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AUTORITETI RREGULLATOR PËR SHËRBIMET E UJIT
REGULATORNI AUTORITET ZA USLUGE VODE
WATER SERVICES REGULATORY AUTHORITY
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Tariff Process Report 2026 – 2028

March 2026

Water Services Regulatory Authority of Kosovo

Vision

"Efficient, safe and quality water services, for all consumers of Kosovo"

Mission

"Regulation of water services effectively and transparently in accordance with good European practices which ensure that water service providers provide quality, sustainable and affordable services throughout Kosovo, taking into account the preservation of the environment and protection of Public Health "

Message from the Water Services Regulatory Authority

The Water Services Regulatory Authority (WSRA) is pleased to publish and share with the public the Tariff Process Report, namely the water service tariff for the seven (7) Regional Water Companies (RWCs) in Kosovo. The new tariffs will be applicable for the next three years, 2026–2028, and will enter into force on 1 January 2026. This document describes, in chronological order, the steps of the water service tariff-setting process.

As defined in the legal and regulatory framework, the role of the WSRA, as an independent authority, is to balance the interests of consumers receiving water services with the need to maintain the integrity and financial sustainability of the RWCs. The WSRA has the obligation and responsibility to ensure that RWCs operate as efficiently as possible, properly finance their service provision activities, and maintain an adequate level of service. Therefore, through this process, the aim is to balance the real costs of the services provided and the fair treatment of all consumers.

The review and setting of water service tariffs is based on a detailed financial analysis, assessment of operational costs, planned capital investments, as well as short- and medium-term development projections of the RWCs. Throughout, the tariff-setting process has been built on the principles of transparency, accountability and stakeholder consultation. This document presents the methodological and chronological basis of the 2026-2028 tariff process, provides the economic justification, and outlines the criteria followed for tariff setting, serving as a guiding instrument for their sustainable and monitorable implementation.

It should be emphasized that during this tariff cycle there has been a more significant increase in water service tariffs compared to previous tariff cycles. Among the main factors contributing to the increase in water service tariffs is the significant rise in electricity tariffs, following the transition of RWCs to the open energy market. Water supply and wastewater services are activities that consume relatively high amounts of energy. During the period May-December 2025, which corresponds to the transition to the open energy market, electricity bills increased by more than 150% compared to the same period of the previous year. Prior to the latest tariff increase, electricity accounted for approximately 10% to 18% of operating expenses, whereas after the transition to the open energy market, this share increased to between 20% and 38%. Another important factor affecting service tariffs has been the increase in investments for infrastructure rehabilitation from the RWCs' own resources, as well as the commissioning of wastewater treatment plants.

In this tariff cycle, the WSRA has applied a new methodology, which includes several innovations that the WSRA considers to be positive and in the interest of consumer protection. For the benefit of the public, the following issues should be noted, which will start to be implemented from this tariff process onwards:

- Application of fixed tariffs based on connection pipe diameter or meter size: The tariff structure for water supply services and wastewater services consists of a combination of fixed and volumetric tariffs. From this tariff process onwards, the fixed tariff shall be determined in accordance with the size of the connection pipe or water meter. The larger the diameter of the connection pipe / water meter, the higher the fixed tariff will be.
- **Compensation for unimplemented capital investments by RWCs:** In the past, RWCs have not fully implemented the capital investments that were included in tariffs. Consumers have not always received what they have paid for; therefore, the WSRA has decided to put an end to this practice. Investment plans are now subject to a much more rigorous level of review; where it is determined that investments are not feasible, the WSRA will reduce the level of investments to align with the level of investments that RWCs have demonstrated in the past as achievable. If the implementation of actual investments proves to be lower than proposed, the subsequent tariff review will include a reduction in tariffs to reflect what consumers have paid for but have not received. Conversely, if the investment proves to be higher than proposed and is duly documented, the subsequent tariff review shall include an increase to reflect the additional investment.
- **Water losses:** Water losses continue to be a key issue for which RWCs have made limited progress over the years; therefore, their plans include realistic yet challenging targets for loss reduction. Tariffs for water supply and wastewater services will be based on an expected increase in efficiency in reducing apparent (commercial) losses, which would be reflected in lower tariffs. The WSRA expects RWCs to make maximum efforts to reduce real (technical) losses to the economic level of losses, and penalty measures shall be applied if RWCs are assessed as not achieving these targets.

- **Infrastructure surcharge (reinforcement) tariff:** The WSRA has introduced an infrastructure surcharge (reinforcement) tariff for each new consumer and requires them to contribute to any network reinforcement costs caused by additional demand attributed to new urban developments. In previous tariff setting, the cost of network reinforcement was also borne by existing consumers, which was considered unfair. Consequently, this decision will slightly reduce the financial burden on existing consumers.
- **Application of tariffs based on the quality of discharged wastewater:** From this tariff process onwards, in certain regions, tariffs based on the quality of discharged wastewater have started to be applied, imposing higher wastewater tariffs on the business-industrial consumer category, which is assessed to have a higher pollution load than other consumer categories. This, in turn, reduces tariffs for all other consumers where this is applied.

Although increases in water service tariffs may be undesirable for consumers, the WSRA considers that consumers are able to afford these tariffs. Water supply and wastewater tariffs in Kosovo remain among the lowest compared to other European countries. In the long term, water service tariffs will increase further if consumers seek higher levels of service. This is particularly true in relation to the necessity of reducing water losses and the need for long-term investments in wastewater infrastructure to meet EU environmental requirements.

Appreciation is extended to all WSRA staff and other stakeholders who have contributed to the review of the new tariff methodology, as well as to all those who have supported the tariff-setting process; in particular, thanks are extended to the consultant Keith Burewell involved in the review of the tariff methodology, and to the Kreditanstalt für Wiederaufbau (KfW) for financially supporting the international consultant.

Thank you,

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Hajrije Morina, Director of WSRA

Water Services Regulatory Authority of Kosovo (WSRA)

2026-2028 Tariff Setting Report

March 2026

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1 Tariff Setting Process 2026-2028

1.1 Responsibilities of the Water Services Regulatory Authority (WSRA)

1.1 The Water Services Regulatory Authority of Kosovo (WSRA) is the economic regulator for water services in Kosovo, with the legal responsibility to set tariffs for water services for the seven Regional Water Companies (RWCs) and for "HEE Iber-Lepenci" J.S.C., the supplier of bulk raw water.

1.2 Law No. 05/L-042 on the Regulation of Water Services and Law No. 06/L-088 on Amending and Supplementing Law No. 05/L-042 on the Regulation of Water Services. Other relevant legislation considered includes:

- Law No. 04/L-147 on Waters of Kosovo
- Law No. 03/L-087 on Publicly Owned Enterprises
- Administrative Instruction No. 16/2012 on Drinking Water Quality
- Administrative Instruction (MESPI) No. 02/2022 on Conditions, Manners, Parameters and Limit Values for the Wastewater Discharge of into Public Sewerage Network
- Regulation No. 12/2020 on Setting Tariffs for Water Services in Kosovo
- Regulation No. 16/2025 on Licensing and License Conditions for Water Service Providers in Kosovo
- Regulation No. 10/2019 on Minimum Water Service Standards in Kosovo

1.3 The main principle in implementing the regulatory mandate is to ensure that RWCs are able to generate sufficient revenues to finance their activities, in accordance with their legal obligation to meet service levels and standards, while ensuring that consumers do not pay more than necessary and that vulnerable consumers are adequately protected. WSRA decision-making also takes into account impacts on economies of scale and environmental protection.

1.2 History of tariff setting processes

1.4 The Law on the Regulation of Water Services and the Regulation of Tariff Setting have established clear policies and principles for tariff setting. Since 2009, the WSRA has set tariffs on a three-year basis, except for 2021 due to the pandemic and 2025 due to major changes in tariff methodology, when tariffs were set for only 1 year.

1.5 The first three-year review of water service tariffs (2009-2011) was a relatively simple process, while for the 2012-2014 tariff process a more complex methodology was developed. Although some minor improvements were made to the tariff model, until 2025 the methodology remained largely unchanged from its original format.

1.6 The rationale for a three-year process was to encourage RWCs to adopt a long-term vision and planning of their future activities and to provide them with certainty that tariffs should be sufficient to finance their operations. To support the tariff-setting process, service providers submitted detailed business plans to the WSRA, including specific operational and financial targets, as well as expectations for efficiency improvements. RWCs could increase their returns if they exceeded these targets.

1.7 The three-year model includes a business plan template for RWCs, where data are provided on projections for the number of consumers, water demand, water sales, wastewater generated, operational, financial and commercial performance indicators, investments, and efficiency improvements. It then determines the tariff revenues required to meet these projected performance levels. The WSRA reviews tariff applications to ensure that:

- The activities listed in the business plans are necessary to meet legally required service standards and other objectives;

- The business plans demonstrate efficiency and that consumers are not required to finance losses and poor performance.
- The plans are realistic and achievable.

1.8 Where plans were considered not to meet these requirements, the WSRA returned them to RWCs for revision, or challenged and adjusted tariff applications to reflect what the WSRA considered sufficient to meet the above criteria without negatively affecting performance.

1.9 The WSRA also has the responsibility to monitor the performance of service providers. As part of performance reporting and to support the tariff model, a regulatory accounting framework, namely the "Regulatory Accounting Guideline (RAG)", has been established. The RAG specifies financial reporting to ensure that financial transactions can be compared with the tariff-setting process. The RAG differs from conventional accounting in the treatment of asset values (Regulatory Asset Base - RAB), asset depreciation, and other aspects necessary for appropriate tariff determination.

1.10 The tariff-setting regime has proven to be reasonable, sufficiently robust, and has maintained the financial integrity of RWCs, particularly through returns on the Regulatory Asset Base (RAB), which has protected RWCs' cash flow.

1.11 Performance has improved in some areas; however, in many cases, improvements have not met expectations, particularly regarding expected efficiency gains. Most efficiency improvement targets set out in the business plans submitted by RWCs have not been consistently achieved by almost all RWCs across several regulatory tariff-setting processes.

1.12 During five three-year tariff processes, the RAB has increased steadily in real terms for all RWCs, although not as much as anticipated. RWCs that have invested in improving service levels or expanding services have recorded increases in the RAB, and consequently their returns on the RAB have increased. On the other hand, those RWCs that have not invested have recorded very limited real growth in the RAB (see Figure 1).

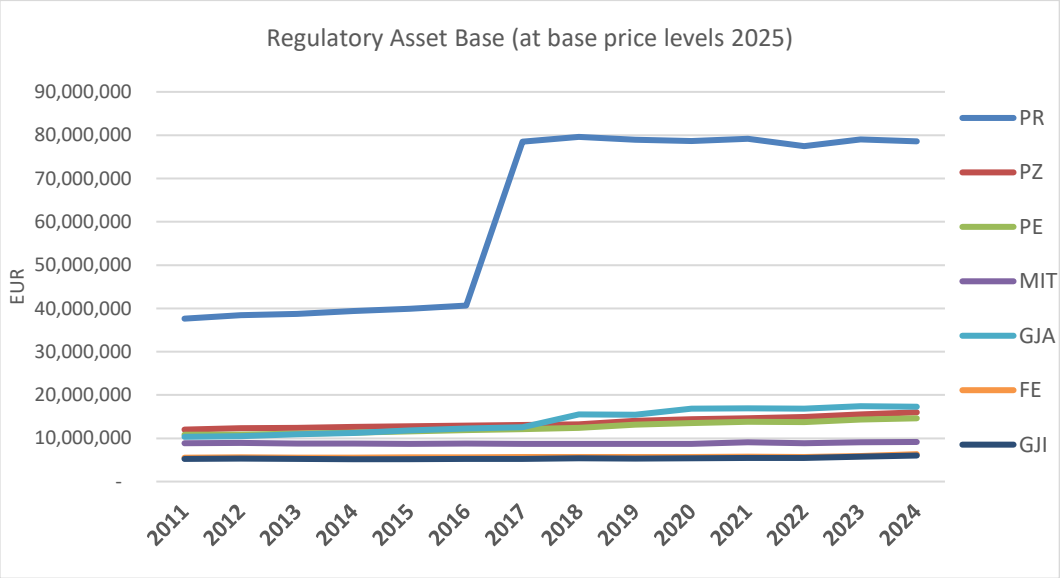

Figure 1 – Growth of the Regulatory Asset Base since 2011 (2025 price levels)

1.13 Business plans have always included a certain level of capital investment; however, at the end of each three-year review, not all approved investments have been realized.

1.14 The WSRA has the duty to protect the financial integrity and sustainability of RWCs and, despite unsatisfactory performance, its response has consistently been cautious. A conventional regulatory approach would have required the deduction of unimplemented investment amounts from the tariffs approved in the subsequent tariff process. This concept refers to deducting from future tariffs the

amounts that consumers had paid for investments that were not realized. This concept is known as "clawback". However, this approach is more easily applied to private service providers.

1.15 In annual performance reports, RWCs are instructed and cautioned for failing to meet targets and objectives; however, this has not been sufficient to encourage RWCs to achieve significant improvements.

1.16 Therefore, it is necessary for the WSRA to exercise greater influence over RWCs to increase levels of performance, efficiency, and investment included in service tariffs.

1.17 To address the failure to meet tariff targets, in 2023 the WSRA considered it necessary to undertake a major and comprehensive review of the tariff model. For this reason, RWCs agreed to a one-year tariff setting for 2025, in order to allow sufficient time to review the tariff methodology for a new three-year tariff setting for the period 2026-2028.

Public consultation

1.18 The review process commenced with a public consultation launched in January 2024, which identified all issues considered as areas for improvement. The public consultation document and the report on consultation responses are available on the WSRA website.

1.19 The public consultation examined a number of issues and discussed the identified problems, options for solutions (including an impact assessment where possible), and the WSRA's position regarding the identified issues.

1.20 Following the review of consultation responses, from November 2024 to January 2025, decisions regarding the proposed changes were drafted and shared with the RWCs, including requirements for actions to be undertaken by RWCs to ensure the effective implementation of the new tariffs from 1 January 2026.

1.21 The issues under consultation and the subsequent WSRA decisions included:

1.22 **Cost recovery – incentive mechanisms for improving operational efficiency.** The WSRA considered options for providing incentives to managers and staff who meet performance expectations. This proposal was not accepted following public consultation.

1.23 **Cost recovery – capital investment**. The issue of unimplemented investments included options to ring-fence funds within tariff revenues for investments or to apply the "clawback" mechanism. The "clawback" mechanism was considered the most appropriate approach, which has been approved and shall be applied in the 2029–2031 tariff process (see Section 2.5).

1.24 **Cost reflectivity – gradual removal of cross-subsidies between consumer categories.** The consultation document proposed accelerating the gradual removal of cross-subsidies from commercial consumers to household consumers. Following consultation with stakeholders, the proposal was accepted.

