can conclude that RWC 'Gjakova' with 36.63%, is ranked first with the best performance in water supply followed by RWC 'Hidrodrini' by 32.13% and RWC 'Prishtina' by 32.12%, while the weakest performance has shown RWC 'Hidromorava' and RWC 'Bifurkacioni'.

RWC 'Gjakova', has met most of the indicator at the level of ideal objectives, excluding the NRW indicator and cost efficiency. NRW and cost efficiency, are two of the indicators that this company should pay attention to in order to gain further improvement. Currently the performance of RWC 'Gjakova' is at the level of 36.63% from the target of 45%.



| RWC | Water quality | Pressure | P. of Supply | Coverage | NRW | Cost Effic. | Total |
|--------|------------------|----------|--------------|----------|-------|----------------|--------|
| Ideal | 20.0% | 5.0% | 20.0% | 20.0% | 25.0% | 10.0% | 45% |
| GJA | 20.0% | 5.0% | 20.0% | 18.0% | 12.3% | 6.1% | 36.63% |
| PE | 19.9% | 5.0% | 19.9% | 16.6% | 0.0% | 10.0% | 32.13% |
| PR | 20.0% | 5.0% | 19.6% | 16.2% | 1.3% | 9.3% | 32.12% |
| MIT | 19.8% | 5.0% | 20.0% | 14.2% | 3.2% | 5.0% | 30.27% |
| PZ | 20.0% | 5.0% | 20.0% | 12.6% | 2.9% | 5.6% | 29.73% |
| FE | 19.7% | 5.0% | 18.7% | 15.0% | 0.0% | 6.7% | 29.29% |
| GJI | 19.1% | 4.5% | 10.5% | 12.0% | 7.5% | 8.9% | 28.12% |
| Sector | 19.9% | 5.0% | 19.7% | 16.1% | 6.4% | 7.5% | 33.59% |

Tab. 5. Results for overall performance of water supply in 2019

One of the indicators such as: water quality, water pressure, continuity of water supply, almost all RWCs have reached the limit of meeting the objectives in 2019. RWC 'Hidromorava' and RWC 'Bifurkacioni' should be excluded from this case, which have failed to provide supply 24 hours as well as failures in water quality as a result of water reduction applications.

The most challenging indicators in this service still remain: reduction of NRW, expansion of service coverage and cost efficiency. Therefore, without exception, all RWCs, their investment program, should be oriented in projections to record results in these key indicators of water supply.

2.4.2 Overall performance - wastewater service

Overall Performance of wastewater services, takes into account the analysis and evaluation of achivements in KPI in this service such as: coverage with wastewater service, coverage with wastewater treatment, quality of wastewater discharged and sewerage network reliability.

The assessment of the overall performance of the seven RWCs in wastewater service is also based on the comparative assessment regarding the 'ideal' level of expected performance of the company that operates well and provides efficient wastewater services.

Overall performance of wastewater service on the average of 2019, in relation to the overall ideal target level of 30%, has reached the level of 7.1%, this is very low compared to the target level of 30%, separated for this service by overall performance.

The best performance in the wastewater servic was achieved by RWC 'Bifurkacioni', with total a 8.3% points, from a maximum of 30%. RWC 'Mitrovica', 'Hidrodrini', 'Hidromorava' and 'Hidroregjioni Jugor' have significantly than the average in this service.



2019 Discharge quality 2019 Reliability 2019 Service coverage W 2019 Service coverage with WT 2019 Cost efficiency

Fig.29. Wastewater services overall performance - 2019

WSRA

The assessment of the overall performance for wastewater services this year was made on the basis of only two indicators (coverage with wastewater service and cost efficiency). The other two indicators (wastewater treatment coverage and discharge quality) related to wastewater treatment, have not been evaluated this year either, because currently wastewater treatment is limited and lacks data on water quality and standards. Furthermore, based on the agreement after consultation with services, WSRA has decided that: the indicator of coverage with wastewater treatment services, will be evaluated after all RWCs will be managed by WWTP, in their respective service areas.

