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# 2011 QUARTER 3 REPORT (1 JULY – 30 SEPTEMBER)

KORPORATA ENERGJETIKE E KOSOVES (KEK)  
KEK NETWORK AND SUPPLY PROJECT  
CONTRACT NUMBER EPP-I-04-03-00008-00

OCTOBER 2011

This quarterly report on the Korporata Energjetike e Kosoves (KEK) Network and Supply Project covers the period 1 July through 30 September 2011. It was prepared by Tetra Tech ES, Inc. (Tt) under Task Order 4 of Contract EPP-1-00-03-00008-00. The authors gratefully acknowledge the support of the United States Agency for International Development's Kosovo Mission (USAID/Kosovo) for this project.

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# Executive Summary

## Notable Events and Accomplishments

### Secondary Legislation in Support of New Energy Laws

The three laws relating to energy (Law on Energy, Law on Electricity, and Law on the Energy Regulator) enacted in late 2010 required that ERO amend its secondary legislation to harmonize with the new laws within 9 months (essentially by the end of August 2011). It spent considerable time during Q3 supporting KEK by providing extensive written comments to ERO on 6 consultation documents regarding tariffs and 3 documents related to non tariff issues (Rule on General Conditions of Supply, Rule on Disconnection and Reconnection, and Rule on Dispute Resolution). ERO is still in the process of reviewing and approving the Secondary Legislation that it was expected to finalize by the end of August. Given the importance of this secondary legislation to the entire privatization process, It has been keeping IFC, KEDS PIU, and the Deloitte Advisors informed of all developments, including the KEK comments on each of the rules.

### New KEK employment manual

It prepared a new internal employment manual which was approved by the Board of Directors and issued during the quarter. The manual consists of seven parts, namely the labor code, the fourth iteration of the districts code, the disciplinary code, the ethics code, the redundancy regulations, the vehicle regulations and the health and safety regulations. It has proposed the adoption of a consolidated employment manual since 2007, but has faced continuous opposition from within KEK.

### The North of Kosovo

The EU-facilitated dialogue between the Governments of Serbia and Kosovo made little progress during Q3. Although there appears to be broad consensus that the parties should move forward with the ESCO agreement, the Serbian delegation continues to raise old arguments – and proposals, such as the scope of ESCO’s activities and geographic coverage – that hinder further progress and resolution of this issue. As a consequence, KEK is facing yet another winter without resolution of its inability to bill and collect for energy supplied to northern Kosovo. In this context, by letter dated August 23<sup>rd</sup>, KEK reminded stakeholders of the upcoming three month outage of one of its generating units (Kosova B2) to perform a major periodic capital overhaul and explained how this will result in a generation capacity reduction of 260MW for the Kosovo market. The letter proceed to explain the impact of this capacity shortage on KEK’s supply of electricity to northern Kosovo – the letter outlined various options for stakeholders to assist KEK with serving the north, to include donating monies to fund electricity imports or contributions in kind (i.e. providing humanitarian electricity). However, no response or offer for assistance was received from stakeholders. Consequently on September 9<sup>th</sup>, KEK was left with no option but to limit the supply of electricity flowing from the south to the north by activating a partial bypass in south Mitrovica and installing a flow limiter on the only line in operation to Novi Pazar in Serbia. KEK once more asked operators at Vallaq substation to comply with KEK instructions for electricity rationing, and operate in accordance with flow limitation applied. However, the failure of the operators at Vallaq to comply with KEK instructions and manage this load properly, resulted in the supply line from the south failing on several occasions. After the third failure, the supply line was left de-energized. As at the end of Q3, northern consumers are being supplied with electricity from the 110kV line that runs from Novi Pazar (Serbia) into northern Kosovo, and intermittent electricity generated by the Ujmani Hydro Power Plant, which is equivalent to the situation that persisted in the north between November 2009 and October 2010.

## **Billing and Collections**

Collections for the third quarter of 2011 were higher (€5 million or 12%) than in the same quarter of 2010, due to a slightly higher collection rate, and a significantly lower level of commercial losses. The billing rate was 93% and the collection rate 99%, resulting in overall performance (collection of delivered energy) of 92%. For the same quarter last year, the billing rate was 88%, the collection rate 98%, and overall performance was 87%. Q3 2011 results indicate improvements on all key indicators. Unaccounted-for energy (commercial losses) has significantly declined due to intensive efforts of Tt working closely with the districts on a daily basis to detect and prevent theft.

## **Internally Displaced Persons (IDPs) Collective Centers**

All electricity utilized by the IDP Collective Centers is now being paid. Tt continues to work with central government ministries, local government officials, and the international community to provide funds to cover the cost of electricity provided to the IDP Collective Centers. The process is now operating smoothly in accordance with the January 2011 Memorandum of Understanding (MOU).

## **Finance**

The auditors of KEK (Deloitte and Touche Tohmatsu Limited) issued their reports on the consolidated and unbundled financial statements of the company for FY 2010. The reports contain only one minor qualification related to the scope of the audit.

*“We did not observe the counting of the physical inventories as at December 31, 2010 or December 31, 2009, since in both cases we were appointed auditors after the year end. Owing to the nature of the Company's records, we were unable to satisfy ourselves as to the inventory quantities as at December 31, 2010 and opening inventories as of January 1, 2010, and the resulting impact on the statement of comprehensive income and statement of cash flows for the year ended December 31, 2010”.*

Thus the 2010 auditor's reports prove that KEK has successfully addressed all issues described in the 2009 qualifications of KEK's financials related to non-current assets, tax assets, deferred taxes, disclosures of liquidity, and credit risk. Tt also supervised the execution of KEK's expenditure budget for the third quarter of 2011 and assisted KEK in preparing its Quarterly *Performance to Plan* report, which provides analyses on the execution of KEK's third quarter expenditure budget and the progress on the implementation of its 2011 Business Plan. Tt completed the design of an Integrated Cost Control (ICC) system aimed at providing information support to the processes of budgeting, procurement and cost control and continued work on the design of the Centralized Document Database (CDD) and a new Accounts Payable (A/P) Module.

## **New Asset Register**

Tt supervised the implementation of the second version of the Asset Register and monitored the generation of the new tax and financial reports, including corporate tax reports, reports on partial write-offs, reports on government grants and the depreciation of assets funded jointly by KEK and the Government of Kosovo, reports on the movement of assets within the divisions and cost centers of KEK, reports on monthly and annual post-closing adjustments, etc. Thus KEK currently uses one of the most sophisticated software packages which can fully support the privatization process. Tt also helped KEK with the submission of the restated 2008 and 2009 asset reports and the new 2010 asset reports to the auditors.

