



Network Costs and Tariffs

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The tariff design has to be flexible to adapt and properly address the emerging cost drivers.

DSO should be allowed to propose tariff design to the regulatory authority based on its own identification of costs drivers, observation of the dynamics in their network and anticipated changes.

DSOs have to be involved and consulted in the matters of their transition towards the envisaged role of a facilitator of a competitive retail market.

New roles of DSOs and tasks imposed on them have to be adequately reflected and recognized in the approved costs of service, including any stranded costs resulting from policy instruments.

Cost reflectivity and social cohesion shall not be conflicting objectives, as long as other energy activities are not subsidized from network charges.

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1. Costs recognition and recovery of justified costs

- Recognition and valuation of assets necessary for viable operation;
- Recognition of the level and cost of network losses;
- Justification and incentives for investment in network;
- Recognition of costs of service provided by related parties;
- Assessment of fair return on assets and return of assets.

2. Incentives

- Incentive mechanisms to cost efficiency and overall cost effectiveness of the operation;
- Quality of service standards and recognition of corresponding costs;
- System balancing, demand-side response, flexibility and integration of distributed generation.

3. Costs allocation and design of network tariffs

- Network structure and design;
- Network development plans;
- Allocation of network development costs: connection and usage;
- Terms and conditions for connection and connection costs;
- Classification of costs components;
- Allocation of recognized costs of operation on components: capacity, volume, customer, other

- **Policy guidelines on network tariffs** (based on the Report)
 - ✓ Costs of use of network
 - ✓ Fair costs allocation

Remaining tasks:

- ✓ Upfront payment - Costs of connection
- ✓ New elements: innovative services
 - demand response, embedded generation, flexibility, storage...

The background is a satellite-style image of the Earth at night, showing city lights. Overlaid on this are numerous glowing blue lines that represent energy transmission paths, connecting various points across the globe.

To be continued

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