1.25 **Cost reflectivity – replacement of fixed tariffs with a connection-based tariff.** The consultation proposed moving away from the current practice of fixed tariffs of €1.00 per month for household consumers and €2.00 for non-household consumers, and adopting a more cost-reflective fixed tariff structure based on connection size. This was supported by consultation respondents and is being implemented. A fixed tariff has also been introduced for consumers receiving only wastewater services.

1.26 **Cost reflectivity – infrastructure surcharge (reinforcement) tariffs.** Currently, all existing consumers are responsible for financing network expansion, even though such expansion is driven by new consumers rather than the existing consumer base. The public consultation proposed a mechanism used by regulators elsewhere, introducing a charge on property developers as a contribution to network reinforcement caused by their developments. Although this would impose a cost on

property developers, it ensures that existing consumers do not continue to fully finance network expansion through their tariffs. This proposal was supported during the public consultation.

1.27 **Cost reflectivity – assessment of the volume of discharged wastewater.** The current tariff regime is such that billing for wastewater services is based on the volume of drinking water supplied by RWCs to consumers. This arrangement is reasonable for the vast majority of consumers; however, there is a small group of household and non-household consumers for whom wastewater volumes do not reflect water supply. This group of consumers discharges more wastewater into the sewerage system than the volume of water supplied by RWCs (due to the use of alternative water sources), or conversely, receives a higher volume of water and discharges less into the wastewater system. The public consultation proposed a mechanism whereby such consumers would be subject to a realistic assessment of the volume of wastewater discharged. This proposal was also supported during the public consultation.

1.28 **Cost reflectivity – wastewater tariffs based on the volume and quality of discharges.** Until 2025, wastewater tariffs were uniform, regardless of the quality of the discharged wastewater. Some non-household consumers discharge wastewater of significantly higher pollution levels than the average, thereby imposing higher costs per m^3 for the operation and maintenance of sewerage and treatment systems. As a result, household consumers have effectively been subsidizing such high-polluting industries. The public consultation proposed a more cost-reflective approach, as applied by many utilities, whereby tariffs are based on the cost of treating wastewater per unit of pollution load. By setting higher tariffs for more polluting industries, tariffs for all other consumers, including households, are reduced. This proposal was supported during the public consultation and is being implemented. RWCs may apply to the WSRA for exemption from this requirement if they consider that the benefits are too limited to justify its implementation within their systems. Such applications shall be supported by evidence.

1.29 **Return on RAB – as part of the one-year price control for 2025, the WSRA has taken into account the return on the RAB to be allowed in tariff setting.** Since 2021, when the tariff process for the period 2022-2024 was undertaken, interest rates have increased, creating the possibility to adjust the return on RAB. Following a detailed assessment, the WSRA has decided that the rate of return on RAB should be increased from 4.0% to 4.25% (real) for RWC Prishtina, while for the six smaller RWCs an additional risk premium of 1.00% has been allowed, resulting in an effective rate of return on RAB of 5.25% (real).

1.30 **Opening of the Regulatory Asset Base (RAB) – revaluation of RAB.** The initial value of the RAB was established during the 2009-2011 tariff review period and has been adjusted in each tariff review period since then to include all subsequent investments minus depreciation. In 2025, RWC Mitrovica took over the management of four new municipalities, RWC Hidromorava also took over four new municipalities, RWC Bifurkacioni took over two new municipalities, and RWC Hidroregjioni Jugor took over one new municipality. Given that these RWCs will experience a significant increase in the number of consumers, it has been considered necessary to open the RAB and increase it proportionally with the additional number of consumers.

1.31 **Water losses** - Water losses in the water sector in Kosovo are a matter of concern for the Government, investors and the WSRA. To date, we have considered the issue of losses as a management matter, and our role has been to exert pressure on RWCs to manage their systems as efficiently as possible, including reducing losses to economically efficient levels. Until now, losses have not been incorporated into the tariff-setting process, as it was practically impossible to determine economically efficient levels until RWCs had installed the necessary hydro-technical equipment within their networks. Despite our repeated efforts to require RWCs to take all necessary measures to address this issue, they have consistently failed to make any meaningful progress. Therefore, we have adopted a position to incorporate the reduction of 'apparent losses' into the tariff-setting methodology. Apparent losses mainly include losses due to unregistered consumers and inaccurate meter readings (including meter bypass). These losses represent consumption that is effectively paid for by all other consumers. Our approach now includes an expectation for a reduction in apparent losses resulting from the regularization of currently unregistered consumers, as well as

an increase in average measured household consumption to reflect efforts to repair and/or replace faulty meters. We expect to see in business plan submissions challenging yet realistic targets for increasing average consumption and the number of consumers, reflecting efforts to reduce apparent losses. These reductions will have the effect of lowering tariffs for existing consumers. Where we consider that RWCs can achieve better performance than stated in their projections, we reserve the right to adjust those projections accordingly. Our position regarding losses was set out in our letter dated 25 November 2024.

1.32 **Large cash balances held by RWCs.** In June 2025, we addressed RWCs expressing our concern regarding the significant cash resources held in their accounts. Our monitoring of the financial performance of RWCs had identified that, over several years, RWCs have accumulated substantial cash reserves held as cash deposits, while at the same time failing to implement capital investments as set out in their regulatory business plans. The WSRA has considered that such resources exceed the level required to maintain a 'healthy level of working capital'. We expressed the view that holding cash at such levels does not serve the interests of consumers, nor those of the RWCs themselves.

1.3 Updated (amended) regulatory instruments

Regulatory guidance and notes

1.33 To support the correspondence (in the form of decisions) issued by the WSRA between November 2024 and January 2025, we provided guidance notes to assist RWCs in responding appropriately to our decisions. These included guidance notes related to decisions on:

- Wastewater tariffs based on quality
- Infrastructure surcharge (reinforcement) tariff
- Determination of the return on the Regulatory Asset Base for the 2025 tariff process

Revised tariff policy

1.34 WSRA decisions required amendments to the WSRA Tariff Policy. This document was revised and submitted to RWCs in April 2025.

Revised tariff-setting procedures

1.35 Regulatory decisions and subsequent policy changes required a major revision of the tariff-setting procedures. The document outlining tariff-setting procedures was also submitted to RWCs in April 2025. These procedures present the detailed tariff calculation methodology, incorporating all changes resulting from WSRA decisions and subsequent amendments to the tariff policy.

Mew tariff-setting model and the accompanying tariff-setting model manual

1.36 In June 2025, RWCs were provided with the new tariff-setting business plan model and the accompanying manual. Although the core principles of the tariff-setting model remain unchanged, the new model is considered more user-friendly. The new model includes several new features resulting from prior regulatory decisions, such as fixed tariffs based on connection size, assessed wastewater tariffs, infrastructure surcharge (reinforcement) tariffs, tariffs based on wastewater quality, and others.

1.37 We provided extensive training to RWCs on the use of the model to ensure that they are well informed and able to meet regulatory requirements accurately.

Revised Regulatory Accounting Guidelines (RAG)

1.38 The RAG will be revised following this current three-year review to incorporate additional features arising from the outcomes of the changes introduced after the public consultation. These will be issued immediately after the entry into force of the new tariffs for 2026.

1.4 WSRA expectations

1.39 Following the finalization of the new tariff policies, revised tariff-setting procedures, detailed guidance, and the new tariff model, the WSRA expected RWCs to prepare their business plans in a professional manner. The WSRA's expectations were clarified in the letter addressed to RWCs (23 December 2024), which emphasized that tariff applications must meet the following criteria:

1. Alignment of the regulatory business plan with the business plan as submitted to the Government.
2. An asset management plan that is reflected and integrated into the business plan, and is realistic with a high probability of full implementation.
3. An operational plan that is realistic with a high likelihood of full implementation.
4. A commercial plan that is realistic with a high likelihood of full implementation.
5. A financial plan that is realistic and incorporates expected efficiency improvements.
6. Objectives for improving service levels that are focused on consumer benefits and have a high likelihood of being achieved.
7. The plan shall take into account the environmental impact of RWC activities and include measures to mitigate any negative effects.

1.40 The most important expectation is that all plans shall be supported by evidence.

2 Tariff-Setting Methodology

2.1 Summary

2.1 The tariff-setting methodology used by the WSRA is based on a standard regulatory concept of determining a revenue requirement that is sufficient to ensure the efficient financing of RWC activities, in accordance with the WSRA's legal obligations regarding service standards and regulatory compliance with expected service levels.

2.2 The methodology is based on a commonly used regulatory approach for determining the required revenue over the review period and subsequently allocating it into tariffs in such a way that the revenue requirement is met.

2.3 The revenue requirement represents the revenues required by RWCs to finance their activities, including their investment programmes. It is calculated on an annual basis in real terms at base-year price levels. The main components of the revenue requirement are:

- Operating expenses.
- Capital maintenance expenditure, including infrastructure renewal for the distribution (underground) network and depreciation at current cost for non-infrastructure (above-ground) assets.
- A pre-tax return on the Regulatory Asset Base (RAB).

2.4 The tariff-setting concept is based on determining tariffs for each year of the tariff period that will generate a revenue stream equivalent to the revenue requirement.

2.5 After deducting fixed tariffs, connection fee revenues and other non-volumetric charges, the average annual tariffs determined for each year are calculated as the net water supply revenue requirement divided by the expected volume of water sales for that year. For wastewater tariffs, it is the net wastewater service revenue requirement divided by the volume of water sold to those consumers connected to wastewater services for that year.[1]

2.6 The input data required/entered into the tariff model are the responsibility of the RWC business planning teams. The information is expected to be sourced from various inputs, including performance and investment projections from RWCs, regulatory accounts, audited (and unaudited) financial statements of RWCs, WSRA decisions and guidance, and other sources such as the Kosovo Agency of Statistics for inflation rates.

2.2 Summary of the revenue requirement

2.7 Operating expenditure includes the projected baseline operating costs of service provision and the net changes in operating costs associated with improvements in service quality, service expansion, and changes in service levels. Operating expenditure also includes an allocation of projected centralized and overhead costs.

2.8 Capital maintenance includes long-term expenditure required to maintain the serviceability of assets through major repair or replacement. This includes infrastructure renewal expenditure for underground (infrastructure) assets and a provision for depreciation at current cost for above-ground (non-infrastructure) assets.[2]

2.9 The return on capital is the return on the Regulatory Asset Base (RAB). The RAB is determined by the opening value for each year and subsequent capital expenditure carried into the RAB (infrastructure

[1] Water sales for the purpose of wastewater tariff setting include estimated sales for those consumers for whom RWC water supply does not reflect the wastewater generated.

[2] Accrual accounting for the purposes of regulatory accounts involves the indexation of costs, asset values, and depreciation provisions in accordance with published inflation indices for Kosovo. The alternative Modern Equivalent Asset Valuation (MEAV) approach is not applied for tariff-setting purposes.

enhancement, non-infrastructure capital maintenance, and non-infrastructure enhancement), net of depreciation, disposals, and grants and contributions, indexed to base-year price levels.

2.10 The rate of return on the RAB has been set by the WSRA at 4.25% for RWC Prishtina. For the other six smaller RWCs, the return on the RAB shall be 5.25%, which includes a 1% premium to reflect their higher cost of financing.

2.3 Service categories and activities

2.11 Projected operating and capital expenditures shall be recorded as belonging to one of the two main service categories:

1. Water supply services.
2. Wastewater services.

2.12 Expenditures for water supply services are divided into:

a. Direct costs, including:
   i. Abstraction and treatment
   ii. Distribution
b. Indirect costs, including:
   i. Centralized business activities (customer services, overheads, etc.)

2.13 Expenditures for wastewater services are divided into:

a. Direct costs, consisting of
   i. Wastewater collection
   ii. Wastewater treatment
   iii. Sludge treatment and disposal
b. Indirect costs, including:
   i. Centralized business activities (customer services, overheads, etc.)

2.4 Operating expenses

2.14 Projected operating expenses, excluding grants, will be carried into the revenue requirement. RWCs are required to demonstrate that the projected expenditures are justified and efficient. The WSRA's position is that, in the absence of material changes in the operating environment, improved efficiency should imply that unit operating costs (treatment costs per m^3 of water produced, network costs per km of pipeline, and business activities per consumer) should decrease in real terms over time. Where RWCs present real increases in unit operating costs, they are expected to justify them, for example, additional operating costs required to improve service levels.

2.15 Operating expenditure projections may take into account expected future price changes, insofar as these are likely to affect the overall revenue requirement of RWCs in relation to the Consumer Price Index (CPI). Such increases shall only be considered where the WSRA deems them sufficient to have a material impact on the financial sustainability of RWCs. In this regard, we are aware of a significant increase in electricity tariffs due to the recent decision on the liberalization of the energy market for large consumers, including RWCs, which has been taken into account in these determinations.

2.16 Revenues from connection fees are considered as a contribution to operating costs and are deducted from the revenue requirement in determining the net revenue requirement.

2.5 Capital Investments

2.17 In the water and wastewater sector, a distinction is made for regulatory purposes between:

- **Infrastructure assets:** Assets that have an indefinite useful life and which, if adequately maintained, including major repair and replacement of components over time (capital maintenance), can be expected to provide a level of service to customers for an indefinite period.
- **Non-infrastructure assets:** Assets with a determinable useful life, which are expected to be disposed of or replaced at the end of their useful life. These assets are subject to depreciation at current cost over their expected useful life.

2.18 Investments in infrastructure and non-infrastructure assets contribute differently to the revenue requirement.

2.19 Planned capital maintenance investments for infrastructure assets directly impact tariffs, as infrastructure renewal is treated as the equivalent of depreciation. Accordingly, the value of infrastructure assets is maintained as permanent. Investments in the enhancement of infrastructure assets, such as expansion/reinforcement to accommodate additional water demand, improvement of service levels, or improvement of water quality, are added to the RAB, and their increased value is retained permanently. The RAB includes the opening RAB plus any additional investments (without deducting depreciation), and is adjusted for inflation in each tariff period. The inflation-adjusted RAB is subject to a return, which is included in the revenue requirement.

2.20 Planned capital maintenance of non-infrastructure asset groups is subject to depreciation at current cost, which is included in the revenue requirement. Actual capital expenditure for non-infrastructure assets (both maintenance and enhancement) is added to the RAB and adjusted for inflation in each tariff period. The inflation-adjusted RAB is subject to a return, which is included in the revenue requirement.

2.21 Grants for capital investment are typically funded through government subsidies or international development agencies. The WSRA adopts the International Financial Reporting Standards (IFRS) capital approach for grants, whereby grant-funded assets are not added to the RAB and their depreciation is not applied.