## **New Integrated Human Resources and Payroll System**

Tt completed the design of a new HR and Payroll System. The system will provide information support for the organizational changes related to the privatization of KEK; support the implementation of major improvements to KEK's payroll system; guarantee the verifiability, consistency, compatibility and timeliness of all HR and payroll data; provide an audit trail for all HR and payroll transactions; export employee information to the new Fixed Asset Register to help safeguard the company assets; support the performance review process; and provide data to CCP to support the process of monitoring the performance of feeder teams.

## **Internal Audit and Field Enforcement Key Results**

Under Tt's guidance, the Internal Audit Office (IAO) completed 22 audits and investigations during the quarter.

- *Investigations:* 24 new audits were initiated.
- *Disciplinary Actions:* As a result of the investigations performed by the IAO, 10 KEK employees were proposed for termination and 84 for different forms of disciplinary action.
- *System improvements:* The IAO performed a significant volume of work to improve KEK's management, operations and processes, and made 55 recommendations for changes to existing procedures and system improvements.

Under Tt's guidance, the Field Enforcement Department (FED) continued its campaign of resolving problems related to customers with large debts and high commercial losses. 34 investigations were initiated and 16 were completed.

- 1654 customers were visited for inspections or disconnections.
- 328 "problematic" customers were disconnected and KEK collected €490,133
- 252 cases of electricity theft, unauthorized consumption and other irregularities were discovered.
- KEK claimed losses in value of €333,922
- Based on inspections performed, 2 KEK employees were proposed for contract termination and 5 received written warnings.

The IAO and the FED have provided 136 cases to the Legal Department of KEK for submission to law enforcement agencies in relation to electricity theft and other irregularities detected during their investigations. With Tt's guidance, the FED has taken actions that allowed KEK to collect €824,055 of direct additional revenue.

## **Upcoming Events and Activities**

Tt anticipates that the following important events will occur during Q4 of 2011:

- Issuance of the revised Secondary Legislation by ERO, which will impact KEK in many aspects including its dealings with customers, disconnection policies, efforts to reduce theft and increase collections, and the methodologies used to determine all its tariffs. Tt expects to spend considerable time during Q4 to build capacity within KEK to understand and implement the drastically different tariff methodologies being proposed by ERO.
- Contract signing for new power purchase agreement between KEK and Iber Lepence, in connection with Ujmani HPP.
- Contract signing for construction of Pristina VII substation.
- Signing of new Framework Agreement with household meter suppliers.
- Completion of major overhaul of Unit B2, Kosova B TPP.
- ERO is expected to approve the Connection Charging Methodology.
- Continuation of the EU-facilitated dialogue between Kosovo and Serbia, which will include energy issues.
- Finalization and KEK Board approval of the 2012 budget and business plan.
- Finalization and issuance of the Long Term Capacity Management Study.
- Tt will be working closely with KEK Regulatory staff during Q4 to prepare the 2012 tariff applications for:
  - Public Generator (including costs of KEK Mines and Kosovo A and B)
  - Distribution System Operator (KEK Network Division)
  - Public Supplier (Supply Division)
  - Retail Tariffs for all customers

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# I Introduction

This report’s format meets the requirements of Section A.6 (Reports), Paragraph B (Quarterly Report) of Task Order 4 under Contract EPP-1-00-03-00008-00. The objectives and tasks described in this quarterly report are based on the KEK Network and Supply Project’s 2011 Work Plan. Appendix A shows activities completed, benchmarks achieved, and other achievements under the Work Plan. Appendix B describes the results of the project’s performance-based management system.

The updated project objectives are:

- Objective 1: Support for technical preparation of the Distribution Company for privatization
- Objective 2: Assistance with post-privatization implementation for the Distribution Company
- Objective 3: Privatization support for the Thermal Power Plant Kosova B.

The Tt team’s approach to achieving these objectives is based on two task areas and eight subtasks, each of which is associated with one or more of the project’s objectives.

Subtask	Task Area 1	Objective		
		1	2	3
1	Support Management and Operation to Maintain Asset Value	X	X	X
2	Prepare Technical and Contractual Documentation for Investor Due Diligence	X		
3	Provide Advisory Support in Privatization Process	X		
4	Strengthen Skills and Technical Capacity of Counterparts	X	X	
5	Support Management Post-Privatization		X	
Subtask	Task Area 2	1	2	3
6	Prepare a Thermal Power Plant Kosova B Investment Requirement and Rehabilitation Feasibility Study			X
7	Prepare Technical and Contractual Documentation for Investor Due Diligence			X
8	Strengthen Skills and Technical Capacity of Counterparts			X

## 2 Progress Made during the Quarter 3

A number of important accomplishments were realized in this Quarter based on the recommendations, assistance and support provided by Tt's resident advisory team embedded at KEK and other short-term advisors.

### **Subtask I: Support Management and Operation to Maintain Asset Value**

#### **1.1 New Internal Policies and Procedures**

Tt prepared a new internal employment manual which was approved by the Board of Directors and issued during the quarter. The manual consists of seven parts, namely the labor code, the fourth iteration of the districts code, the disciplinary code, the ethics code, the redundancy regulations, the vehicle regulations and the health and safety regulations. Tt has proposed the adoption of a consolidated employment manual since 2007, but has faced continuous opposition from within KEK.

Tt also prepared a policy for assigning KEK owned apartments to KEK employees and developed a policy and reporting form for use by the fire officers to monitor the newly installed Electronic Alarm Sensor System at KEK's headquarters. A major problem is that employees have been deliberately defying Safety regulations by smoking in offices behind locked doors, causing alarm activations.

#### **1.2 Business Planning and Budgeting**

- The Tt team supervised the preparation of the *Quarterly Performance to Plan Report* for the second quarter of 2011. The report contains detailed information on the performance of each of the four core divisions (Mines, Generation, Network and Supply) against the approved key performance indicators (coal production, overburden removal and coal stockpile for Mines; availability, gross generation, auxiliary consumption, net generation and capital investment for Generation; commercial losses, meter reading, meter installation, meter inspection and calibration for Network; and billing rate, bill delivery, and collection rate for Supply).
- Tt assisted with the analysis of the execution of KEK's Q2 2011 expenditure budget, the status of the procurement of goods, works and services, and the payments of invoices by KEK's Treasury. Special consideration was given to the applications for budget adjustments and the justifications of the requests for transfer of funds between budget lines and the use of the Budget Reserve Fund. Tt also supervised the execution of KEK's expenditure budget for the third quarter of 2011.
- Tt assisted with the analysis of the progress in implementing KEK's 2011 corporate business plan and the implementation of all division Q2 action plans in support of the business plan.
- Tt assisted with the analysis of the execution of KEK's long-term investment plan, including the implementation of all high-priority projects for the period 2011 to 2012. The team also assessed the efficiency of utilization of the loans granted by the Government of Kosovo to fund the major part of the plan.