| RWC | Quality discharge | Relaibility | Coverage with wastewater | Coverage WWTP | Cost Effic. | Total |
|--------|-------------------|-------------|-----------------------------|------------------|----------------|-------|
| Ideal | 10% | 30% | 30% | 20% | 10% | 30% |
| FE | 0.0% | 0.0% | 22.2% | 0.0% | 5.4% | 8.3% |
| GJA | 0.0% | 0.0% | 20.1% | 0.0% | 6.8% | 8.1% |
| PR | 0.0% | 0.0% | 23.4% | 0.0% | 2.8% | 7.9% |
| PZ | 0.0% | 0.0% | 18.6% | 0.0% | 3.0% | 6.5% |
| GJI | 0.0% | 0.0% | 14.7% | 0.0% | 6.7% | 6.4% |
| PE | 0.0% | 0.0% | 13.5% | 0.0% | 7.7% | 6.4% |
| MIT | 0.0% | 0.0% | 18.0% | 0.0% | 2.7% | 6.2% |
| Sector | 0.0% | 0.0% | 18.6% | 0.0% | 5.0% | 7.1% |

Tab. 6. Results for the overall performance in the wastewater service in 2019



Coverage with wastewater services has not yet been developed at desired level, in the best position are RWC 'Prishtina and 'Bifurkacioni', while RWC 'Hidrodrini', remains with the lowest level of coverage with wastewater in their own region of responsibility.

Cost efficiency in wastewater service is at the level of 5% for 2019, and without exception in all RWCs this shows lower efficiency than planned. RWC 'Hidrodrini', 'Gjakova' and 'Hidromorava' have performed beter better in this indicator, while a very level of cost efficiency has been shown by RWC 'Mitrovica' and 'Prishtina'.

Similarly, since the reliability for all RWC (measured on the basis of flood / blockages per 100 km of pipe per year) is higher than the absolute maximum of 100 from the ideal level, none of the RWCs could provide any points. This means that in this indicator the performance of all companies is poor.

Based on the performance diagram and statistical tables we can conclude that wastewater service is very poorly developed in relation to water supply and needs significant investment in improving service coverage and construction of water treatement facilities, polluted, without which it would be impossibl for RWCs to achieve tangible improvements in the provision of these services.

2.4.3 Overall performance of RWCs

The following is the overall performance of RWCs for both services, water supply and wastewater services, combined with financial performance (profitability and commercial efficiency), complaints and regulatory reporting.

The average performance of the sector in 2019 is at level of 59.26%, a gjeneral improvement of 40.74%, is needed to reach the maximum of 100% (ideal performance).



Fig. 30. Overall performance of RWC in 2019

Table 7 shows the ranking of RWCs according to their performance for vitin 2019 in relation to the ideal company.

Based on the general ranking criteria, RWC 'Gjakova' has ensured a better performance than all other RWCs, with the current level 69.22% from the maximum of 100%.





RWC 'Prishtina', is ranked as the second company with an overall perfromance of 63.56%. On the other hand, RWC 'Mitrovica' with 50.57%, followed by 'Bifurkacioni' with 53.79% and Hidromorava with 57.15%, have significantly lower performance than the average overall performance of RWC.

| DW/C | Water | Mostowator | vater Profitability | Collection | Compleinte | Regulatory | Total |
|-------|---------|------------|---------------------|------------|------------|------------|--------|
| RVVC | suppply | wastewater | | collection | complaints | Reporting | Points |
| Ideal | 45.0% | 30.0% | 5.0% | 10.0% | 5.0% | 5.0% | 100.0% |
| GJA | 36.6% | 8.1% | 5.0% | 9.6% | 5.0% | 4.9% | 69.22% |
| PR | 32.1% | 7.9% | 5.0% | 8.7% | 5.0% | 4.9% | 63.56% |
| PE | 32.1% | 6.4% | 5.0% | 8.6% | 4.8% | 4.3% | 61.16% |
| PZ | 29.7% | 6.5% | 4.9% | 8.7% | 5.0% | 4.6% | 59.41% |
| GJI | 28.1% | 6.4% | 5.0% | 7.8% | 4.9% | 4.9% | 57.15% |
| FE | 29.3% | 8.3% | 0.9% | 6.9% | 4.9% | 3.5% | 53.79% |
| MIT | 30.3% | 6.2% | 0.3% | 4.5% | 5.0% | 4.2% | 50.57% |
| Total | 31.2% | 7.1% | 3.7% | 7.8% | 4.9% | 4.5% | 59.26% |