2.22 The WSRA has introduced infrastructure surcharge (reinforcement) tariffs. These tariffs are designed to reflect the long-term cumulative impact of net new consumers, which creates the need for infrastructure reinforcement. The WSRA considers that such reinforcement should not be financed by the existing consumer base through tariffs, but rather by the developers who create the need for such reinforcement. This tariff represents a capital contribution towards infrastructure expansion/enhancement. This means that additions to the RAB for infrastructure expansion/enhancement do not take into account revenues from infrastructure surcharge (reinforcement) tariffs. Where revenues from infrastructure surcharge (reinforcement) tariffs exceed annual expenditure for infrastructure expansion/enhancement, the RAB shall be reduced, effectively treating such revenues as an advance against future expansion investments.

2.23 During 2028 and in the tariff process for 2029-2031, the WSRA shall reconcile actual investment with approved investments for the period 2026-2028. This reconciliation process, referred to as “clawback”, shall determine the amount of money that consumers have paid for investments that were not delivered. This includes:

- Infrastructure renewal investments included in the plan and delivered.
- Return on RAB for infrastructure enhancement investments included in the plan and delivered.
- Depreciation at current cost for non-infrastructure investments included in the plan and delivered.
- Return on RAB for non-infrastructure investments included in the plan and delivered.
- An adjustment to reflect the cost of capital benefit gained by RWCs during this period for unimplemented investments.

2.24 Amounts overpaid by consumers for unimplemented investments shall be included as a negative value in the revenue requirement, distributed over the three-year tariff period 2029-2031. This is something that has not been applied in previous tariff processes; however, it is considered that the leniency shown in the past cannot be allowed to continue indefinitely.

2.25 This clawback process also operates in reverse; that is, if RWCs invest more than set out in their plans, the reconciliation shall result in a positive value carried forward into the revenue requirement for 2029–2031, provided that the WSRA is satisfied that such investment was necessary and efficient.

2.6 Regulatory Asset Base (RAB)

2.26 The RAB represents the capital base on which RWCs are entitled to earn a return. The RAB represents the level of investments financed from RWCs' own financial resources, equity investments, and borrowings. The RAB was established in 2009 and has subsequently been increased by additional capital investments (over the years), excluding depreciation and grants, indexed to base-year price levels. The RAB is adjusted in each tariff process to include additions (new investments), deductions (depreciation and disposals), and is indexed using inflation indices from the price level of one tariff base year to that of the next. This is explained in more detail in the Regulatory Accounting Guidelines (RAG).

2.27 Capital investments in non-infrastructure assets are added to the Regulatory Asset Base (RAB), net of depreciation at current cost deducted from the RAB.

2.28 Investments for infrastructure enhancement/expansion are added to the RAB and their value is retained permanently.

2.29 Working capital is considered to be included within the RAB, and no adjustments are made for changes in working capital.

2.30 Infrastructure renewal expenditure is not added to the Regulatory Asset Base.

2.31 This 2026-2028 tariff-setting process includes a provision for infrastructure surcharge (reinforcement) tariffs, which are being introduced for the first time. This is a charge imposed on developers as a contribution to new investments located outside the development site, but driven by the cumulative effects of new development (see Annex 2 – Guidelines on the Infrastructure Surcharge (Reinforcement) Tariff). As this represents a contribution to infrastructure enhancement/expansion, the revenues collected from such tariffs are deducted from the infrastructure RAB category. Where RWCs invest in infrastructure enhancement/expansion, the RAB will increase accordingly. In the long term, it is expected that investments in infrastructure enhancement/expansion related to the supply-demand balance will be primarily financed through infrastructure surcharge (reinforcement) tariffs.

2.32 For four RWCs, the RAB has been increased to reflect significant changes in the number of consumers, attributable to the inclusion of new municipalities under their management that were previously not part of the RWCs' service areas. This includes Mitrovica, where the water and wastewater assets of North Mitrovica will now be incorporated into the RWC's asset base. Similar changes in the number of consumers occurred in three other RWCs: Hidroregjioni Jugor, Bifurkacioni and Hidromorava. The increase in the RAB was based on a simple adjustment using the population included within the service area. As nearly 100% of Kosovo's population is now served by RWCs, no further changes to the RAB are anticipated.

2.7 Return on the Regulatory Asset Base

2.33 The WSRA applies the Capital Asset Pricing Model (CAPM), to the extent possible within the context of Kosovo's financial markets, to determine the rate of return appropriate for the water sector in Kosovo (see Annex 1, Return on RAB).

2.34 The return applied is a 'real' return, i.e. excluding inflation. The effects of inflation are incorporated into tariffs through the indexation of the RAB in each tariff process, the application of depreciation at current cost, and the indexation of tariffs determined within a tariff process. All of this is consistent with conventional economic theory and as applied by regulators across various sectors in different countries worldwide.

2.35 The return is applied to the average RAB for each year and is added to the revenue requirement.

2.8 Water sales for volume-based tariff setting

2.36 Overall sales projections are based on RWCs' business plans, but are subject to regulatory review and, where appropriate, adjustments to reflect the WSRA's expectations for improved performance.

2.37 The expected total annual water sales (m^3) are determined based on RWCs' best estimates of water sales volumes, taking into account current and future water demand, as well as realistic yet challenging expectations for increased billed consumption through meter repair and replacement programmes and the regularization of currently unregistered consumers. The increase in sales resulting from meter repair and replacement and the regularization of currently unregistered consumers are the main measures through which apparent losses will be reduced. The WSRA expects significant improvements in sales resulting from these activities.

2.38 Water sales volumes distinguish between total water sales and water sales to consumers connected to wastewater services, which form the basis for setting wastewater service tariffs.

2.39 Estimated water sales for the purpose of wastewater tariff setting are determined for those non-household consumers where the volume of wastewater generated does not correspond to the water supplied by the RWC network.

2.40 Water sales projections shall be disaggregated into customer categories: household and non-household. RWCs shall provide sufficient information to enable reasonable estimates of such projections by category.

2.41 The projected number of customers (by category) for each year is required to determine the basis for revenues from connection fees, fixed tariffs, and infrastructure surcharge (reinforcement) tariffs.

2.42 Water sales projections by category shall be adjusted to reflect bad debts (non-payment). The WSRA shall review submissions and may determine an alternative level of bad debt where submissions are not considered sufficiently challenging. The collection rate has improved significantly in recent years, approaching 100% in some cases. For future tariff setting processes, consideration may be given to excluding uncollectible debts from the tariff-setting framework and treating such amounts as a commercial risk to be borne by the RWCs. To compensate for this additional risk, a small increase in the return on the RAB may be justified. This option will be examined in more detail, and a decision will be taken prior to the 2029–2031 tariff process.

2.9 Tariff structure

2.43 The water tariff structure includes:

- A fixed monthly charge per customer, which from 2026 will be based on connection size.

- A volumetric fee per m³ of water sold (currently different tariffs for household and non-household customers).
- A bulk treated water charge (where applicable).
- A connection charge for new connections.
- An infrastructure reinforcement charge for net new water connections.

2.44 The wastewater service tariff structure includes:

- A volumetric wastewater charge per m³ of water sold for customers connected to wastewater services (currently different tariffs for household and non-household customers).
- An additional wastewater tariff for those consumers subject to trade effluent tariffs where the quality of wastewater is materially different from the average wastewater quality (optional).
- A connection fee for new connections.
- An infrastructure reinforcement charge for net new water connections.

2.45 This 2026–2028 tariff process, for the first time, includes a requirement for RWCs to apply trade effluent tariffs. In some RWCs, individual large industries and specific consumer groups generate wastewater of a quality that differs significantly from the average wastewater quality. Where the quality of wastewater is significantly poorer than average, it imposes substantially higher costs on RWCs per m³ of wastewater compared to household consumers. The current uniform wastewater tariff results in the effective subsidization of higher-polluting non-household consumers by household consumers. The application of trade effluent tariffs may not be appropriate for all RWCs. An RWC may apply for exemption from this requirement if it considers that the costs of such a scheme outweigh the benefits or that the overall benefit is negligible. Such a request shall be supported by evidence.

2.46 Additional trade effluent tariffs (or discounts) for qualifying consumers shall be determined using the Mogden formula, the details of which are set out in the WSRA Guidelines issued in January 2025 on trade effluent tariffs.

2.47 These tariffs shall apply regardless of whether the consumer is connected to a wastewater treatment plant. This is intended to ensure that the consumer pays for the environmental impact and to encourage investment in pre-treatment where it is economically efficient to do so.

2.48 The application of these trade effluent tariffs does not change the overall revenue requirement and therefore has the effect of reducing tariffs for all other consumers.

2.10 Setting volumetric tariffs for water supply services

2.49 The water supply service tariff for household consumers is determined as: the revenue requirement minus connection fees and fixed tariffs, divided by the equivalent volume of water sold and paid for, namely sales multiplied by the revenue collection rate. This allows for a small margin for non-payment by consumers; however, over time the WSRA may choose to treat bad debts as a management issue and exclude them from the tariff-setting methodology.

2.11 Setting volumetric tariff for wastewater services

2.50 The wastewater service tariff for household consumers is determined as: the revenue requirement, minus connection fees and additional tariffs related to quality-based charges, divided by the equivalent internal volume of water sold and paid for wastewater consumers, namely sales multiplied by the revenue collection rate.

2.51 This 2026-2028 tariff process also includes, for the first time, the provision to apply estimated wastewater flows for specific non-household consumers where the wastewater generated does not reflect the water supplied from the RWC network.

2.52 As with water supply, the WSRA may consider bad debts as a management issue and exclude them from the tariff-setting methodology.

3 Tariff applications 2026-2028 of RWCs and WSRA decisions

3.1 Tariff applications

3.1 RWCs were requested to submit their tariff applications by 31 August 2025. Subsequently, an extension of this deadline was agreed until 20 September 2025.

3.2 The revised model has a modified layout and includes new features; however, the core principles of the model remain largely unchanged and RWCs are familiar with them. Intensive training on the revised model was provided to RWCs.

3.2 Challenging of tariff applications

3.3 The re-submissions of RWCs, following our initial review, have been analyzed to the extent realistically possible within the limited time available after the extension of the submission deadline. In this regard, we have focused on several key areas with a material impact on final tariffs. These include:

- An assessment of efforts to reduce apparent losses through the regularization of illegal connections and the expectation that consumption per consumer will increase with improved metering.
- An assessment of operating costs in relation to past performance.
- An assessment of energy cost submissions following the decision on the liberalization of the energy market for large industrial users.
- An assessment of capital investments based on what RWCs have demonstrated as realistically achievable in previous tariff processes.

3.3 Reduction of apparent losses

3.4 In our letter dated 25 November 2024, we set out our expectation for a significant reduction in apparent losses. In that letter, we stated that we expected a challenging but realistic effort from RWCs to reduce these losses through a program of regularizing illegal connections and repairing or replacing meters that do not register accurately.

3.5 The regularization of unregistered consumers connected to the water supply network and consuming water will enable RWCs to increase revenues and reduce unit costs of water produced. We consider that the identification of unregistered consumers should be a continuous process of detailed field investigation, requiring the establishment of District Metered Areas (DMA). The WSRA will not accept failure to meet this requirement as a justification for not regularizing unregistered consumers within the tariff-setting process.

3.6 Typically, a programme of meter repair and replacement is expected to result in an increase in average consumption per consumer (for metered customers), as old and faulty meters generally record lower volumes. Meter repair and replacement activities can be expected to reduce apparent losses by between 10-15%. For this reason, the WSRA will require RWCs to report on the number of meters repaired/replaced and to carry out analyses on the impact of these activities, such as consumption data before and after meter replacement within a specific area (DMA), the number of meters replaced, and other relevant details. This will enable a more accurate assessment of the reduction in apparent losses resulting from metering programs.

3.4 Challenging of operating expenses

3.7 RWC applications for water and wastewater services (excluding energy costs) have shown significant increases in inflation-adjusted expenditures, which in most cases are considered unjustified. The WSRA's review and assessment of operating costs (excluding energy) has identified staff costs as the main factor driving the increase in operating expenditures. Any real increase in unit operating costs must be justified as necessary to deliver improvements in service levels for consumers. RWCs have

not provided convincing evidence to justify the increases they have proposed. Instead of increasing operating costs, the WSRA expects that operating costs relative to water production and sales will decrease in real terms over time, as a result of efficiency improvements. Exceptions apply in cases where there are justified and substantial changes in the operating environment of RWCs, such as the commissioning of new facilities or capacities (for water treatment or wastewater treatment) that generate costs which did not previously exist.

3.8 The WSRA has compared the planned unit operating costs (excluding energy) for the base year (2025) with the actual unit operating costs for 2025. Under normal circumstances, a reduction in real unit costs would be expected as a result of improved efficiency; however, the WSRA has adjusted costs to be broadly in line with 2025 costs, adjusted for inflation. This may result in small proportional increases or decreases in overall cost allowances arising from changes in water and wastewater treatment volumes and the number of consumers. In future determinations, it is expected that operating cost proposals will reflect real improvements in operational efficiency.

3.9 In some cases, such as the assumption of management of assets and operational responsibilities in North Mitrovica, municipalities in the regions of Gjilan and Ferizaj, and the commissioning of new facilities where significant increases in operating costs are expected, such increases are justified and have been taken into account in the assessment of applications.

3.10 RWC applications for operating expenditures in some cases appear to have incorrectly allocated costs between water supply and wastewater services. Where such misallocation has been identified, the WSRA has communicated with RWCs to adjust the applications accordingly.

3.11 RWC applications included significant increases (even above inflation-adjusted levels) in staff costs, reflecting either increases in staff numbers, real wage increases, or a combination of both. The WSRA has reduced staff costs to be generally in line with audited 2024 values and approved 2025 values (adjusted for inflation), except where such increases are justified and supported by evidence. However, in order to maintain total operating expenditures in line with audited 2024 and approved 2025 levels, any reductions or increases in staff cost values have been reallocated to other cost categories within RWC operating expenditure applications.

3.12 WSRA adjustments to the proposed operating cost projections for water supply (excluding energy) range from -9% to -32%. For wastewater services (excluding energy), adjustments range from -23% to +8%.

Energy costs

3.13 In June 2025, the energy market in Kosovo was liberalized for large consumers, including RWCs. This has resulted in a significant increase in energy costs of more than 150% for RWCs. Applications for the tariff process 2026-2028 have been based on these increases.

3.14 The WSRA has taken into account, as evidence, the actual energy bills received (and paid) by RWCs in 2025 and has concluded that an increase of 150% compared to pre-liberalization electricity tariffs is justified.

3.15 The WSRA recognizes that the nature of a liberalized market may result in greater volatility in electricity prices. The WSRA's position is that, since the return on the RAB is a risk-based return, any subsequent increases in costs or windfall gains resulting from electricity price fluctuations during the tariff period 2026-2028 will be borne by RWCs. Unless convincing evidence is presented to support an extraordinary review of the current tariff process, no adjustments shall be considered until the subsequent tariff process 2029-2031.