- Tt completed the design of an Integrated Cost Control (ICC) system aimed to provide information support in the processes of budgeting, procurement and cost control. The system will also include a Contracts and Tenders Database (CTD) and will be instrumental in the enforcement of the approved cost control procedures.

### 1.3 Billing and Collection

Table 1 summarizes KEK’s third quarter results for 2010 and 2011 metering, billing and collection performance for all customers, including those served at 110 and 220 kV. The values were extracted from the monthly reports to the Board of Directors.

**Table 1: KEK Metering, Billing and Collections Performance, Q3 2010 and 2011**

	Q3		Change
	2010	2011	
Ratio of energy billed vs. energy available for sale	88.3%	92.9%	4.6%
Percent of money collected vs. billed	98.3%	98.6%	0.3%
Percent collected vs. energy available for sale	86.8%	91.6%	4.8%
Collected revenue (millions of Euros)	€38.9	€43.4	€4.5

Collections for the third quarter of 2011 were higher (€5 million or 12%) than in the same quarter of 2010, due to a slightly higher collection rate, and a significantly lower level of commercial losses. The billing rate was 93% and the collection rate 99%, resulting in overall performance (collection of delivered energy) of 92%. For the same quarter last year, the billing rate was 88%, the collection rate 98%, and overall performance was 87%.

Q3 2011 results indicate improvements on all key indicators. Unaccounted-for energy (commercial losses) has significantly declined due to intensive efforts of Tt working closely with the districts on a daily basis to detect and prevent theft.

#### Improving Performance in District Operations

Tt continues to maintain a daily presence in the districts to provide technical assistance and help build capacity within district management teams. During Q3 of 2011, Tt continued to support the districts on a regular basis and assist district management teams to implement regulations and policies, disconnect problematic customers, and check the effectiveness of disconnections.

Tt continued to support the district performance evaluation process by analyzing the weaknesses of different sub-districts, helping management teams and sub-district coordinators hold meetings with district staff, conducting training and propose new ideas to decrease commercial losses and increase collection and recommending changes in staff. Tt continued to encourage the initiation of disciplinary actions against nonperforming and/or dishonest employees pursuant to the terms of the District Regulations, to recommend specific disciplinary actions and to recommend rewards to the best performing employees.

Tt also continued to support KEK during the third quarter as follows:

- To regularize unregistered customers and seal their metering points, especially in newly built apartment blocks.
- To monitor the feeder ABC categorization and to detect mistakes and errors.
- To persuade KEK to disconnect customers with more than 5,000 Euro of debt.
- To identify and disconnect a number of customers who never paid their bills – after disconnections, the majority of these customers began paying their bills regularly.

- To undertake actions to regularize the electricity supply to mosques and other Islamic religious facilities. Consequently, Tt instructed KEK districts to disconnect all non-paying mosques and other similar customers, regularize any non-registered customers, and structure debt payments for those mosques that cannot pay the total amount of their current debt.
- To visit districts on a regular basis to control and monitor district staff activities. A reporting form on customer disconnection and cash collection was prepared by Tt and shared with all relevant KEK employees, who were instructed to update and send it back on a weekly basis.

Tt also undertook the following specific activities during the quarter:

- Analyzed and prepared a plan for the deployment of mobile cash offices to rural areas in Kosovo.
- Conducted an analysis of the level of connection fee payments by customers in order for KEK to focus their disconnection efforts on these customers.
- Initiated the regularization of priority (A+) feeders. As a result, the number of such feeders for September decreased to 42 and number of customers on those feeders to 67.
- Developed a new policy for reading and billing customers and conducted training on this issue.
- Upon Tt recommendation, actions were undertaken in Prizren district to complete the new connection applications of 605 customers that were backlogged for months.
- Trained and supported the new supply managers in Peja and Mitrovica.
- Advised districts regarding the disconnection of dedicated transformers supplying only 1 to 4 customers in order to reduce the debt levels on those transformers.
- Following a Tt recommendation, the Pristina district manager prepared an instruction that requires all customers applying for technical approval to pay the entire debts for all their existing customer accounts.
- Following a Tt recommendation, meters were installed for all customers in the Adem Jashari neighborhood<sup>1</sup>
- Analyzed a feeder in the Skenderaj sub-district with high commercial losses and upon Tt's recommendation balancing meters were installed at 0.4KV transformers resulting in a 15-20% decrease in commercial losses.
- Advised KEK on reaching an agreement with the Prizen regional water company and Prizren municipality to pay the water company's debt of €464,974. According to this agreement the municipality will pay 22% of total debt within 24 months and the water company will pay 78% of this debt within a timeframe to be agreed with KEK.

During this period Tt conducted training for district employees on the policy related to reading, zero bills, and billing of customers. Three hundred and fifty two (352) KEK employees were trained; thirteen of them were female.

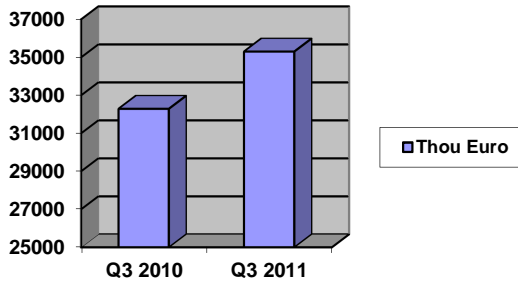
To better illustrate KEK's performance during the second quarter, Tt conducted a comparative analysis of the Q3 data of 2011 with data from the same period of 2010 as well as the year to date comparison analysis.

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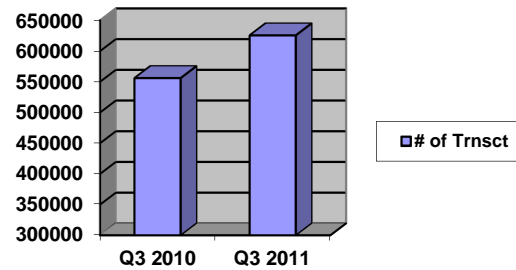
<sup>1</sup> The Jashari family retains significant standing among Kosovo Albanians owing to their role during the conflict with Serbia.

**Third Quarter 2010 vs. Third Quarter 2011** Excluding 110 kV customers, collection (€35.3 million) was 9% higher in the third quarter of 2011 than in the same period of the prior year, while the number of transactions increased by 13% and reached 625,609. The number of paying customers increased as well over the same month last year and in July it was higher by 41,325 customers, in August - 41,179 and in September - 35,161.