Tab. 7. Results of the overall performance of the RWC in the 2019

Without exception, RWCs are operating at much lower levels than what would be considered an ideal level of service. The main reasons that affect the overall performance are: in general wastewater service and lack of treatement, non-revenue water to the water supply service, as well as commercial efficiency (collection and profitability).

We are also convinced that for most of the necessary imrovements si significant levels of investment are required. However, to sercure such investmens, RWCS must demonstrate their ability to maximize effeciency in those areas under their direct control, in particular in revenue collection efficiency and cost and operating efficiency.

WSRA will contunue to engage in ensuring that tariffs set are sufficient to fund the investment plans needed for the RWC to achive their level of service objectives and to ensure that RWCs actually undertake the permitted investment activities during tariff review.



3.BULK WATER SUPLIER PERFORMANCE

WSRA is responsible for regulating the business part of HEE 'Ibër Lepenci', which is related to the bulk water supply for RWC 'Mitrovica' and RWC 'Prishtina'.

In the following, we are giving some statistical data and some performance indicators to see the performance development trends in 2019, compared to 2018.

Tab. 8. Statistical data for HEE 'Ibër-Lepenc'

| Statistical data for 2019 / 2018 | 2018 | 2019 |
|--|------------|------------|
| Bulk water billed volume (m3) | 44,548,630 | 48,917,200 |
| Bulk water billed (€) | 1,052,904 | 1,210,418 |
| Balk water collection (€) | 1,204,344 | 1,232,953 |
| Cost of operation for bulk water supply (€) | 1,286,328 | 1,359,052 |
| Number of workers engaged in bulk water supply | 69 | 69 |

In 2019, as can be seen from the table above, water sales in quantitave value for RWC 'Mitrovica' and RWC 'Prishtina' have increased to the level of 4.4 mil., m3 or 10% compared to 2018, which increase has then affected the sale of water in monetary value to increase by 15%.

Also, as a result of the increase in sales in quantivative value, the costs for bulk water supply have increased to the level of 6%.

Performance indicators20182019Collection rate114%102%Work rate0.820.89Work coverage rate0.940.91Operating cost per unit (€/m3)0.030.03

Tab. 9. Performance indicators of HEE 'Ibër-Lepenci'

Table 9, provides an overview of financial indicators based on which the performance of HEE 'Ibër Lepenci' during 2019/2018.

The collection rate for 2019 was 102%, although it has decreased from last year, it is still at a good level and it seems that this year it has managed to collect a part of debt, left over from previous years.

The increase of billing by 15% has affected the employment rate to be higher compared to 2018, from 0.82 to 0.89 in 2019. The employment coverage rate has increased by 3% compared to 2019 and still remains below the desired level to cover the costs incurred during 2019 for the service provided.

Operating costs per unit in 2019, have remained at the same level in 2018, about 0.03 €/m³.



4.DATA QUALITY

This report is based on the main sources of information submitted by the RWC through the 'Annual Rrport', as well as other data reported to the WSRA. Water quality data are provided by NIPHK, while some statistical data are taken from KAS publications and are taken for granted. This year as well, the reported data have been subjected to the audit / verification proces. Unlike prevous years, this year the data were verified remotely (offices), based on documents sent in electronic formats and continuous communication with the responsible officials of the RWC. The activity took place during July 2020, the way of working and this period of time was imposed taking into account the created emergency situation with COVID-19.