3.16 We are aware that the increase in electricity prices occurred mid-2025 and was not taken into account in the 2025 tariff application. The WSRA acknowledges that such an unexpected increase in energy costs in 2025 constituted an unforeseen and exceptional shock, and that the additional costs incurred during 2025 have been carried forward into the tariff process 2026-2028, distributed over three years and adjusted for the rate of return on the RAB (i.e. including interest).

3.17 In the future, we expect RWCs to respond to these cost increases by adopting a proactive approach to energy management. Accordingly, we expect to see significant improvements in how RWCs manage energy and invest in energy efficiency. This includes investments in self-generation where appropriate, as well as other measures.

3.18 The increase in electricity costs also raises the unit cost of water production. This will have a significant impact on the economic level of real water losses for RWCs. The WSRA expects that the increase in electricity prices will drive greater efforts to address real water losses. In the tariff process 2029-2031 and beyond, the WSRA may choose to adjust approved electricity costs downward to reflect the costs that would have been incurred if RWCs had achieved reasonable expectations for reducing real water losses.

General operating expenses

3.19 Adjustments (reductions) to the total operating expenditures proposed by RWCs for water supply services range from -22% to -3%, with an overall adjustment from -11% in 2026 to -17% in 2028. For wastewater services, adjustments range from -30% to +135%, with an overall adjustment of +1% in 2026 and -4% in 2028. These adjustments are illustrated in Figure 2 and Figure 3.

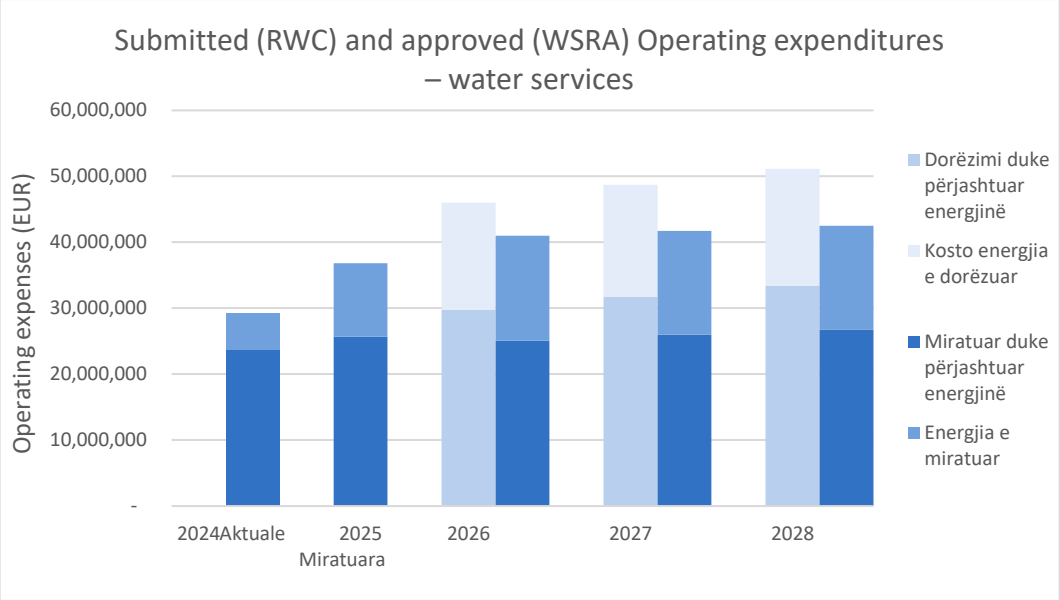

Figure 2 – Total operating expenses submitted and approved (water services)3

[3] For 2024, we report the actual operating expenditures incurred by RWCs, while for 2025 we report the allowable operating expenses of RWCs, as year-end actual data for 2025 are not yet available. For the period 2026 to 2028, the report presents the operating expenditure submissions by RWCs (light blue) and our final determinations for operating expenditures (darker blue).

Figure 3– Total operating expense submitted and approved (wastewater services)

3.20 A more detailed analysis of operating costs for individual RWCs is presented in Annex 3: Analysis of operating expenses, water and wastewater

3.5 Capital investments including infrastructure renewal

3.21 In the letter of 23 December 2024, the WSRA emphasized the necessity of evidence to support tariff applications. In the case of capital investments, the requirements for evidence and justification were threefold:

- Demonstrate that the investment is justified in meeting the required level of service.
- Demonstrate that cost estimates for the investments are realistic.
- Demonstrate that there is a high probability that the investment will be implemented.

3.22 The supporting evidence provided in this tariff application was generally weak. Most investment proposals were generalized and not specific; cost estimates for proposed projects were inadequate, and above all, convincing evidence was not provided to ensure that, with the proposed budget, these projects would be implemented within the planned timeframe.

3.23 Furthermore, the total amount of investments submitted by RWCs in this tariff application is significantly higher than the level of investments historically achieved, particularly with regard to infrastructure renewal investments, which have a direct impact on tariffs.

3.24 In relation to this important issue, the WSRA was faced with three options:

1. Reject all investment proposals that do not meet technical criteria and lack convincing evidence of implementation of these projects. This option would result in very low tariffs and would deprive RWCs of the ability to generate sufficient funds to maintain a minimum level of service.
2. To accept the investment proposals as submitted by RWCs. This would lead to an increase in tariffs in the short term (three-year tariff cycle). The issue will arise if the investments are not implemented and the "clawback" mechanism (recovery of unimplemented investments) is applied, which would result in a significant reduction in tariffs in the subsequent tariff process 2029-2031.
3. To accept a level of investment that is comparable to the investments that RWCs have achieved in the past. This option provided a more realistic and credible approach that the approved investments would be implemented. Tariffs would be sufficient to maintain an adequate level of capital maintenance.

3.25 The WSRA's approach to assessing capital investment proposals has been based on approving a combination of the second and third options. The WSRA has largely accepted RWC proposals for non-infrastructure capital investments; however, approvals for infrastructure renewal are based on past investment performance, adjusted to sector circumstances.

Infrastructure renewal investments for water supply services

3.26 Investments in infrastructure renewal for water supply have a full and direct impact on the revenue requirement and, consequently, on tariffs. The WSRA has assessed RWC proposals for infrastructure renewal based on the following facts and methodology:

1. Actual infrastructure renewal investments for the years 2022-2024 are adjusted for inflation to base-year price levels (2025).
2. The best-performing year (in terms of the level of investment) among the three years 2022-2024 is selected.
3. The approved value of infrastructure renewal for each of the years 2026-2028 is based on the highest value from the tariff period 2022-2024 , with an additional uplift applied to this amount.
4. As a precautionary measure to avoid potential impacts in the subsequent tariff process, a minimum level of infrastructure renewal investment linked to the number of consumers has been considered, ensuring that there are no significant levels of unimplemented investments and avoiding the risk of infrastructure deterioration.

3.27 The WSRA considers that this approach to approving investments provides a realistic projection of actual infrastructure renewal investments and ensures that there will not be significant amounts of unimplemented investments in the event of applying the "clawback" mechanism after three years.

3.28 If RWCs exceed the approved level of infrastructure renewal investments and if the WSRA assesses that such investments were necessary, the additional amount invested by RWCs shall be carried forward and recognized as additional revenue in the subsequent tariff process 2029-2031.

3.29 Based on the above approach, the total amount of infrastructure renewal investments requested by RWCs for water supply infrastructure amounted to €16.3 million, while following the WSRA's assessment and adjustments, this amount has been reduced to €9.7 million. Approvals for infrastructure renewal have been increased for two RWCs, namely RWC Hidrodrini and RWC Mitrovica, in order to meet minimum investment requirements, while the requested amounts for the other five RWCs have been reduced.

3.30 A more detailed analysis of the adjustments to infrastructure renewal for water supply is provided in Annex 4: Analysis of Infrastructure renewal (water)

Infrastructure renewal investments for wastewater services

3.31 For wastewater services, the amount allocated for infrastructure renewal investments over the three-year tariff period 2026-2028 has been increased from €3.1 million to €4.2 million in order to meet the minimum investment level. For RWC Bifurkacioni, RWC Prishtina, and RWC Hidroregjioni Jugor, the applications for wastewater infrastructure renewal have not been adjusted. For RWC Hidrodrini, RWC Gjakova and RWC Mitrovica, the amounts for infrastructure renewal have been increased. For RWC Hidromorava, the proposed infrastructure renewal investments have been slightly reduced. These adjustments generally have a minor impact on wastewater tariffs, amounting to €0.0044 per m^3 of water sold.

3.32 A more detailed analysis of the adjustments to infrastructure renewal for wastewater is provided in Annex 5: Analysis of infrastructure renewal (wastewater)

Investments for infrastructure enhancement/expansion

3.33 Investments for infrastructure enhancement/expansion are added to the RAB, and RWCs earn a real return on the RAB, 4.25% for Prishtina and 5.25% for the other six RWCs. For the three-year tariff period 2026-2028, the impact of infrastructure enhancement/expansion investments on tariffs is approximately 6% for Prishtina and 8% for the other six RWCs.[4]

3.34 However, the impact of this category of investments on tariffs is small and negligible. The cumulative effect of infrastructure enhancement/expansion investments, as presented by RWCs, adds less than €0.0050 per m³ to water supply tariffs and less than €0.0005 per m³ to wastewater service tariffs by 2028.

3.35 Accordingly, it has been determined that proposals for infrastructure enhancement/expansion investments should be accepted with minimal adjustments. If RWCs do not implement infrastructure enhancement/expansion investments as proposed, the clawback effect within three years will have a minimal impact on future tariffs.

Non-infrastructure Investments

3.36 For non-infrastructure investments, the impact is somewhat higher, as it includes depreciation at current cost as well as the return on the RAB. The impact of non-infrastructure investments on tariffs for the tariff process 2026- 2028 is approximately 9% for Prishtina and 11% for the other six RWCs.

3.37 The impact of this category of investments on tariffs remains relatively small, amounting to €0.0097 per m³ of water supplied and less than €0.0040 per m³ for wastewater services by 2028.

3.38 Accordingly, it has been determined that proposals for non-infrastructure investments should also be accepted with minimal adjustments. If RWCs do not implement non-infrastructure investments as proposed, the clawback effect in the subsequent tariff process 2029-2031 will have a minimal impact on tariffs.

3.6 Other adjustments

3.39 As part of its regulatory interventions, the WSRA has also made several additional adjustments where the submitted data were considered either inaccurate or not sufficiently challenging. These interventions included changes to connection tariffs, water demand projections, fixed tariffs, and other elements. In almost all cases, individual interventions had a minor impact on tariffs; however, collectively they may have had a more significant effect. These adjustments are referred to as 'other' in our analyses.

3.40 The WSRA has also made several regulatory adjustments in cases where the submitted data were assessed as inaccurate or not sufficiently challenging. These included changes to connection tariffs, water demand projections, fixed tariffs, and other elements. Each individual intervention had a minor impact on tariffs; however, cumulatively they may have had a more significant effect.

3.7 Return on the Regulatory Asset Base (RAB)

3.41 For the tariff process 2026-2028, a real return on the RAB of 4.25% has been applied for RWC Prishtina and 5.25% for the other six smaller RWCs. This follows from our decision in the 2025 tariff process, where the rate of return on the RAB for all RWCs was increased from the previous level of 4%.

[4] Based on a uniform expenditure profile over the three years, resulting in a total return over the period equal to 1.5 x the return on the RAB.

3.42 The return on the RAB for water supply averages approximately €0.0768 per m³ of water sold across all RWCs. For wastewater services, the return on the RAB is approximately €0.0140 per m³.

3.43 The increase in the rate of return on the RAB has raised tariffs on average by €0.0092 per m³ for water supply and €0.0023 per m³ for wastewater services across all RWCs.

3.8 Overall Impact of WSRA challenges on RWC applications

3.44 The results of the WSRA's interventions (challenges) to the applications have generally led to a reduction in the final approved tariffs. These interventions mainly related to operating expenditures and infrastructure renewal investments, where the applications were considered unrealistic. These interventions are illustrated in Figure 4 and figure 5

3.45 More detailed information regarding the adjustments made for individual RWCs is provided in Annex 6: Overall tariff impact of adjustments to submissions (Water) and Annex 7: Overall Tariff impact of adjustments to submissions (wastewater).

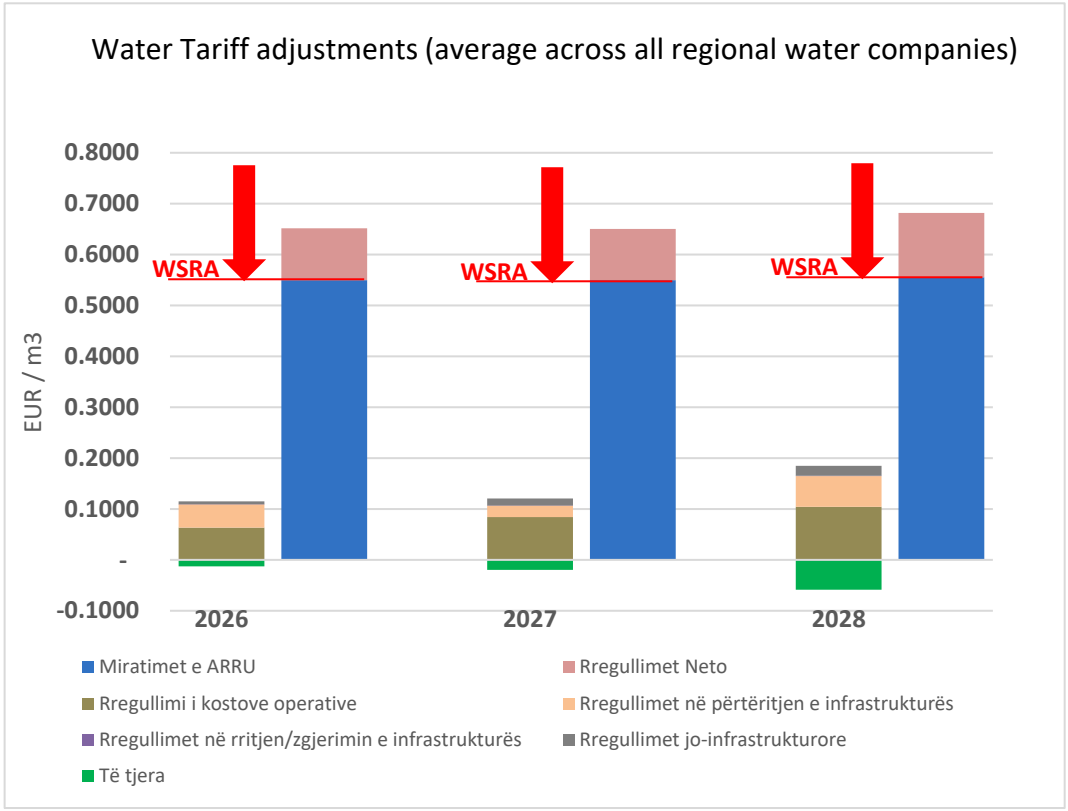

Figure 4 – WSRA adjustments to RWC business plan applications (water)[5]

[5] 'For each year, the columns on the left refer to adjustments made by category of the revenue requirement. Where the adjustment is positive, i.e. where allowances have been increased, this is shown below the axis. The columns on the right show the total submitted requirement as the sum of the blue and grey, with the grey representing the net effect of WSRA adjustments, leaving the blue as the final allowed revenue determined.'