**Collections (000€)**



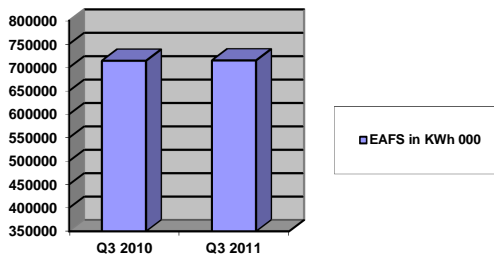
**Number of Payments**



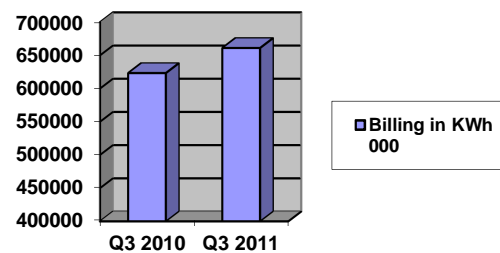
KEK's progress compared to the third quarter of 2010 is due to both the decrease of commercial losses and the increase of collections. In the third quarter of 2010, the billing rate (amount of Energy Billed as a percent of Energy Available for Sale) was 87% and the collection rate was 97%, producing an overall performance (collection of delivered energy) of 85%.

For the comparable period in 2011, the billing rate is 92%, the collection rate 100%, and overall performance 92%. The 7 percentage point improvement in overall performance is a result of a higher billing rate as well as an increase of the collection rate. Due to T's daily support and follow up, commercial losses decreased in 2011 by 5%, and for the whole quarter it was just 8%, which is a very good result. The principal causes of commercial losses continue to be attributable to old metering system sand failure to discipline employees who do not perform their responsibilities.

**Energy Available for Sale**

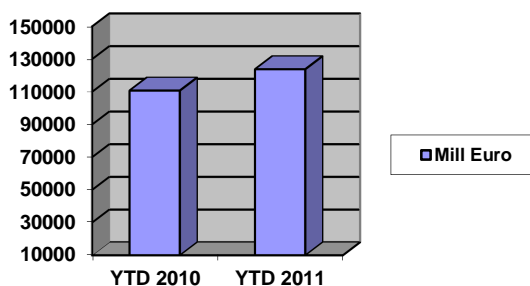


**Energy Billed**

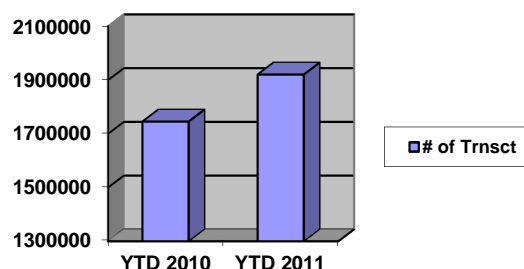


**YTD of 2010 vs. YTD of 2011** In the first nine months of 2011, at the district level, collections increased by €13 million (11%) compared to the same period of 2010, while transactions increased by 175,078 or 10%.

### Collections (000€)

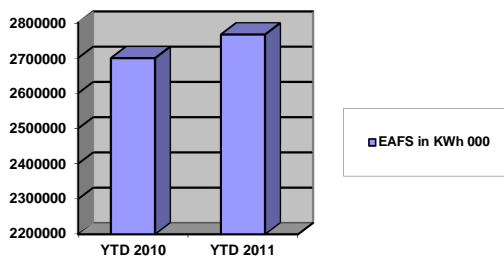


### Number of Payments

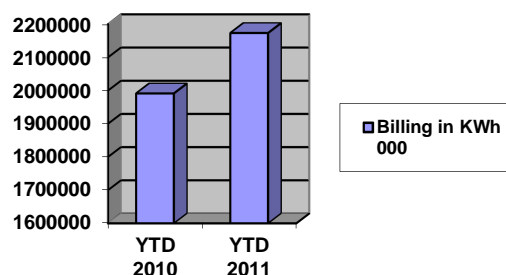


In the first nine months of 2010, the billing rate for the districts was 74%, the collection rate was 87%, and overall performance (collection of delivered energy) was 64%. For the same period in 2011, the billing rate is 79%, the collection rate 89% and overall performance 70%. The 6 percentage point improvement is the result of an increase in the collection rate (2%) and reduction of commercial losses by 5%.

### Energy Available for Sale



### Energy Billed



### Source of Collections

Table 2 displays the sources of collections for the first nine months of 2011 in terms of both the number of payments and Euros collected.

**Table 2: KEK Collection Sources January - September 2011**

First 9 Months 2011	# of Payments	%	Euro (000)	%
Customer offices	1,737,523	87%	82,342	56%
KOS-Giro	118,410	6%	19,219	13%
Bank transfers	25,073	1%	11,732	8%
Payroll deductions	105,342	5%	1,680	1%
Direct debit	11,711	1%	5,389	4%
Social Cases			3,291	2%
Total districts (CCP)	1,998,086	100%	123,653	84%
Direct (110 kV) customers	27	0%	23,108	16%
Total collections	1,998,086	100%	146,761	100%

Notes:

1. Total Cash Collections (in Euros) balances to Energy Accounting Report to Board of Directors
2. Number of Payments from Payroll Deductions balances to CCP. Amount includes two payments per month for most employees (1 for current bill, 1 for old debt)
3. Social Case Subsidy payment allocated 1/12 each month

The information above is being compiled each month and can be used to measure the impact of the newer payment mechanisms such as KOS-Giro and direct debit.

### **KOS-Giro Payment Mechanism**

Table 3 shows the payment volumes and amounts processed through KOS-Giro since this mechanism was implemented.

**Table 3: Use of the KOS-Giro Payment System**

Use of the KOS-Giro Payment System		
Quarter	Number of Payments	Amount (€ 000)
Q1 2008	3,490	1,822
Q2 2008	5,258	2,158
Q3 2008	5,339	2,286
Q4 2008	7,086	3,093
Q1 2009	7,929	4,320
Q2 2009	9,029	4,171
Q3 2009	11,298	3,868
Q4 2009	17,186	5,592
Q1 2010	22,563	7,175
Q2 2010	26,748	5,335
Q3 2010	28,352	4,776
Q4 2010	33,743	6,592
Q1 2011	37,498	7,979
Q2 2011	39,690	5,902
Q3 2011	41,222	5,338
Source: KEK Supply Division		

Household and small commercial customers' participation continues to grow, in both the number of payments and amount collected. The increase in the number of payments in recent quarters reflects this fact. The addition of Western Union to the KOS-Giro System in late 2009 is one of the factors contributing to the increased volume of payments given the significant usage of the Western Union system by households in Kosovo.

### **Direct Debit System**

Additional customers continue to be added to the direct debit payment mechanism since it was made available to all customers in January 2010. Nearly 4% of the amount KEK collected during the first nine months of 2011 came through direct debits. This is the result of the Tt support of KEK's efforts to have several commercial entities with multiple locations (IPKO, PTK, all commercial banks, Kujtesa) enroll all their facilities in direct debit. As of September 2011, 1,258 customer accounts were paid through direct debit.