A brief summary of the accuracy and reliability assessment in relation to the data found from the regulatory⁶, regulatory audit is provided below:

| RWC | Non- financial- water supply data | Non- financial- water supply data | Financial data | Overall weighted average |
|------------------------|---|---|----------------|--------------------------|
| Gjakova | 96% | 92% | 100% | 98.9% |
| Hidromorava | 95% | 89% | 100% | 98.6% |
| Prishtina | 91% | 74% | 100% | 97.0% |
| Hidroregjioni Jugor | 92% | 95% | 91% | 91.2% |
| Hidrodrini | 81% | 66% | 89% | 86.0% |
| Mitrovica | 87% | 68% | 85% | 84.6% |
| Bifurkacioni | 70% | 95% | 68% | 70.4% |

Tab. 10. Reliabiltiy of data according to RWC

The accuracy of operational data, in general, continues to be of lower accuracy in relation to financial data and those for customer service: Water production, in general, excluding RWC 'Prishtina', is reported correctly. Water pressure and data on low pressure affected properties by most RWC (Hidrodrini and Hidromorava), these data turned out to be inaccurate. Data on the continuity of water supply from RWCs which have applied interruptions and data on water meters exluding some RWCs (Prishtina, Mitrovica and Bifurkacioni), were reported correctly. While the data on the defects and the length of the water supply network, have been found correctly reported by all RWCs. The accuracy of customer service data generally turns out to be reported more accurately than operational data. In this respect, the incaccuracies are still mostly related to the reporting of complaints and water meters, mainly due to the ambiguity of the definitions. The data relating to metering, sales and contracts are accurately reported. The financial data were found to be accurately reported by all RWCs with the exception of RWC 'Bifurkacioni', where the inaccuracy of data reporting is mainly related to the cause of the ambiguity of data definitions.

The audit activity included verifying the realibility of the data in relation to the criteria defined in the "Guide for advancing the monitoring system in the WSRA and in RWC".

The reliability of the data also much to be desired, where none of the RWCs have fully reliable data. In the best case are: RWC 'Gjakova' with 98.9%, 'Hidromorava' with 98.6%, and 'Prishtina' with 97.0%. The lowest reliability was recorded at 'Bifurkacioni' with 70.4%.

The Authority's concerns are related to the low reliability of operational data and some data from customer service: water production by only three companies (Mitrovica, Gjakova and Hidromorava) has been reported as "reliable". Some of the RWCs still base their data on estimates for a part of water production. Water pressure is the least reliable data, none of the RWC have a reliable system for measuring and reporting pressure in the distribution network. In the best case they are: RWCs 'Gjakova' and 'Mitrovica', these two RWC have manometers

⁶ Audi Raport/Verification of reported data -2019



placed at some points, and they do their regular manual reading. Data on defects, blockages, length of water supply and sewerage network, are mainly: 'partually reliable, this data is generally recorded in the relevant modules (GIS, CRM, etc.) but are not fully updated.

Customer service data and financial data are mainly reliable as they are based and regularly recorded in relevant modules. RWC 'Bifurkacioni', this year has reported 'unreliable' financial data mainly due to the fact of not understanding the definitions.



5.GENERAL CONCLUSIONS

During the analysis of RWC performance, as presented in report, we can conclude on a number of key issues regarding the quality of service provided by RWCs and thier financial-operational:

Overall, the performance of RWC in 2019 compared to 2018, has shown an improvement in service standards:

Access to water supply services in their settlements, have 3/4 the population, while 2/3 of them receive wastewater services by RWCs, within their respective service regions, distributed in 32 municipalities out of 38 as total in Kosovo. The rest of the population scattered in settlemetns, mostly rural, are still outside the public water supply and sewerage system. Wastewater treatment is at a very low level. Currently in the design and construction phase are WWTP, in some regional centres (Prizren, Gjakovë and Pejë).