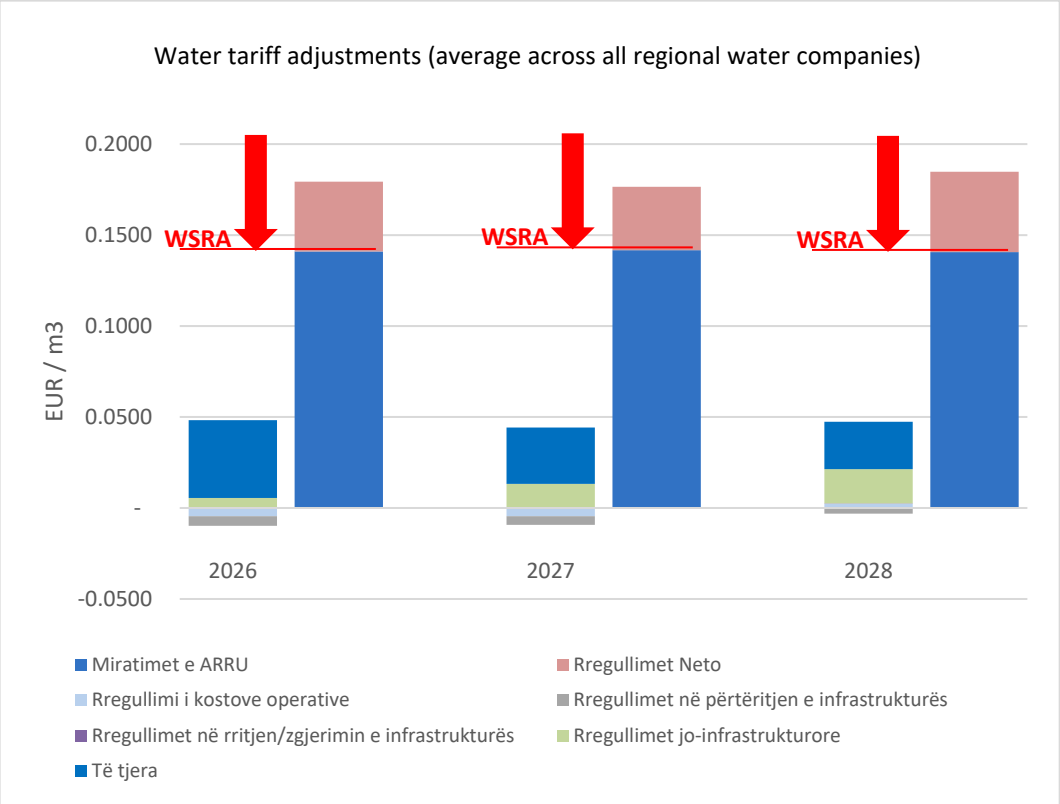

Figure 5 – Adjustments to business plan submissions (wastewater)

4 Regulatory provisions of the tariff process 2026-2028

4.1 Real prices

4.1 All tariffs (fixed and volumetric/variable tariffs) are set on a real price basis, at 2025 price levels (base year). The applicable tariffs shall be adjusted for inflation from the previous year, using the Consumer Price Index for the period July 2024 - June 2025.

4.2 Fixed monthly fees

4.2 Monthly fixed tariffs are now based on connection size, regardless of the consumer category. For all RWCs, the tariffs are uniform. In our final determinations, we have set the monthly fixed tariffs as presented in Table 1, based on mid-2025 price levels.

Table 1 – Monthly fixed tariffs

Connection size	Unit	2026	2027	2028
Consumers with wastewater connections only	EUR/cons/month	0.63	0.63	0.63
15mm	EUR/cons/month	1.25	1.25	1.25
20mm	EUR/cons/month	1.25	1.25	1.25
25mm	EUR/cons/month	2.00	2.00	2.00
32mm	EUR/cons/month	2.00	2.00	2.00
40mm	EUR/cons/month	8.10	8.10	8.10
50mm	EUR/cons/month	8.10	8.10	8.10
65mm	EUR/cons/month	20.00	20.00	20.00
80mm	EUR/cons/month	20.00	20.00	20.00
100mm	EUR/cons/month	24.60	24.60	24.60
125mm	EUR/cons/month	24.60	24.60	24.60
150mm	EUR/cons/month	38.80	38.80	38.80
200mm	EUR/cons/month	38.80	38.80	38.80
250mm	EUR/cons/month	54.00	54.00	54.00

4.3 Infrastructure surcharge (reinforcement) tariff

4.3 Infrastructure surcharge (reinforcement) tariffs apply to new net properties/developments. In addition to connection fees, these tariffs constitute a contribution toward infrastructure investments in the water supply and wastewater networks, required as a result of the cumulative long-term increase in demand for services arising from new developments. This ensures that existing consumers do not bear the costs of network expansion and reinforcement caused by such developments. The tariffs to be applied by all RWCs to property developers are presented in Table 2, at mid-2025 price levels.

Table 2 – Infrastructure reinforcement tariffs

Infrastructure surcharge (reinforcement) tariff	Unit	2026	2027	2028
Water	EUR/connection	130.00	130.00	130.00
Wastewater	EUR/connection	95.00	95.00	95.00

4.4 Volumetric tariffs

4.4 Volumetric tariffs set for the seven RWCs are uniform within the service area of each RWC. The final tariffs are presented in Table 3, based on mid-2025 price levels.

Table 3 – Tariffs for water supply and wastewater services (at 2025 price levels)

RWC	Services and consumers	Unit	2026	2027	2028
RWC BIFURKACIONI	Water supply				
	Domestic volumetric tariff	EUR/m³	0.5123	0.5181	0.5187
	Non-domestic volumetric tariff	EUR/m³	0.6660	0.6217	0.5706
	Wastewater services				
	Domestic volumetric tariff	EUR/m³	0.1289	0.1450	0.1445
	Non-domestic volumetric tariff	EUR/m³	0.2836	0.3190	0.3180
RWC PRISHTINA	Water supply				
	Domestic volumetric tariff	EUR/m³	0.6082	0.6093	0.6119
	Non-domestic volumetric tariff	EUR/m³	0.7907	0.7311	0.6731
	Wastewater services				
	Domestic volumetric tariff	EUR/m³	0.1226	0.1121	0.1078
	Non-domestic volumetric tariff	EUR/m³	0.2697	0.2466	0.2371
RWC HIDRODRINI	Water supply				
	Domestic volumetric tariff	EUR/m³	0.3785	0.3760	0.3723
	Non-domestic volumetric tariff	EUR/m³	0.4921	0.4512	0.4095
	Wastewater services				
	Domestic volumetric tariff	EUR/m³	0.1494	0.1533	0.1568
	Non-domestic volumetric tariff	EUR/m³	0.2838	0.2607	0.2352
RWC HIDROREGJIONI-JUGOR	Water supply				
	Domestic volumetric tariff	EUR/m³	0.5445	0.5305	0.5228
	Non-domestic volumetric tariff	EUR/m³	0.7078	0.6366	0.5751
	Wastewater services				
	Domestic volumetric tariff	EUR/m³	0.1832	0.1971	0.1943
	Non-domestic volumetric tariff	EUR/m³	0.4031	0.4337	0.4275
RWC HIDROMORAVA	Water supply				
	Domestic volumetric tariff	EUR/m³	0.5236	0.5053	0.4925
	Non-domestic volumetric tariff	EUR/m³	0.6807	0.6064	0.5417
	Wastewater services				
	Domestic volumetric tariff	EUR/m³	0.1402	0.1613	0.1708
	Non-domestic volumetric tariff	EUR/m³	0.3085	0.3548	0.3757
RWC GJAKOVA	Water supply				
	Domestic volumetric tariff	EUR/m³	0.5002	0.5051	0.5155
	Non-domestic volumetric tariff	EUR/m³	0.6503	0.6062	0.5670
	Bulk treated water tariff	EUR/m³	0.2200	0.2200	0.2200
	Wastewater services				
	Domestic volumetric tariff	EUR/m³	0.1767	0.1866	0.1894
	Non-domestic volumetric tariff	EUR/m³	0.3887	0.3172	0.2840
RWC MITROVICA	Water supply				
	Domestic volumetric tariff	EUR/m³	0.5103	0.5115	0.5070
	Non-domestic volumetric tariff	EUR/m³	0.6634	0.6138	0.5577
	Wastewater services				
	Domestic volumetric tariff	EUR/m³	0.1298	0.1286	0.1280
	Non-domestic volumetric tariff	EUR/m³	0.2856	0.2828	0.2816

4.5 Commercial effluent tariffs

4.5 Six RWCs (RWC Prishtina, RWC Hidroregjioni Jugor, RWC Mitrovica, RWC Gjakova, RWC Bifurkacioni and RWC Hidromorava) have requested exemption from the application of commercial effluent tariffs. For the tariff process 2026-2028, the WSRA has accepted these requests. However, considering that within the service areas of these RWCs there are consumers who generate wastewater with significantly higher pollution loads than domestic consumers, the application of commercial effluent tariffs is justified. The WSRA will review this issue in more detail in the next tariff process and may reconsider the current decision by requiring the application of these tariffs in one or more RWCs. Initially, this may be limited to Category 2 (Tier 2) consumers, where tariffs are determined based on the type of economic activity rather than for specific Category 1 (Tier 1) consumers.

4.6 RWC Hidrodrini has three large consumers that generate wastewater with high pollution loads and which have not, to date, paid their fair share for wastewater treatment. As a result, other consumers in the Peja region have effectively subsidized these costs. The WSRA has required that these specific consumers be subject to commercial effluent tariffs, and this decision has been incorporated into the tariff determination for RWC Hidrodrini. These consumers are classified under Category 1 (Tier 1), for which pollution levels and loads are determined on a case-by-case basis. Due to the principle of maintaining commercial confidentiality, the WSRA does not publish data on the pollution load of wastewater discharged by these consumers. However, the WSRA considers that the tariffs applied to them are more cost-reflective than previously and that other consumers are now paying a fairer price for wastewater services.

4.7 Furthermore, the application of commercial wastewater tariffs may have the desired effect of encouraging affected consumers to invest in pre-treatment facilities. This would result in a significant improvement in the quality of discharged effluent, which is beneficial for the environment and may lead to lower tariffs applied by RWCs, thereby also benefiting the consumers themselves.

Annex 1: Return on the RAB

The following scenarios were provided to RWCs in December 2024 as part of the one-year tariff process for 2025. The WSRA has decided to continue with the findings of this analysis for the tariff process 2026-2028.

Scenario A – Determination of the return on the Regulatory Asset Base for the 2025 tariff process

Background

The return on the Regulatory Asset Base (RAB) was approved at 4% (real) for the tariff review 2022-2024. The same rate was also applied in 2021 during a period of a very low interest rate environment (nearly zero). Since 2021, interest rates and inflation have increased significantly, and the economic environment is returning to conditions similar to those prior to the 2008 financial crisis. Although the 2025 review covers only a single year, we consider that a revision of the return on the RAB may be necessary. Despite recent movements in interest rates, the "real" interest rate, i.e. excluding the effects of inflation, remains relatively low.

Rationale

The WSRA continues to apply the Capital Asset Pricing Model (CAPM) as the basis for determining the return on the RAB.

CAPM is summarized in the following formula:

$$\overline{r_a} = r_f + \beta_a\left(\overline{r_m} - r_f\right)$$

Where:

$\overline{r_a} = expected\ rate\ of\ return\ for\ the\ asset$

$r_f = risk\ free\ rate$

$\beta_a = beta\ of\ the\ asset$

$\overline{r_m} = expected\ martket\ return$

The CAPM concept is that investors should be compensated in a manner that reflects the risk of the business in which they are investing. The CAPM formula implies that investors should expect a return that includes a risk-free rate (r_f) plus a premium to reflect the risk of the investment.

The risk-free rate is often interpreted as the long-term yield on AAA-rated government bonds (or gilts), i.e. bonds issued by central governments with AAA status.r_f)

The market risk premium is a premium (applicable across all equities) that investors in equity markets expect to receive over the long term for investing in shares. For investing in the market in general, investors would expect to receive an average return that reflects the expected returns of the market as a whole. Therefore, the 'risk premium' is $\left(\overline{r_m} - r_f\right)$.

For a specific asset, the risk may be higher or lower than the market risk. β_a is determined for the asset as a multiplier of the risk premium. If the risk of an asset (defined as the volatility of returns) is greater than the average market risk, the value of $\beta_a$will be greater than 1.0. Conversely, if the risk is lower than the average market risk, $\beta_a$will be less than 1.0. For example, high-risk oil exploration companies may have a β_a above 2.0, whereas very secure 'blue-chip' investments such as large utilities may have a $\beta_a$of let's say, 0.5. The value of β_a is determined through long-term statistical analysis, from which it is possible to derive average values for specific sectors rather than for individual companies.

CAPM in the water sector in Kosovo

The financial sector in Kosovo does not represent a sophisticated market structure, and statistical data on risk premiums (for average and individual companies) are not available. Moreover, determining a risk-free rate for Kosovo is also not possible due to the adoption of the euro as its currency without being a member of the Eurozone. However, it is possible to use statistical information from other countries to apply a proxy set of parameters for determining the cost of equity for the water sector in Kosovo.

Risk-free rate of return r_f

Despite recent movements in interest rates, the 'real' interest rate, i.e. excluding the effects of inflation, remains very low. The current risk-free rate used by OFWAT (the water sector regulator for England and Wales) in its most recent price review (PR24) is 0.47%, based on a 20-year index-linked reference. A simplified analysis of Euro-denominated bonds suggests a risk-free rate slightly below 0.47%.[6]

Due to the lack of specific data for Kosovo, it is suggested that a risk-free rate of 0.45% (within a range of 0.40% to 0.50%) may be applied.