### **Minority Issues**

Tt continued to make progress on normalizing service in minority areas to turn non-paying minority area consumers into regular KEK customers. Tt monitors the performance of customers subject to the 133 Community Agreements. The following report summarizes the results from the inception date (second half of 2009) of the various agreements through 30 September 2011.

MINORITY COMMUNITY AGREEMENTS  
OVERVIEW OF PERFORMANCE RESULTS  
As of 30 September 2011

▪ Number of Customers	21,160
▪ Debt Prior to Agreement	€30.9 million
▪ Number of Bills Issued Since Agreement	541,578
▪ Number of Payments since Agreement	378,920
▪ Payment Transaction Percentage [% of Line 4 divided by Line 3] (KEK average = 49%)	70%
▪ Amounts Billed Since Agreement (000) (€ value of Line 3)	€13,427
▪ Amounts Paid Since Agreement (000) (€ value of Line 4)	€11,243
▪ Payment Percentage [% of Line 7 divided by Line 6] (KEK average = 86%, households 82%)	84%
▪ Number of Customers that Never Paid [% of Line 9 divided by Line 1]	1,431 (7% of total)

As the results show, the newly regularized customers continue to pay quite well compared to the rest of KEK's customers. During Q3, KEK made some progress toward cleaning up the CCP data base, resulting on a slight reduction on the number of customers that never paid.

Tt continues to interface with the minority communities, the Serbian Orthodox Church, the Ministry of Community and Returns, local officials, EULEX, UN, and KFOR on all issues that arise in minority areas. During Q3, Tt assisted KEK personnel in resolving issues related to the electricity supply for newly rebuilt Serbian Orthodox Church facilities in Prizren and Gjakova, including a Seminary that reopened after many years.

**Internally Displaced Persons (IDP) Collective Centers**

All electricity utilized by the IDP Collective Centers is now being paid. Tt continues to work with central government ministries, local government officials, and the international community to provide funds to cover the cost of electricity provided to the IDP Collective Centers. The process is now operating smoothly in accordance with the January 2011 Memorandum of Understanding (MOU). The Ministry of Labor and Social Welfare is paying the €1,000 per month and the Mayors of Gracanica and Gjilan are paying their portion up to the 330 kWh per month level. The Mayor of Strpce is not honoring his commitment; however, the Ministry of Community and Returns came forward and is paying the Strpce portion. Residents understand that they are responsible for any consumption above 330 kWh per month per family. Tt will continue to closely monitor the situation as cold weather will result in some Centers exceeding the consumption limits during the fourth quarter.

**Social Case Subsidy for Energy Consumed in 2010**

Tt supported KEK by preparing the request to the Government for the 2010 Social Case Subsidy. The money was received in Q3 and Tt worked with KEK in posting the €4.5 million subsidy to the nearly 36,000 customer accounts.

## **Development of Energy Balance for 2012**

Tt provided support to KEK in the development of the Energy Balance for 2012. To ensure a realistic forecast of energy sales, Tt developed the 2012 forecast of energy billed to customers as well as technical and commercial losses in order to determine the energy needed for input to distribution. These were based on a review of the most recent 12 month experience with adjustments for expected growth. This “bottom-up” forecast was then provided to Capacity Management to determine the energy required from KEK generation and imports. In prior years, the forecast was primarily prepared in a top-down manner and the resulting sales levels were the end result.

On 31 August 2011, as required by regulation, KEK sent its input for the 2012 Energy Balance to KOSTT. KOSTT was scheduled to submit the energy balance to ERO and Ministry of Economic Development by 15 September; however, as of the end of September, they have not done so. During the 2011 tariff review process, there was significant controversy over the energy balance, specifically in relation to commercial losses and energy delivered to north Kosovo. Tt will continue to monitor this process and support KEK in its position.

## **Input to the Kosovo Security of Supply Statement for Kosovo**

During Q3, Tt prepared the input related to KEK for the Kosovo Security of Supply Statement required for compliance with the Energy Community Treaty.

## **1.4 Accounting and Financing**

Tt continued to advise KEK on finance and accounting issues, including improving the quality of financial reporting, the preparation of unbundled financial statements for each of the company’s core divisions, the replacement of some of the modules of the Customer Accounting System (CAS), and preparing the company for privatization. Specifically, Tt undertook the following activities during Q3:

### **Unbundling of Accounting**

- Assisted KEK in finalizing the unbundled financial statements for FY 2010.

### **Introducing Improvements to CAS and Financial Accounting**

- Monitored the implementation of the second version the new asset register, which constitutes a major upgrade to the module’s functionality and reporting capabilities, including:
  - Checking the consistency of data on deferred income from grants for assets and asset funding
  - Analysis of the depreciation of assets partially funded by grants
  - Recording and reporting “partial write off” and “partial sale” of assets
  - Post closing registration of assets found during the annual inventory
  - Automatic generation of all reports on the additions, disposals and transfers of assets and their depreciation during the year required by the auditors.
- Completed the design of a new HR and Payroll System. The system will provide information support for the organizational changes related to the privatization of KEK; support the implementation of major improvements to KEK’s payroll system; guarantee the verifiability, consistency, compatibility and timeliness of all HR and Payroll data; provide an audit trail for all HR and Payroll transactions; and export employee information to the new Fixed Asset Register to help safeguard the company assets, support the process of performance evaluation and provide data to CCP to support the process of monitoring the performance of Feeder Teams.

- Designed new database structure of the Payroll sub-module based on concepts and methodologies applicable in KEK
- Made presentation to the IT and the Finance Division.
- Continued work on the design and development of a new centralized document database (CDD) to input all invoices and other accounting documents into all CAS modules.
- Continued work on the design of the new Accounts Payable (A/P) and Treasury modules which will work with the new centralized document database and replace the existing accounts payable and treasury modules of CAS.

#### **Financial Reporting and External Audit**

- Tt participated in the final meeting between KEK and the external auditors on the audit of the consolidated and unbundled financial statements for FY 2010. KEK's external auditors issued their reports on the company's 2010 consolidated and unbundled financial statements. The reports were submitted and approved by the Audit Committee and the Board of Directors of KEK. The auditors' reports undoubtedly proved that KEK has successfully addressed all the weaknesses in internal controls and accounting for business transactions, which resulted in qualifying the auditor's opinion on the fair presentation of the company's financial position and performance in the 2009 financial statements.

#### **Budgeting and Cost Control**

- Tt completed the design of an Integrated Cost Control (ICC) system aimed to provide information support in the processes of budgeting, procurement and cost control. The system will also include a Contracts and Tenders Database (CTD) and will be instrumental in the enforcement of the approved cost control procedures.

#### **Other**

- Tt participated in the meetings between the CFO and the privatization transaction advisor on issues related to the financial position and performance of KEK.
- Tt assisted KEK's Accounting Methodology Department with improvements to the accounting methodologies for calculating tax assets and disclosure of information about the liquidity and credit risk of KEK.