Water quality is good and within local standards, although with some problems presented this year in RWC 'Hidromorava' and 'Bifurkacioni', due to lack of water supply. Two of the seven companies, RWC 'Prishtina' and 'Gjakova', have accredited laboratories, and are able to respond to the requirements of testin and monitoring the quality of drinking water according to local legislation, while other RWCs in this regard, are engaged in the construction of laboratories, their equipment and accreditation, for water quality testing.

Ensuring adequate have reported a small number of properties that can no longer be supplied with sufficient pressure. WSRA is convinced that most RWCs still do not have the abillity to monitor and provide reliable information on pressures in their water supply network, as they do not have an established system of manometres and online monitoring of the distribution network.

All RWCs have made progress in equipping househod customers with water meters, currently only 4%, of them are not equipped with water meters. WSRA has continuously and in particular from 2018, has asked all water companies to establish mandatory measurement of water consumption of their customers. Accurate billing of customers through water tanks is one of the legal standards that must be met by RWCs.

Despite the mentioned improvements, the report has identified areas that needed more improvements mainly related to operational and financial efficiency:

NRW still remains at high value without exception from all RWCs. Currently this is one of the biggest challenges affecting the operational-financial efficiency as well as the level of services provided by RWCs. They continue with the implementation of individual strategies, and WSRA has encouraged companies to include the projections provided in these strategies in their business plans so that they can be considered for during the tariff process.

In collection efficiency, all companies have scored positive results. The revenue collection rate currently reaches 93%. During the financial year under review, all WSRA managed to meet their revenue collection targets set by the tariff process. Authority has requested the RWC to continue to increase the efficency of debt collection.

Cost efficincy still remains a challenge for all RWCs, because they have exceeded the planned operiting costs, while the costs for capital maintenance (infrastructure renovation and depreciation at current cost for new assets) are very small and have reached even 50% realize from those planned during the tariff process 2018-2020.

The quality of data reported to the WSRA is still not at a satisfactory level, they are generally considered partially reliable. Companies have not yet developed the information system to an advanced level. WSRA requires further development water production and distribution processes.



APPENDIX 1: Statement of Comprehensive Income (RAG)

| | 2018 | 2019 |
|---|------------|------------|
| Turnover | 14,311,278 | 14,673,192 |
| Operating costs | 10,090,504 | 10,232,526 |
| Net operating income (excluding capital maintenance) | 4,220,774 | 4,440,666 |
| Capital maintenance (infrastructure renewals + cc depreciation) | 2,609,091 | 722,777 |
| Net operating income (including capital maintenance) | 1,611,683 | 3,717,889 |
| Provision for bad debts | 1,749,251 | 414,729 |
| Net operating income (after bad debts) | - 137,568 | 3,303,159 |
| Interest on long term loans | 0 | 0 |
| Pre-tax profit | -137,568 | 3,303,159 |
| Taxation on profits | 0 | 0 |
| Net post-tax profit | -137,568 | 3,303,159 |

RWC Prishtina (Prishtinë)

RWC Hidroregjioni Jugor (Prizren)

| | 2018 | 2019 |
|---|-----------|-----------|
| Turnover | 4,367,127 | 4,823,060 |
| Operating costs | 3,635,492 | 3,978,733 |
| Net operating income (excluding capital maintenance) | 731,635 | 844,327 |
| Capital maintenance (infrastructure renewals + cc depreciation) | 136,336 | 225,169 |
| Net operating income (including capital maintenance) | 595,299 | 619,158 |
| Provision for bad debts | 232,845 | 189,502 |
| Net operating income (after bad debts) | 362,454 | 429,656 |
| Interest on long term loans | 0 | |
| Pre-tax profit | 362,454 | 429,656 |
| Taxation on profits | 0 | |
| Net post-tax profit | 362,454 | 429,656 |