Equity risk premium. $(\overline{r_m} - r_f)$

We do not have data for a market risk premium specific to Kosovo. We consider Montenegro to have a similar risk profile, as it is in the same region and also uses the Euro as its currency. Current data suggest a total risk premium of 11.18%.[7] This includes a base market risk premium of 6.58%. We have maintained the position that, although this risk premium is relevant for private sector investors, we are not convinced that it should fully apply to the public sector, which is supported by investments through international development partners such as KfW and other similar agencies, which, by their nature, mitigate risk for their borrowers. We therefore consider that the risk premium can be reduced for RWCs in Kosovo. By reducing the risk premium by 50%, an equity risk premium of 7.89% is derived.

Therefore, we have applied a risk premium of 8% within a range of 7.5% to 8.5%.

Beta β_a

The water sector is generally considered to be a relatively low-risk industry (shielded from aggressive competition and benefiting from a captive customer base and stable revenue flows). Accordingly, β_a the sector's beta is generally below 1.0. OFWAT in the UK, in its most recent price review, applied an asset beta range β_a of 0.32 to 0.34[8]. Research in the United States[9] suggests that a beta of 0.52 is appropriate for the water sector, while the same source suggests a beta of 0.42 for the water sector in Europe.

Without any specific data for Kosovo, we suggest applying a beta β_a of 0.42 for Europe (within a range of 0.40 to 0.44).

Small-sized company risk premium

In previous tariff processes, we have applied the same return on the RAB for all seven RWCs. Scenario B sets out our rationale for granting the six smaller RWCs a higher return on the RAB than RWC Prishtina. We consider that the small company premium to the return on the RAB should be 1.00%.

Adjustment to pre-tax return

The CAPM framework is based on a post-tax return on equity. However, the tariff model is based on a pre-tax return on equity, and therefore an adjustment is required. Given that RWCs in Kosovo do not have material levels of debt and that interest charges, if any, are negligible, it can be assumed that these returns will be subject to the corporate income tax rate of 10%. Accordingly, to derive a pre-tax return on equity, an adjustment of 1/(1–10%) is required.

[6] https://markets.ft.com/data/bonds/government-bonds-spreads At the time of assessment, yields on 10-year Eurozone government bonds range from 2.47% (Germany) to 3.87% (Italy). For the nominal risk-free rate, the lower end of this range is assumed. Combined with current inflation of 2.4% and the ECB's long-term inflation target of 2%, this corresponds to a real rate slightly below 0.47%, which coincidentally aligns with OFWAT's determination of the risk-free rate.
[7] https://pages.stern.nyu.edu/~adamodar/New_Home_Page/datafile/ctryprem.html
[8] https://www.ofwat.gov.uk/wp-content/uploads/2022/12/PR24_final_methodology_Appendix_11_Allowed_return.pdf
[9] http://pages.stern.nyu.edu/~adamodar/New_Home_Page/datafile/Betas.html

Calculated return on the RAB

Based on the above assumptions, the following estimates of the return on the RAB are illustrated in the tables below.

RWC Prishtina	**Recommended**	**Min**	**Max**
Risk-free rate of return	0.45%	0.40%	0.50%
Beta assets β_a	0.42	0.40	0.44
Equity risk premium.$(\overline{\mathbf{r_m}} - \mathbf{r_f})$	8.00%	7.50%	8.50%
Post-tax return on equity (real)	3.81%	3.40%	4.24%
Pre-tax return on equity (real)	**4.23%**	**3.78%**	**4.71%**

Six smaller RWCs	**Recommended**	**Min**	**Max**
Risk-free rate of return	0.45%	0.40%	0.50%
Beta assets β_a	0.42	0.40	0.44
Equity risk premium.$(\overline{\mathbf{r_m}} - \mathbf{r_f})$	8.00%	7.50%	8.50%
Post-Tax return on equity (real)	3.81%	3.40%	4.24%
Small-sized company risk premium	0.95%	0.80%	1.10%
Post-Tax return on equity (real)	4.76%	4.20%	5.34%
Pre-tax return on equity (real)	**5.29%**	**4.67%**	**5.93%**

Conclusions and recommendations

Taking into account updated data on current market returns, the WSRA considers that the existing 4% return on the RAB was not appropriate to be applied in the 2025 tariff process. The WSRA proposed that the return for 2025 be increased to a real rate of 4.25% for Prishtina. To put this into context, this additional 0.25% is equivalent to an increase in revenue of approximately €180,000 per year for RWC Prishtina.

For the other six RWCs, we considered that they should be subject to a return on the RAB that includes a small company risk premium, and that the total return on the RAB for them should be increased to 5.25%. This results in an additional total revenue increase of approximately €750,000 across the six smaller RWCs.

Scenario B – Small-sized company risk premium

Source of research

There is a significant bank of evidence-based research, supported by regulatory precedent, indicating that small regulated companies require a higher cost of capital, both equity and debt, compared to larger companies. London Economics (2010) (hereinafter referred to as the LE report) provides a detailed overview of extensive research and the challenges faced by small companies in relation to their financing.[10].

Small-sized company equity premium

The LE Report (Executive Summary) estimates that the small-sized company equity premium ranges from 0.80% to 2.63% above CAPM beta multiplied by the market equity risk premium. The LE Report cites several reasons for this increase, including:

- academic evidence and modeling of returns for small-sized companies;
- increased risks faced by small-sized companies, whereby they must demonstrate growth in order to attract financing;

[10] London Economics, *Small Business Cost of Capital,* 2010,, https://londoneconomics.co.uk/blog/publication/small-business-cost-of-capital-2/

- other risks, including increased variability of operating costs relative to capital expenditures faced by smaller companies;
- a small-sized company premium may also be a function of illiquid trading; and
- smaller companies possess fewer forms of acceptable collateral.

This phenomenon has been recognized by regulators in the United Kingdom and elsewhere:

- OFWAT (the UK water industry regulator), following a successful appeal by Bristol Water to the Competition Commission, provides a range for the cost of capital depending on company size (measured by regulatory capital value);
- CREG (the Belgian energy regulator) allowed a 'liquidity' uplift equivalent to an increase of 0.7% to 1.0%; and
- OFGEM (UK) has allowed a premium of 0.8% on the cost of capital for the small independent gas transporter (IGT) sector.

The LE Report cites an analysis by Duff & Phelps, which estimates the relationship between size and the premium and suggests that a 10% increase in average market capitalization results in a 0.22% decrease in the premium above CAPM. This suggests that, in the case of smaller RWCs, with an average RAB of around 15% of that of Prishtina RWC, a premium of 1.9% above CAPM beta multiplied by the market equity risk premium would be appropriate.

Cost of debt premiums for small-sized companies

Regarding the cost of capital, small-sized companies have higher debt costs compared to larger companies. The research cited in the LE Report suggests that the average debt premium for small-sized companies is 2.48%. This includes higher transaction fees compared to the financing faced by small-sized companies.

There is regulatory precedent for this, e.g. the 1.60% premium by OFWAT following the Bristol Water appeal, the 2.00% to 3.00% premium by OFGEM for the Independent Gas Transporters (IGT) sector, and a 1.00% to 1.80% premium for the distribution price control (2004). The LE Report concludes that for the IGT sector in the UK, the debt premium should be in the range of 2.70% to 3.60%.

Overall, we consider that an allowed premium above the cost of debt for smaller RWCs will reflect the additional debt costs that are likely to arise if they were to engage in borrowing for investments. Currently, the level of debt of these companies is very low and a debt premium is not taken into account for this one-year tariff review. We will monitor the capital structure of RWCs and if their capital structures change, we shall take into account the small companies premium for debt in our determination of the return on RAB in the future.

Small-sized company premium for RWCs in Kosovo

The position of RWCs as public enterprises raises questions regarding the full applicability of the small companies premium. We consider that for the one-year review we shall apply half of the capital premium of 1.9% determined by the Duff & Phelps analysis, i.e. 0.95% within a range of 0.8% to 1.1%. We shall review this aspect in more detail for the tariff review 2026-2028.

Annex 2: Guidelines on infrastructure surcharge (reinforcement) tariffs

Policy objectives

The current Government *Water Policy Document (2015)*, prepared by the Inter-Ministerial Water Council (IMWC), states:

Policy statement: Infrastructure development tariff

The Government calls upon municipalities, in cooperation with the Water Services Regulatory Authority (WSRA) and Regional Water Companies (RWCs), to consider the application and collection of an infrastructure development tariff for water services in addition to the municipal infrastructure development tariff (for roads, drainage, street lighting, etc.). The water infrastructure development tariff will be a regulated tariff subject to approval by the WSRA.

These guidelines are in line with this policy objective.

Background and need for infrastructure surcharge (reinforcement) tariffs

In recent years, there have been new residential and commercial developments in Kosovo that are placing strain on the networks of RWCs to provide water supply and sewerage services in line with the required level of service. Currently, developers/investors cover the cost of tertiary water supply and sewerage networks within the boundaries of the development property, and these assets are subsequently approved by the RWCs[11]. Over time, the cumulative effects of multiple developments shall require the reinforcement of water network assets (upstream of flows) and sewerage assets downstream of discharges. This is illustrated in Figure 6.

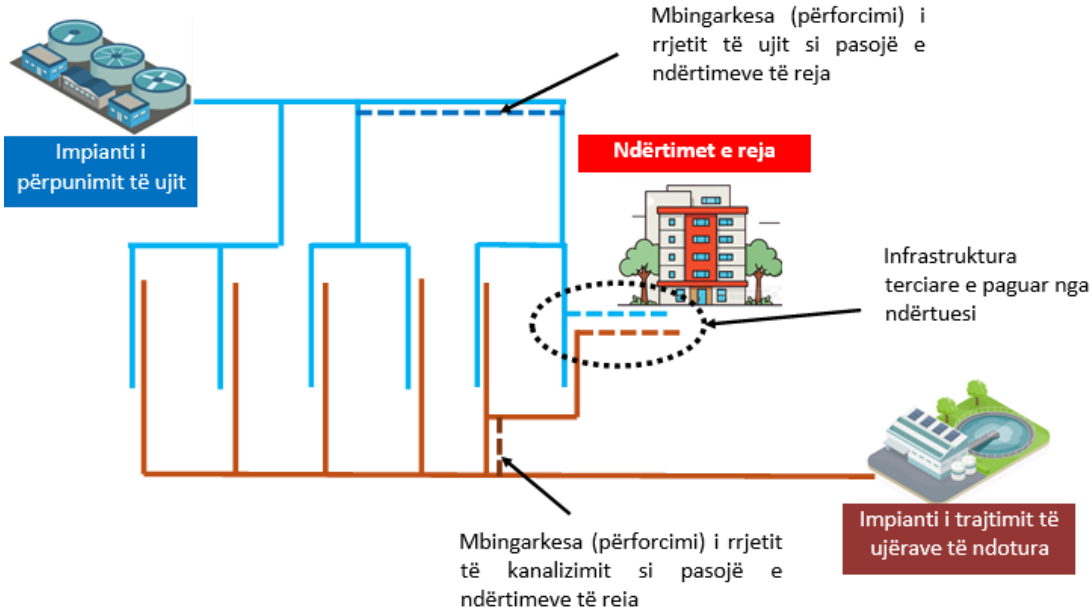

Figure 6 – New development imposing off-site network reinforcement investments

Under the current tariff-setting process, this network loading is financed by all existing consumers as infrastructure improvement and is included in tariffs for water supply and wastewater services. We consider that this is not cost-reflective and that such a burden shall be borne by the developers who caused the need for

[11] Tertiary infrastructure is typically constructed by developers and handed over to RWCs upon completion. In some cases, municipalities may develop tertiary water and wastewater infrastructure or may request RWCs to provide it. These costs are then passed on to the developer. The developer recovers the investment in tertiary infrastructure through the sale or leasing of properties within the development. The RWC shall apply a connection tariff for each individual property to cover the costs of service pipes, meters, and other necessary equipment specific to individual consumers, plus an amount to cover the relevant administrative costs.

the reinforcement. This is consistent with infrastructure tariffs as applied by regulators in other countries worldwide. These guidelines set out a process for establishing tariffs for developers as their contribution to the long-term costs of infrastructure reinforcement.

Characteristics of development activities and their impacts on the network

There are many activities that may contribute to increased demand for water and the generation of wastewater. Some will contribute to the need for network reinforcement, and some will not (see Table 1).

Table 4 – Types of development activity and their impact on network reinforcement needs

Type of development or activity	Contribution to network reinforcement	Comments
New residential or commercial developments where none previously existed, resulting in increased demand and wastewater flows.	Yes	If a site is developed where no development previously existed, then the development shall contribute to the need for network reinforcement.
New developments (domestic and non-domestic) in existing developed areas, but which may not necessarily contribute to an increase in demand and wastewater flows.	Sometimes	The contribution to network reinforcement is based on the net increase in demand. For example, if an existing residential block consisting of 15 apartments is demolished and replaced with a block of 25 apartments, the net contribution to increased demand and wastewater discharges shall be based on the net increase in the number of dwellings, i.e. 10 apartments.
Existing properties are not connected to the system, but with system expansion they may be connected (this mainly applies to wastewater and not to water supply)	Yes	Connection to the system shall contribute to an increase in demand or wastewater flows and shall therefore contribute to the need for network reinforcement.
Approval of additional service areas and associated water supply and wastewater systems owned by Regional Water Companies (RWCs)	No	If the new system is approved, it is assumed that the networks are already adequate for existing consumers. Any new consumer subsequently added to these systems shall contribute to the need for network reinforcement.

The contribution to network reinforcement needs shall be determined by the number of net new properties and not by the total number of new properties. The replacement of an existing apartment block of 15 apartments with a building of 25 apartments will result in 10 net additional apartments.

If an existing block of 25 apartments is replaced by a block of 15 apartments, demand decreases, but this will not result in a reduction in the diameter of water or sewerage pipes. Consequently, a reduction in demand shall not generate negative tariffs.

Determination of an appropriate infrastructure surcharge (reinforcement) tariff

Household consumer tariff

In theory, infrastructure surcharge (reinforcement) tariffs, over time, will align with long-term investments in infrastructure improvements to achieve a balance between demand and supply. This is an almost impossible calculation without many years of data that can be analyzed to determine an appropriate tariff per dwelling. Our approach is to determine an appropriate tariff based on an estimate of the initial RAB in 2008 as set out in the calculation below.

Box 1 – Setting of the infrastructure surcharge (reinforcement) tariff

When the initial RAB was established (2008), it was calculated at EUR 200 per connection for water and EUR 100 for wastewater. At 2024 price levels, these values are EUR 297 and EUR 148 respectively. If non-household consumers are converted into household equivalent numbers proportional to flow rates, the household equivalent connection values

shall be lower. Our analysis of consumption data suggests that these values should be adjusted to EUR 268 and EUR 134 for water supply and wastewater respectively for a typical household property.