### **1.5 Legal and Regulatory**

Tt continued to provide legal advice and support to KEK's management on a variety of issues, which included:

- Presenting the new internal employment manual to the Board of Directors for their approval. The new suite of documents, which encompasses seven different regulations and template employment contracts, was unanimously approved by the Board of Directors in Q3. As reported above, Tt has been pressing for a unified employment manual since 2007, but faced continuous resistance – therefore, the decision of the Board represents a significant milestone.
- Continuing to provide legal advice to KEK project managers on the implementation of the contracts for refurbishing equipment in the overburden removal system III, to include 1) refurbishment of bucket wheel excavators by the original manufacturer, Thyssenkrupp, 2) refurbishment of conveyor belts by Eco Trade, and 3) refurbishment of a spreaders by FAM/Intering, which will be deployed to the new Sibovc SW mine.



- Finalizing contract terms for the replacement of electrostatic precipitators (ESP) installed in Units A3, A4 and A5 of Kosova A Power Plant. The contract for Unit A5 was signed in July 2011, and following further negotiation the contract for Units A3 and A4 was signed in August 2011. The works are tentatively scheduled for 2012 (for A3 and A4) and 2013 for A4 respectively.
- Continuing to provide legal advice to KEK project managers on the implementation of the contracts for refurbishing excavator E8M - which will be used for coal excavation. The contract is partly funded by KfW.
- Continuing to provide legal assistance to KEK's efforts to regularize electricity service to minority communities in the northern part of Kosovo.
- Continuing to advise KEK on the draft power purchase agreement between KEK and Iber Lepence regarding the production of Ujmani HPP.
- Drafting and/or advising KEK on the following contracts: 1) supply of new step up transformer for Unit A3 of Kosova A Power Plant; 2) contract for supply of new rotors for the boiler feed-water pumps for Kosova B Power Plant; 3) supply with new uninterruptible power supply (UPS) for KEK's Data room; (4) dosing of chemicals in order to clean the boiler of Kosova B Power Plant; (5) sale of used Low Pressure Rotor; and (6) supply of close circuit cameras.
- Continuing to closely monitor the implementation of the GoK's May 2009 decision to proceed with the expropriation of land near Hade village. To include, drafting letters for KEK to send to concerned Ministries and commenting on a Memorandum of Understanding that has been drafted to further the implementation of the expropriation. As previously reported, It has noted, with concern, that the process is not progressing at the required pace. The delay is now causing difficulties for KEK's mining operations.
- Continuing to advise KEK on its dispute with Turbocare over the purchase of a used transformer for the Kosova A thermal power plant (TPP).
- Advising KEK procurement division on (i) procurement of day-ahead and emergency energy for 2012; and (ii) request for direct negotiations with original equipment manufacturer for major overhaul of Unit B1 Turbine in 2012.
- Drafting procedure for allocation of KEK owned apartments to KEK staff.
- Advising KEK on implementation of contract for installation of new hydraulic ash disposal system at Kosova A Power Plant – a project supported by the World Bank and Dutch Government.
- Advising KEK on the legal implications of the Government of Kosovo decision for moving the existing legal, commercial and operational boundary between KEK and KOSTT.

Tt provided support to the KEK regulatory staff during Q3 on the following matters:

- In late 2010 the Kosovo Assembly enacted revisions to the following laws related to the energy sector:
  - Law in Energy
  - Law on Electricity
  - Law on the Energy Regulator

Those laws required ERO to amend all secondary legislation within nine months to assure compliance with the new laws. This resulted in ERO establishing a deadline of the end of August 2011 for finalization of all the revisions to secondary legislation.

- On 22 July ERO issued draft revisions of the following rules for public comment:
  - Rule on General Conditions of Supply
  - Rule on Disconnection and Reconnection of Customers
  - Rule on Dispute Resolution

Tt supported KEK by providing extensive written comments within the required two week comment period and submitted them to ERO. No further consultation was undertaken and ERO has not communicated with KEK about the status of the revisions. ERO announced that they approved the new Rules on 29 August, however, nothing has been published and KEK has not been informed of the decision as of early October. Tt has raised the issue of the lack of transparency of ERO in its rulemaking and tariff processes with the international community in the past and this is another concrete example of the problem.

- On 01 August ERO issued the following tariff related documents for public comment:
  - Explanation of Tariff Process
  - Generation Pricing Rule
  - Transmission Pricing Rule
  - Distribution System Operator Pricing Rule
  - Public Electricity Supplier Pricing Rule
  - Revaluation of the Regulatory Asset Base

ERO required that comments be submitted by 15 August from interested stakeholders. Of course, this time frame was far too short to roll out a whole new tariff process and methodology. Tt prepared a letter for the KEK Managing Director to send to ERO requesting that the comment period be extended to at least 15 September, especially given the extreme importance of this to potential investors. ERO rejected the request. Tt supported KEK by providing extensive written comments on all six of the documents by the required deadline.

Based on the extensive comments provided by KEK and pressure from stakeholders concerning the unreasonably short comment period for the tariff Rules, especially those involved in privatization efforts, ERO issued a document summarizing the comments received and issued revised drafts on 02 September, requesting that comments be provided within one week. On 07 September, Tt accompanied KEK to a meeting with ERO and their international advisor to discuss and explain KEK's comments on the tariff documents. Tt supported KEK by providing extensive written comments on the revised rules including the following key issues:

- The rules are far too complex to be applied in Kosovo, considering that most developed countries have more straightforward rules than those proposed by ERO (actually, consultants to ERO)
- Transparency is lacking given the multitude of discretion would have with "Smoothing" adjustments, "Efficiency" factors, and a variety of other factors.

- Omission of Depreciation and Return in the formulas in some of the rules, a significant oversight given that those items are 30% of total costs.
- Issuance of the revised Pricing Rules without addressing the significant concerns KEK had with the Consultation Paper on Regulatory Asset Base and valuation of assets.
- The proposed methodology for determination of Cost of Capital is based on complex methodologies from developed countries with active security markets, which are not appropriate for Kosovo which has no capital markets.
- Treatment of the majority of lignite cost as fixed, resulting in the Public Generator having a high percentage of its costs passed on to the Public Supplier as fixed capacity costs without the necessary availability and capacity factor requirements needed for that pricing model.
- Unreasonable features in the rule for the Public Supplier including an export penalty, inability to pass through 100% of Wholesale Power Costs in retail tariffs, inadequate recovery of bad debt expense, and an export incentive that is not appropriate to the Kosovo energy situation.

ERO is still in the process of reviewing and approving the Secondary Legislation that it was expected to finalize by 30 September.