RWC Hidrodrini (Pejë)

| | 2018 | 2019 |
|---|-----------|-----------|
| Turnover | 3,760,089 | 3,992,965 |
| Operating costs | 2,494,085 | 2,538,716 |
| Net operating income (excluding capital maintenance) | 1,266,003 | 1,454,249 |
| Capital maintenance (infrastructure renewals + cc depreciation) | 149,034 | 157,708 |
| Net operating income (including capital maintenance) | 1,116,969 | 1,296,541 |
| Provision for bad debts | 757,996 | 504,787 |
| Net operating income (after bad debts) | 358,973 | 791,754 |
| Interest on long term loans | 0 | |
| Pre-tax profit | 358,973 | 791,754 |
| Taxation on profits | 0 | |
| Net post-tax profit | 358,973 | 791,754 |

RWC Mitrovica (Mitrovicë)

| | 2018 | 2019 |
|---|-----------|------------|
| Turnover | 3,910,751 | 4,418,591. |
| Operating costs | 3,135,639 | 3,430,928 |
| Net operating income (excluding capital maintenance) | 775,112 | 987,663 |
| Capital maintenance (infrastructure renewals + cc depreciation) | 19,759 | 20,942 |
| Net operating income (including capital maintenance) | 755,353 | 966,721 |
| Provision for bad debts | 1,485,080 | 947,924 |
| Net operating income (after bad debts) | -729,728 | 18,797 |
| Interest on long term loans | 0 | |
| Pre-tax profit | -729,728 | 18,797 |
| Taxation on profits | 0 | |
| Net post-tax profit | -729,728 | 18,797 |



RWC Gjakova (Gjakovë)

| | 2019 | 2019 |
|---|-----------|-----------|
| | 2018 | 2019 |
| Turnover | 4,395,523 | 4,568,298 |
| Operating costs | 3,154,938 | 3,541,549 |
| Net operating income (excluding capital maintenance) | 1,240,585 | 1,026,749 |
| Capital maintenance (infrastructure renewals + cc depreciation) | 610,600 | 362,003 |
| Net operating income (including capital maintenance) | 629,985 | 664,746 |
| Provision for bad debts | 541,787 | 151,316 |
| Net operating income (after bad debts) | 88,198 | 513,429 |
| Interest on long term loans | 0 | |
| Pre-tax profit | 88,198 | 513,429 |
| Taxation on profits | 0 | |
| Net post-tax profit | 88,198 | 513,429 |

RWC Bifurkacioni (Ferizaj)

| | 2018 | 2019 |
|---|-----------|-----------|
| Turnover | 2,163,193 | 2,071,257 |
| Operating costs | 1,599,025 | 1,573,376 |
| Net operating income (excluding capital maintenance) | 564,168 | 497,881 |
| Capital maintenance (infrastructure renewals + cc depreciation) | 25,900 | 30,918 |
| Net operating income (including capital maintenance) | 538,268 | 466,963 |
| Provision for bad debts | 410,209 | 436,622 |
| Net operating income (after bad debts) | 128,059 | 30,341 |
| Interest on long term loans | 0 | |
| Pre-tax profit | 128,059 | 30,341 |
| Taxation on profits | 0 | |
| Net post-tax profit | 128,059 | 30,341 |



RWC Hidromorava (Gjilan)

| | 2018 | 2019 |
|---|-----------|-----------|
| Turnover | 2,299,768 | 2,467,273 |
| Operating costs | 1,656,916 | 1,806,015 |
| Net operating income (excluding capital maintenance) | 642,851 | 661,258 |
| Capital maintenance (infrastructure renewals + cc depreciation) | 40,955 | 42,845 |
| Net operating income (including capital maintenance) | 601,896 | 618,413 |
| Provision for bad debts | 454,099 | 375,669 |
| Net operating income (after bad debts) | 147,798 | 242,744 |
| Interest on long term loans | 0 | |
| Pre-tax profit | 147,798 | 242,744 |
| Taxation on profits | 0 | |
| Net post-tax profit | 147,798 | 242,744 |



APPENDIX 2: Contact details



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APPENDIX 3: Service Coverage Map







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