In 2008, water supply network assets accounted for approximately 70% of total assets. Therefore, an opening RAB for water infrastructure assets for a household property (2024 price levels) will be:

(1) Opening water infrastructure RAB (2024 price levels) = 0.7 × EUR 268 = EUR 188 per household equivalent

For wastewater, there were very few assets related to treatment when the initial RAB was established. Therefore, wastewater infrastructure assets for a household property (2024 price levels) will be:

(2) Opening water infrastructure RAB (2024 price levels) = 1.0 × EUR 134 = EUR 134 per household equivalent

These values relate to all network infrastructure assets, including tertiary networks, which a developer would directly finance. It is almost impossible to separate RAB values for primary and tertiary networks; therefore, a simple arbitrary assumption is required, e.g. assume that tertiary networks account for 30% of total network values.

Therefore, the opening RAB (2024 price levels) for non-tertiary networks shall be in the order of:

(3) Non-tertiary water infrastructure network RAB = 0.7 × EUR 188 = EUR 131 per household equivalent, and

(4) Non-tertiary wastewater infrastructure network RAB = 0.7 × EUR 134 = EUR 94 per household equivalent.

Therefore, infrastructure surcharge (reinforcement) tariffs are proposed at EUR 130 per consumer for water supply and EUR 95 per consumer for wastewater services. The WSRA proposes that these tariffs shall be subject to annual inflation adjustments in accordance with the tariff-setting process.

Non-household tariff

Non-household connections may vary in size from a small shop to a large factory. Consequently, infrastructure surcharge (reinforcement) tariffs shall be determined on a case-by-case basis. The simplest approach is to convert the non-household consumer into a household equivalent based on forecast water consumption and wastewater discharge data. From performance indicator reporting data, the average water consumption is 11.14 m³ per month or 134 m³ per year for household consumers. Accordingly, if a new non-household consumer confirms a forecast water demand of 1,000 m³ per year and most of this water shall ultimately enter the wastewater network, it shall be considered equivalent to 1000/134 = 7.5 household consumers.

For simplicity, we recommend that the household equivalent be rounded to the nearest whole number. In the above example, the infrastructure surcharge (reinforcement) tariff shall therefore be 7 × (EUR 130 + EUR 95) = EUR 1,575.00.

In determining network tariffs for non-household consumers, seasonal variations shall be taken into account. It is the peak demand that shall determine the need for network reinforcement. In the above example, the average monthly demand is 1,000/12 = 83 m³ per month (7.5 × average). However, if the peak seasonal demand is 1.5 × the average, i.e. 124 m³ per month during peak demand months, then the non-household consumer shall be considered equivalent to 124/12 = 11 household consumers for the purpose of determining the infrastructure surcharge (reinforcement) tariff. In this example, the tariff shall be EUR 2,475.00.

For small non-household connections, the tariff shall not be lower than that applied to a single dwelling.

For larger new non-household connections, the tariff may have the effect of encouraging water-saving measures to reduce forecast demand and thus lower the tariff.

Owners of new non-household connections shall have an incentive to under-report demand forecasts in order to reduce tariffs. We consider that it would be appropriate for RWCs to monitor consumption (average and peak) and, after a reasonable period (at least one year), to reassess tariffs based on actual consumption and recover any shortfall. We also suggest that any shortfall shall be subject to an additional charge of 50% in order to encourage the non-household consumer to submit realistic forecasts in the first instance. No reassessment will be made more than three years after the connection.

If the reassessment determines that consumption is lower than forecast, no refund of tariffs shall be made.

Application of tariffs and regulatory treatment

RWCs will advise developers on the infrastructure surcharge (reinforcement) tariffs applicable to their development. RWCs will determine how the tariffs are invoiced and collected. From a regulatory perspective, we will assume that the tariffs are collected in the year in which the new connections are made.

Infrastructure surcharge (reinforcement) tariffs will be treated as a customer contribution towards infrastructure improvements for supply/demand balance. This means that revenues from infrastructure surcharge (reinforcement) tariffs will be treated as grant funding and, as such, will reduce the amount added to the RAB and thus lower tariffs. For example, if cost on infrastructure growth/expansion is EUR 1 million, but EUR 0.6 million is recovered through infrastructure surcharge (reinforcement) tariffs, then the RAB will increase by only EUR 0.4 million. Assuming a 4% return on the RAB, the revenue requirement will decrease from EUR 40,000 (without the tariff) to EUR 16,000 (with the tariff), with the reduction being passed on to consumers through lower tariffs. This feature will be incorporated into the tariff-setting model.

We recognize that the projection of additional connections is subject to a degree of uncertainty. Therefore, we consider that at the end of the three-year tariff review control period, a reconciliation between forecast and actual revenues from infrastructure surcharge (reinforcement) tariffs shall be applied, and any differences will be reflected in tariffs for the subsequent three-year tariff review. This feature will be incorporated into the tariff-setting model.

Annex 3: Analysis of operating costs, water and wastewater

Table 3.1 Operating expenses excluding electricity costs – WATER

Application from RWC					
RWC	**2024**	**2025**	**2026**	**2027**	**2028**
FE	1,634,199	1,795,668	2,065,614	2,125,398	2,175,452
PR	8,462,725	9,411,657	10,221,782	11,120,167	12,050,511
PE	2,855,919	2,239,965	2,712,530	2,861,746	3,019,782
PZ	2,932,768	3,396,750	4,002,665	4,221,311	4,333,082
GJI	1,629,961	1,862,814	2,197,601	2,303,113	2,364,380
GJA	3,220,396	3,673,156	3,972,600	4,301,989	4,664,316
MIT	3,030,815	3,308,469	4,563,452	4,791,624	4,797,504
Total	**23,766,782**	**25,688,479**	**29,736,243**	**31,725,348**	**33,405,027**
Approval by the WSRA					
FE			1,873,790	1,916,071	1,949,885
PR			9,189,368	9,420,067	9,600,757
EP			2,448,958	2,476,139	2,506,038
PZ			2,686,666	2,871,512	2,954,587
GJI			1,929,589	2,018,298	2,119,689
GJA			3,464,174	3,751,989	4,064,316
MIT			3,470,444	3,523,661	3,551,599
Total			**25,062,989**	**25,977,737**	**26,746,871**
Monetary challenge by the WSRA					
FE			-191.823	-209.326	-225.567
PR			-1,032,414	-1,700,100	-2,449,754
EP			-263.571	-385.607	-513.745
PZ			-1,315,999	-1,349,799	-1,378,495
GJI			-268.012	-284.815	-244.691
GJA			-508.426	-550.000	-600.000
MIT			-1,093,007	-1,267,963	-1,245,905
Total			**-4,673,253**	**-5,747,611**	**-6,658,156**
Challenge by the WSRA in percentage					
FE			-9.3%	-9.8%	-10.4%
PR			-10.1%	-15.3%	-20.3%
EP			-9.7%	-13.5%	-17.0%
PZ			-32.9%	-32.0%	-31.8%
GJI			-12.2%	-12.4%	-10.3%
GJA			-12.8%	-12.8%	-12.9%
MIT			-24.0%	-26.5%	-26.0%
Total			**-15.7%**	**-18.1%**	**-19.9%**

Table 3.2 Electricity costs - WATER

Application from RWC					
RWC	**2024**	**2025**	**2026**	**2027**	**2028**
FE	218.182	500.745	718.461	729.238	736.530
PR	2,312,708	4,669,571	6,363,737	6,681,924	7,016,020
EP	611.133	923.788	1,609,795	1,770,775	1,947,852
PZ	954.669	1,955,900	2,635,191	2,698,651	2,809,935
GJI	260.405	617.319	986.614	1,006,826	1,027,069
GJA	342.353	643.945	652.000	662.500	673.000
MIT	809.161	1,804,609	3,277,560	3,441,438	3,527,474
Total	**5,508,611**	**11,115,877**	**16,243,358**	**16,991,352**	**17,737,881**
Approvals by the WSRA					
FE			649.053	653.542	657.259
PR			6,536,194	6,325,495	6,277,352
EP			1,725,673	1,739,884	1,755,400
PZ			2,857,007	2,839,727	2,852,018
GJI			740.486	752.691	782.645
GJA			456.246	456.746	457.246
MIT			2,962,884	2,964,624	2,965,538
Total			**15,927,542**	**15,732,709**	**15,747,459**
Monetary challenge by the WSRA					
FE			-69,408	-75,696	-79,271
PR			172,457	-356,429	-738,668
EP			115,879	-30,891	-192,452
PZ			221,816	141,076	42,083
GJI			-246,128	-254,135	-244,424
GJA			-195,754	-205,754	-215,754
MIT			-314,676	-476,814	-561,936
Total			**-315.816**	**-1,258,643**	**-1,990,422**
Challenge by the WSRA in percentage					
FE			-9.7%	-10.4%	-10.8%
PR			2.7%	-5.3%	-10.5%
EP			7.2%	-1.7%	-9.9%
PZ			8.4%	5.2%	1.5%
GJI			-24.9%	-25.2%	-23.8%
GJA			-30.0%	-31.1%	-32.1%
MIT			-9.6%	-13.9%	-15.9%
Total			**-1.9%**	**-7.4%**	**-11.2%**

Table 3.3 Operating expenses excluding electricity costs – WASTEWATER

Application from RWC					
RWC	**2024**	**2025**	**2026**	**2027**	**2028**
FE	358,357	388,530	451,341	477,311	501,284
PR	2,178,357	2,457,402	3,281,123	3,034,659	3,178,314
EP	324,112	895,816	1,094,269	1,157,243	1,224,194
PZ	1,040,797	1,104,603	1,314,895	1,398,531	1,468,457
GJI	178,075	202,645	377,730	448,459	652,958
GJA	320,769	346,503	375,766	407,957	443,366
MIT	394,549	446,390	657,276	690,140	697,414
Total	**4,795,016**	**5,841,889**	**7,552,400**	**7,614,301**	**8,165,986**
Approvals by the WSRA					
FE			408,088	419,509	429,848
PR			2,475,887	2,348,128	2,241,626
EP			1,116,742	1,142,055	1,167,064
PZ			1,390,174	1,461,409	1,478,239
GJI			351,198	368,009	482,074
GJA			884,192	957,957	973,366
MIT			1,012,697	1,045,561	1,052,268
Total			**7,638,978**	**7,742,628**	**7,824,486**
Monetary challenge by the WSRA					
FE			-43,253	-57,802	-71,436
PR			-805,236	-686,531	-936,688
EP			22.473	-15.188	-57.130
PZ			75.279	62.879	9.782
GJI			-26.531	-80.451	-170.883
GJA			508.426	550.000	530.000
MIT			355.421	355.421	354.855
Total			**86.579**	**128.327**	**-341.500**
Challenge by the WSRA in percentage					
FE			-9.6%	-12.1%	-14.3%
PR			-24.5%	-22.6%	-29.5%
EP			2.1%	-1.3%	-4.7%
PZ			5.7%	4.5%	0.7%
GJI			-7.0%	-17.9%	-26.2%
GJA			135.3%	134.8%	119.5%
MIT			54.1%	51.5%	50.9%
Total			**1.1%**	**1.7%**	**-4.2%**

Table 3.4 Electricity costs – WASTEWATER

Application from RWC					
RWC	**2024**	**2025**	**2026**	**2027**	**2028**
FE	2,137	4,973	7,036	7,142	7,213
PR	272,232	565,255	770,335	808,852	849,294
EP	61,113	109,150	190,205	209,224	230,147
PZ	87,109	112,420	156,899	228,053	239,455
GJI	265	630	81,008	217,028	277,050
GJA	99,627	161,092	122,600	122,800	123,000
MIT	20,353	45,391	82,440	86,562	88,726
Total	**542,836**	**998,911**	**1,410,523**	**1,679,661**	**1,814,885**
Approvals by the WSRA					
FE			6,095	6,208	6,299
PR			809,932	837,713	866,611
EP			203,734	205,534	207,485
PZ			171,014	235,165	242,941
GJI			80,703	216,742	216,782
GJA			285,813	285,813	285,813
MIT			127,019	131,141	133,871
Total			**1,684,311**	**1,918,315**	**1,959,801**
Monetary challenge by the WSRA					
FE			-941	-933	-914
PR			39,597	28,861	17,317
EP			13,529	-3,690	-22,662
PZ			14,115	7,112	3,486
GJI			-305	-286	-60,268
GJA			163,213	163,013	162,813
MIT			44,579	44,579	45,145
Total			**273,788**	**238,654**	**144,916**
Challenge by the WSRA in percentage					
FE			-13.4%	-13.1%	-12.7%
PR			5.1%	3.6%	2.0%
EP			7.1%	-1.8%	-9.8%
PZ			9.0%	3.1%	1.5%
GJI			-0.4%	-0.1%	-21.8%
GJA			133.1%	132.7%	132.4%
MIT			54.1%	51.5%	50.9%
Total			**19.4%**	**14.2%**	**8.0%**

Annex 4 Analysis of infrastructure renewals (water)

Table 4.1 Investments made in infrastructure renewal for the years 2022-2024

RWC	2022	2023	2024
FE	5,150	30,729	22,651
PR	9,206	7,672	5,797
EP	83,858	118,878	508,618
PZ	276,808	112,987	146,177
GJI	2,755	0	150,984
GJA	216,936	506,043	452,314
MIT	0	0	0
Total	**594,713**	**776,309**	**1,286,541**

Table 4.2 Investments in infrastructure renewal for the years 2026-2028

Application from RWC				
RWC	**2026**	**2027**	**2028**	**Total**
FE	255,000	560,000	570,000	1,385,000
PR	2,890,000	1,735,000	1,825,000	6,450,000
EP	252,500	274,500	269,500	796,500
PZ	690,750	789,500	884,000	2,364,250
GJI	499,900	285,500	1,238,550	2,023,950
GJA	696,770	619,900	1,228,680	2,545,350
MIT	0	380,000	315,000	695,000
Total	**5,284,920**	**4,644,400**	**6,330,730**	**16,260,050**
Approvals by the WSRA				
FE	324,035	333,580	334,808	992,423
PR	876,392	1,048,600	1,121,363	3,046,355
EP	334,176	370,919	400,515	1,105,610
PZ	363,960	366,532	368,812	1,099,304
GJI	246,889	226,790	238,665	712,344
GJA	514,728	388,089	294,704	1,197,520
MIT	500,304	524,303	525,183	1,549,790
Total	**3,160,483**	**3,258,813**	**3,284,050**	**9,703,345**
Monetary challenge by the WSRA				
FE	69,035	-226,420	-235,192	-392,577
PR	-2,013,608	-686,400	-703,637	-3,403,645
EP	81,676	96,419	131,015	309,110
PZ	-326,790	-422,968	-515,188	-1,264,946
GJI	-253,011	-58,710	-999,885	-1,311,606
GJA	-182,042	-231,811	-933,976	-1,347,830
MIT	500,304	144,303	210,183	854,790
Total	**-2,124,437**	**-1,385,587**	**-3,046,680**	**-6,556,705**
Challenge by the WSRA in percentage				
FE	27%	-40%	-41%	-28%
PR	-70%	-40%	-39%	-53%
EP	32%	35%	49%	39%
PZ	-47%	-54%	-58%	-54%
GJI	-51%	-21%	-81%	-65%
GJA	-26%	-37%	-76%	-53%
MIT	N/A	38%	67%	123%
Total	**-40%**	**-30%**	**-48%**	**-40%**