- Tt supported KEK in the implementation of new tariffs for KFOR facilities (based on the marginal cost of wholesale energy). Significant resistance on the part of most KFOR units to sign the new contracts and pay the higher prices resulted in Tt having to support KEK in meetings with several KFOR units and written responses to letters. Only three facilities signed the contracts. The bills issued in early July for June consumption contained the new prices and several facilities paid based on their prior prices. In August, several KFOR facilities were disconnected since they did not pay based on the new prices. By the end of the third quarter most facilities are reluctantly paying the new prices. Film City is paying the new prices under protest and has complained to ERO. The German KFOR has refused to pay the new tariff and has been disconnected. Tt has provided information for the KEK Managing Director to discuss with the Head of the ERO Board so they can support KEK in this effort.
- As discussed in the Q2 report, Tt prepared a new Power Purchase Agreement for the Ujmani Hydropower Plant with a new pricing structure focused on having the facility available as much as possible for KEK dispatching. During Q3 Tt made a revision to the draft contract to reflect the current operating capacity of the facility. Iber Lepenc still has not provided KEK with any substantive comments on the new agreement.

## **1.6 Internal Audit and Anti-corruption**

As reported in the Q2, three experienced auditors have left the Internal Audit Office (IAO), which resulted in seven vacant positions in the office and a reduction in the IAO's ability to run large scale audits and projects. Numerous vacancy announcements did not result in finding qualified personnel and Tt therefore recommended a new recruitment approach based on selecting recent university graduates for a 6 month internship after which KEK would employ the best four. Two hundred and seventy seven recently graduated students expressed an interest in the program and six were selected after two rounds of testing. Tt assisted the IAO with the training of the students and at the end of Q3, they had already become acquainted with the functioning of the IAO as well as with all KEK procedures, policies, applicable laws and regulations.

Currently, the trainees are participating in ongoing audits and preparing their independent conclusions which will be used as a final measure for selection. By the end of Q4 the four most successful trainees will be appointed to the Auditor positions and the staffing problem will be partially resolved. The IAO has also begun recruiting to fill the 3 remaining vacant positions and the interviews are expected to be completed in Q4.

In spite of continued challenges and with Tt's assistance, the IAO managed to meet all targets for the quarter. The quarterly progress was positively evaluated by the Internal Audit Committee (IAC) during the last quarterly meeting. In Q3, Tt trained 9 employees and 6 trainees of the IAO and 9 employees from the Field Enforcement Department (FED) on energy utility operation specifics, control principles, performance evaluation criterion, commercial loss reduction and KEK successful practices in risk reduction.

Among the large-scale projects and audits performed in Q3 were the 1) the unsealed customer meter regularization initiative , 2) operational audits of Network and Supply Divisions, 3) the Information Services and Communication Department audits 4) the Mining Division operational effectiveness and efficiency audits, and 5) the Transportation Department operation related audits.

### **Unsealed Customer Regularization**

The project to seal and regularize measurement installations began in February and targeted previously identified customers whose measurement installations were unsealed, and who were contributing to commercial losses via electricity theft. The project was completed in this quarter with the following results.

- 46,806 customers were inspected.
- 40,562 customer measurement installations were regularized and sealed.
- 5,363 new customers identified and registered.

As expected, this project has had an impressive effect on commercial loss reduction. Results indicate up to 28% decrease of commercial losses in feeders where measurement point regularizations took place. And on the 5,363 identified and registered customers, KEK was able to bill 15,590,241 kilowatt hours equaling 986,577 Euros.

### **Audit of Network and Supply**

The IAO completed a comprehensive audit of the Peja district, and performed selective audits in Pristina, Gjakova, Ferizaj and Mitrovica districts. Inspections revealed a tangible decrease in the generation of "zero bills", however the KEK districts' performance is far from acceptable. The Feeder Specialists are continuously failing to properly read meters; in many cases meter readings are false or not accurately inputted in the reading lists. All these problems are having a continued negative effect on commercial losses.

Inspections conducted by the IAO and the FED in the Districts identified the following reoccurring weaknesses in KEK's supply and network operations:

- Gross negligence in commercial loss identification and prevention procedures
- Poor quality of the customer database (incorrect customer locations, network structure, measurement installation details, etc.)
- Significant underperformance in the disconnection of indebted customers
- Gross negligence in implementation of new customer registration
- Inadequate knowledge of the network structure and schemes of electricity supply
- Gross neglect of KEK's approved policies and procedures.

In spite of the above weaknesses, KEK did achieve some tangible success in its operations, which resulted in a proportionate improvement in the company's overall financial performance.

## **District Regulation Implementation**

During quarter 3, the IAO inspected the implementation of the District Regulations over the first two quarters of 2011.

The findings for the first quarter are as follows:

- KEK was required to initiate disciplinary actions against all District Managers and the District Supply Managers, but none of them were disciplined and the Pristina District Manager and Supply Manager even received bonuses.
- From the existing 42 Sub-district Coordinators all but one should have been disciplined for not meeting the targets. None of them were disciplined and 2 of them in Ferizaj District even received bonuses.
- The 168 Feeder Team Leaders were supposed to receive a written warning but only 3 of them were disciplined and 26 of them even received bonuses.
- Total of 151 feeder team specialists were supposed to be disciplined with a written warning but only 26 received a penalty. Only 23 of them were supposed to receive bonuses when in fact 68 received bonuses.

The findings for the second quarter are as follows:

- All District Managers and the District Supply Managers were supposed to receive disciplinary warnings but none of them were disciplined and the Pristina District Manager and Supply Manager even received bonuses.
- All Sub-district coordinators were supposed to be disciplined, but none were penalized.
- Of the 622 feeder team specialists, 507 were supposed to receive a written warning but only 10 were disciplined.

Such gross neglect of the district regulations by the KEK Management promotes the perception that poor performing employees can work with impunity, undermines the importance of consistent and fair performance evaluations and demoralizes the few hard working and committed employees. The IAO developed special recommendations on how to avoid such occurrences in the future, which will be provided to the IAC and the company management in the fourth quarter.

## **A+ Customer Verification**

The IAO, together with the FED, continued inspections of the ABC module operation and implementation of the company policies related to A+ or priority customers. The results of the audits were similar to the ones reported during Q2, namely:

- The customer-transformer-feeder mapping is inadequate and inappropriate, which is causing significant problems in the ABC categorization and feeder allocation.
- In many cases customers are still assigned and connected to the A+ feeders without fulfilling the applicable requirements. There are many individual customers and even transformers improperly connected to those feeders. A significant number of A+ feeders had high commercial losses, debt and other types of violations.

Based on the IAO findings, the Network and the Supply Divisions had initiated the regularization processes. By the end of the quarter the data in the ABC module database was significantly improved and there was a higher compliance with the A+ categorization process as demonstrated by the most recent list of the A+ customers. With the approaching winter season, this issue is of crucial importance to the company's successful operation and follow on audits will take place in Q4.