Annex 5 Analysis of infrastructure renewals (wastewater)

Table 5.1 Investments made in infrastructure renewal for the years 2022-2024

RWC	2022	2023	2024
FE	62,651	76,881	32,038
PR	235,966	0	0
EP	5,463	0	17,564
PZ	5,322	0	0
GJI	0	0	0
GJA	0	0	0
MIT	0	0	0
Total	**309,401**	**76,881**	**49,602**

Table 5.2 Investments in infrastructure renewal for the years 2026-2028

Application from RWC				
RWC	**2026**	**2027**	**2028**	**Total**
FE	50.000	130.000	130.000	310.000
PR	440.000	271.500	271.500	983.000
EP	96.000	75.000	70.000	241.000
PZ	258.000	379.000	407.000	1,044,000
GJI	120.000	135.000	150.000	405.000
GJA	0	0	165.000	165.000
MIT	0	0	0	0
Total	**964.000**	**990.500**	**1,193,500**	**3,148,000**
Approvals by the WSRA				
FE	50,000	130,000	130,000	310,000
PR	440,000	271,500	271,500	983,000
EP	96,000	75,000	70,000	241,000
PZ	258,000	379,000	407,000	1,044,000
GJI	120,000	135,000	150,000	405,000
GJA	0	0	165,000	165,000
MIT	0	0	0	0
Total	**964,000**	**990,500**	**1,193,500**	**3,148,000**
Monetary challenge by the WSRA				
FE	0	0	0	0
PR	0	0	0	0
EP	47,995	84,715	101,333	234,043
PZ	0	0	0	0
GJI	417	-17,498	-26,271	-43,352
GJA	184,322	130,539	-21,030	293,831
MIT	192,201	197,901	201,831	591,933
Total	**424,935**	**395,657**	**255,863**	**1,076,455**
Challenge by the WSRA in percentage				
FE	0%	0%	0%	0%
PR	0%	0%	0%	0%
EP	50%	113%	145%	97%
PZ	0%	0%	0%	0%
GJI	0%	-13%	-18%	-11%
GJA	NA	NA	-13%	178%
MIT	NA	NA	NA	NA
Total	**44%**	**40%**	**21%**	**34%**

Annex 6. Capital investment analysis (water)

Table 6.1 Capital investments made by RWCs for water services from their own financing sources

RWC	2022	2023	2024	Total
FE	83,256	148,354	310,425	542,035
PR	525,526	701,477	762,013	1,989,016
EP	381,219	409,283	1,169,117	1,959,619
PZ	594,062	493,986	691,741	1,779,789
GJI	133,123	170,908	421,796	725,827
GJA	600,850	915,233	666,116	2,182,199
MIT	5,246	79,147	116,999	201,392
Total	2,325,308	2,920,415	4,140,235	9,379,877

Table 6.2 Capital investments for water services from their own financing sources

Application from RWC				
RWC	2026	2027	2028	Total
FE	823,000	755,000	850,000	2,428,000
PR	6,715,000	4,715,000	4,345,000	15,775,000
EP	1,038,000	867,000	807,000	2,712,000
PZ	1,101,500	1,236,000	1,405,000	3,742,500
GJI	1,663,600	508,000	2,008,739	4,180,339
GJA	1,396,081	1,542,000	1,930,350	4,868,431
MIT	328,005	420,000	615,000	1,363,005
Total	13,067,212	10,045,027	11,963,117	35,069,275
Approvals by the WSRA				
FE	732,035	661,580	614,808	2,008,423
PR	4,701,392	4,028,600	3,641,363	12,371,355
EP	719,676	713,419	738,015	2,171,110
PZ	774,710	813,032	889,812	2,477,554
GJI	534,586	449,290	593,541	1,577,417
GJA	1,214,039	1,160,189	996,374	3,370,602
MIT	828,309	764,303	825,183	2,417,795
Total	9,504,747	8,590,413	8,299,096	26,394,256

Annex 7. Capital investment analysis (wastewater)

Table 7.1 Capital investments made by RWCs for wastewater services from their own financing sources

Application from RWC				
RWC	**2022**	**2023**	**2024**	**Total**
FE	14,461	16,178	5,156	35,794
PR	190,957	44,333	68,848	304,138
EP	13,494	112,348	151,362	277,204
PZ	6,360	1,321	103,396	111,077
GJI	8,797	109,669	53,866	172,332
GJA	2,806	15,264	11,430	29,500
MIT	119	4,710	12,250	17,079
Total	239,016	305,846	408,332	947,124

Table 7.2 Capital investments for wastewater services from their own financing sources

Application from RWC				
RWC	**2026**	**2027**	**2028**	**Total**
FE	70,000	160,000	320,000	550,000
PR	1,435,000	1,150,000	1,150,000	3,735,000
EP	340,000	250,000	260,000	850,000
PZ	530,000	555,000	640,000	1,725,000
GJI	442,000	185,000	150,000	777,000
GJA	0	19,800	601,910	621,710
MIT	0	0	0	0
Total	2,819,026	2,321,827	3,123,938	8,258,710
Approvals by the WSRA				
FE	70,000	160,000	320,000	550,000
PR	1,435,000	1,150,000	1,150,000	3,735,000
EP	187,995	234,715	261,333	684,043
PZ	530,000	555,000	640,000	1,725,000
GJI	211,092	167,503	123,729	502,324
GJA	184,322	150,339	280,880	615,541
MIT	192,201	197,901	201,831	591,933
Total	2,810,610	2,615,458	2,977,773	8,403,841

Annex 8 Overall tariff impact of WSRA adjustments (water)

Table 8.1 Overall WSRA adjustments in final tariff setting (water)

RWC	RWCs with relevant data	2026	2027	2028	Total
BIFURKACIONI	Application	0.5001	0.5599	0.5636	0.5412
	Adjustments for operating expenses	-0.0547	-0.0588	-0.0622	-0.0586
	Adjustments for infrastructure renewals	0.0145	-0.0467	-0.0480	-0.0268
	Adjustments for infrastructure growth/expansion	0.0000	0.0000	0.0000	0.0000
	Non-infrastructure adjustments	-0.0082	-0.0203	-0.0283	-0.0189
	Others	0.0606	0.0841	0.0936	0.0794
	Approvals by the WSRA	0.5123	0.5181	0.5187	0.5164
PRISHTINA	Application	0.7360	0.7343	0.7792	0.7498
	Adjustments for operating expenses	-0.0304	-0.0722	-0.1115	-0.0714
	Adjustments for infrastructure renewals	-0.0713	-0.0241	-0.0246	-0.0400
	Adjustments for infrastructure growth/expansion	0.0000	0.0000	0.0000	0.0000
	Non-infrastructure adjustments	-0.0075	-0.0186	-0.0253	-0.0171
	Others	-0.0185	-0.0103	-0.0058	-0.0115
	Approvals by the WSRA	0.6082	0.6093	0.6119	0.6098
HIDRODRINI	Application	0.3876	0.3901	0.3830	0.3869
	Adjustments for operating expenses	-0.0133	-0.0368	-0.0613	-0.0371
	Adjustments for infrastructure renewals	0.0073	0.0085	0.0114	0.0091
	Adjustments for infrastructure growth/expansion	-0.0001	-0.0002	-0.0003	-0.0002
	Non-infrastructure adjustments	-0.0046	-0.0103	-0.0152	-0.0100
	Others	0.0015	0.0246	0.0547	0.0270
	Approvals by the WSRA	0.3785	0.3760	0.3723	0.3756
HIDROREGJIONI-JUGOR	Application	0.6837	0.6883	0.6972	0.6898
	Adjustments for operating expenses	-0.1164	-0.1224	-0.1320	-0.1236
	Adjustments for infrastructure renewals	-0.0348	-0.0428	-0.0509	-0.0428
	Adjustments for infrastructure growth/expansion	0.0000	0.0000	0.0000	0.0000
	Non-infrastructure adjustments	-0.0025	-0.0062	-0.0105	-0.0064
	Others	0.0144	0.0136	0.0188	0.0156
	Approvals by the WSRA	0.5445	0.5305	0.5228	0.5326
HIDROMORAVA	Application	0.7594	0.6819	0.8132	0.7515
	Adjustments for operating expenses	-0.1069	-0.1066	-0.0908	-0.1014
	Adjustments for infrastructure renewals	-0.0526	-0.0116	-0.1857	-0.0833
	Adjustments for infrastructure growth/expansion	-0.0013	-0.0024	-0.0031	-0.0022
	Non-infrastructure adjustments	-0.0110	-0.0203	-0.0272	-0.0195
	Others	-0.0640	-0.0357	-0.0140	-0.0379
	Approvals by the WSRA	0.5236	0.5053	0.4925	0.5071
GJAKOVA	Application	0.5736	0.5741	0.6559	0.6012
	Adjustments for operating expenses	-0.0775	-0.0830	-0.0893	-0.0833
	Adjustments for infrastructure renewals	-0.0200	-0.0255	-0.1022	-0.0492
	Adjustments for infrastructure growth/expansion	0.0000	0.0000	0.0000	0.0000
	Non-infrastructure adjustments	-0.0012	-0.0064	-0.0127	-0.0068
	Others	0.0254	0.0459	0.0638	0.0450
	Approvals by the WSRA	0.5002	0.5051	0.5155	0.5070
MITROVICA	Application	0.7464	0.7436	0.7297	0.7399
	Adjustments for operating expenses	-0.1122	-0.1388	-0.1425	-0.1312
	Adjustments for infrastructure renewals	0.0399	0.0115	0.0166	0.0226
	Adjustments for infrastructure growth/expansion	0.0000	0.0000	0.0000	0.0000
	Non-infrastructure adjustments	-0.0021	-0.0042	-0.0066	-0.0043
	Others	-0.1616	-0.1005	-0.0903	-0.1175
	Approvals by the WSRA	0.5103	0.5115	0.5070	0.5096

Annex 9 Overall tariff impact of WSRA adjustments (wastewater)

Table 9.1 Overall WSRA adjustments in final tariff setting (wastewater)

RWC	RWCs with relevant data	2026	2027	2028	Total
BIFURKACIONI	Application	0.1440	0.1626	0.1666	0.1577
	Adjustments for operating expenses	-0.0101	-0.0130	-0.0157	-0.0129
	Adjustments for infrastructure renewals	0.0000	0.0000	0.0000	0.0000
	Adjustments for infrastructure growth/expansion	0.0000	0.0000	0.0000	0.0000
	Non-infrastructure adjustments	-0.0082	-0.0203	-0.0283	-0.0189
	Others	0.0032	0.0157	0.0219	0.0136
	Approvals by the WSRA	0.1289	0.1450	0.1445	0.1395
PRISHTINA	Application	0.2456	0.2225	0.2278	0.2320
	Adjustments for operating expenses	-0.0232	-0.0193	-0.0263	-0.0230
	Adjustments for infrastructure renewals	0.0000	0.0000	0.0000	0.0000
	Adjustments for infrastructure growth/expansion	0.0000	0.0000	0.0000	0.0000
	Non-infrastructure adjustments	-0.0075	-0.0186	-0.0253	-0.0171
	Others	-0.0923	-0.0725	-0.0684	-0.0777
	Approvals by the WSRA	0.1226	0.1121	0.1078	0.1142
HIDRODRINI	Application	0.1526	0.1530	0.1530	0.1529
	Adjustments for operating expenses	0.0045	-0.0024	-0.0101	-0.0027
	Adjustments for infrastructure renewals	0.0060	0.0107	0.0128	0.0099
	Adjustments for infrastructure growth/expansion	-0.0001	-0.0002	-0.0003	-0.0002
	Non-infrastructure adjustments	-0.0046	-0.0103	-0.0152	-0.0100
	Others	-0.0091	0.0025	0.0166	0.0033
	Approvals by the WSRA	0.1494	0.1533	0.1568	0.1532
HIDROREGJIONI-JUGOR	Application	0.1851	0.2079	0.2155	0.2028
	Adjustments for operating expenses	0.0085	0.0063	0.0012	0.0053
	Adjustments for infrastructure renewals	0.0000	0.0000	0.0000	0.0000
	Adjustments for infrastructure growth/expansion	0.0000	0.0000	0.0000	0.0000
	Non-infrastructure adjustments	-0.0025	-0.0062	-0.0105	-0.0064
	Others	-0.0080	-0.0109	-0.0118	-0.0102
	Approvals by the WSRA	0.1832	0.1971	0.1943	0.1916
HIDROMORAVA	Application	0.1634	0.1997	0.2316	0.1982
	Adjustments for operating expenses	-0.0058	-0.0163	-0.0434	-0.0218
	Adjustments for infrastructure renewals	0.0001	-0.0035	-0.0049	-0.0028
	Adjustments for infrastructure growth/expansion	-0.0013	-0.0024	-0.0031	-0.0022
	Non-infrastructure adjustments	-0.0110	-0.0203	-0.0272	-0.0195
	Others	-0.0052	0.0040	0.0178	0.0055
	Approvals by the WSRA	0.1402	0.1613	0.1708	0.1574
GJAKOVA	Application	0.0756	0.0775	0.1033	0.0855
	Adjustments for operating expenses	0.0853	0.0950	0.0922	0.0908
	Adjustments for infrastructure renewals	0.0234	0.0174	-0.0028	0.0127
	Adjustments for infrastructure growth/expansion	0.0000	0.0000	0.0000	0.0000
	Non-infrastructure adjustments	-0.0012	-0.0064	-0.0127	-0.0068
	Others	-0.0064	0.0031	0.0093	0.0020
	Approvals by the WSRA	0.1767	0.1866	0.1894	0.1842
MITROVICA	Application	0.0939	0.0894	0.0892	0.0909
	Adjustments for operating expenses	0.0348	0.0336	0.0333	0.0339
	Adjustments for infrastructure renewals	0.0167	0.0166	0.0168	0.0167
	Adjustments for infrastructure growth/expansion	0.0000	0.0000	0.0000	0.0000
	Non-infrastructure adjustments	-0.0021	-0.0042	-0.0066	-0.0043
	Others	-0.0135	-0.0069	-0.0046	-0.0084
	Approvals by the WSRA	0.1298	0.1286	0.1280	0.1288

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