### **Audit of KEK Employees as Electricity Consumers**

The IAO and the FED performed continuous inspections of KEK employees' electricity consumption. During the quarter inspections revealed that seven KEK employees were consuming electricity in an unauthorized manner and there were 16 cases where the employee meters were suspected to be tampered. The meters were removed and sent to the Meter Calibration Department for further verification, which will be completed in Q4. In all cases of electricity theft KEK either terminated the employment contracts, or is in process of terminating the contracts. Such close and continuous monitoring of the employees' electricity consumption and the application of disciplinary penalties has resulted in a significant increase in the billing of KEK employees' consumption. During the first two quarters of 2011 the billing has increased by 15 % or 2.5 million kWh.

### **Inspection of Large Commercial Customers**

In third quarter, the FED continued inspections of large and medium commercial customers. From 500 audited customers, approximately 7% were found to be stealing or consuming electricity in unauthorized manner such as incorrect transformer ratios, no seals, etc., resulting in significant commercial losses. The Customer Care Department completed the loss reclamations for about 40% of such customers, resulting in the billing of €333,922. Loss reclamation for the rest of the customers will be performed in the Q4.

### **Audit of the Mining Division's Operations Effectiveness and Efficiency**

Based on a KEK management request, the IAO is conducting a major audit of the effectiveness and efficiency of the Mining Division's operations. According to international best practices, the operations of the Mine Division could be performed by half the number of employees currently employed by this division. The audit is therefore focused on identifying areas that are overstaffed, clarifying the realistic number of employees needed for normal operations and determining the level of performance that can be achieved if the existing resources are properly used. Since this is one of the largest audits performed by the IAO and its anticipated economical and operational impact over the company future success, approximately 80% of the IAO's staff is involved in this audit. It is estimated that the audit will be completed in the beginning of quarter 1 of 2012.

### **Audit of Procurement of IT-Related Materials**

As reported in the Q2, the IAO had identified a number of significant violations in the technical specification development and tendering processes related to IT equipment. Based on the submitted recommendations, the IT Department Manager received a written warning. More importantly, KEK has revised the technical specifications for computers and other IT equipment thereby allowing more companies to participate in the tenders – and based on IAO findings during Q3 it was observed that greater competition for IT tenders resulted in lower prices and shorted delivery periods. For example, the purchase price for computers of the same specification and quality now being offered to KEK are 40% cheaper than previous offers. The changes in the way KEK procures IT equipment will result in savings of several millions of Euros for KEK.

### **Audit of the Thin Client project implementation**

The IAO conducted an audit of the Thin Client project implementation, one of the largest IT projects initiated in 2011. Based on the project, all KEK cashier offices were to be equipped with so called dumb terminals in order to consolidate all cash collection data in the headquarters database improving data security. The audit revealed following failures:

- The economic justification of the project with value of 303,917 Euros was not well weighed and considered.
- The technical justification for specific technical solution was not well considered.

- The project technical specifications included installation services at an additional cost, which was not justified since KEK's Information Services (IS) Department has the relevant skills and capabilities to do this work without external support.
- The project implementation was initiated with significant delays due to the failures in the project management, which was the IS Department Manager's responsibility.
- In spite of the contractual obligations, the installation work was not provided by the contracted company and KEK's IS Department resources were used instead. Later the installed software had to be uninstalled due to a disagreement between KEK and the contracted company.
- Due to the abovementioned failures from both sides, the system is still not functional and the contract with the contractor has been terminated.

All the above-mentioned weaknesses were caused by a lack of leadership by the IS Department Manager, the unit's and the project's manager. The IAO provided recommendations to KEK management on how to avoid such occurrences in the future and as a preventive measure proposed the issuance of a final written warning to the IS Department Manager. Taking into account previous failures in the development of technical specifications for IT equipment (as mentioned above), the IAO proposed that management seriously consider terminating the employment contract of the IS Department Manager. The decision will be made at the beginning of the next quarter.

#### **Transportation Department Operation's Audits**

During the quarter the IAO organized a number of inspections concerning implementation of the vehicle regulation in all KEK districts. The results showed that both KEK Network and Supply Division personnel and the Transportation Department teams are continuously failing to comply with the regulation requirements. The lack of compliance impacts field and transportation maintenance costs. The IAO recommended disciplinary actions for 35 employees.

#### **Internal Audit and Field Enforcement Key Results**

Under Tt's guidance, the IAO completed 22 audits and investigations during the quarter.

- *Investigations:* 24 new audits were initiated.
- *Disciplinary Actions:* As a result of the investigations performed by the IAO, 10 KEK employees were proposed for termination and 84 for different forms of disciplinary action.
- *System improvements:* The IAO performed a significant volume of work to improve KEK's management, operations and processes, and made 55 recommendations for changes to existing procedures and system improvements.

Under Tt's guidance, the FED continued its campaign of resolving problems related to customers with large debts and high commercial losses.

- 34 investigations were initiated and 16 were completed.
- 1,654 customers were visited for inspections or disconnections.
- 328 "problematic" customers were disconnected and KEK collected €490,133
- 252 cases of electricity theft, unauthorized consumption and other irregularities were discovered.
- KEK claimed losses in value of €333,922
- Based on inspections performed, 2 KEK employees were proposed for contract termination and 5 received written warnings.

The IAO and the FED have provided 136 cases to the Legal Department of KEK for submission to law enforcement agencies in relation to electricity theft and other irregularities detected during their investigations. With Tt's guidance, the FED has taken actions that allowed KEK to collect €824 055 of direct additional revenue.

## **I.7 Network, Human Resources, Information Services, Communications**

### **Network Division**

- *Supporting KEDS Privatization* – Tt continued to support KEK in its interactions with potential investors by participating in information sessions, assisting with site visits, and preparing responses to enquiries.
- *Operations Support* – Tt worked with KEK staff on several routine operational matters, coaching and assisting in the management and resolution of problems, in order to ascertain adherence to regulations, ensure timely progress, and proper closure. Examples of such matters included:
  - Support for Energy Accounting
  - Review of Power Balance for tariff development
  - Addressing issues related to minority customers
  - Support for negotiations with communication service provider
  - Circuit reconfiguration to better manage supplies to North Mitrovica
  - Management support for rerouting existing electric facilities and providing future electric service for the Morine-Merdare Motorway
- *Tendering and Procurement* – Tt assisted KEK with the tendering and procurement processes related to the following. The status of each effort is as indicated below.
  - *Tendered*
    - Control cables for Kosovo B-2
    - Refurbishment of Equipment in Kosovo B coal separation yard (1) Stacker reclaimers and belt conveyors; (2) Control & power supply building
  - *Awarded*
    - Construction of Prishtina 7 Substation 110/10(20)kV
    - 240MVA, 15.75/230kV step-up transformer for Unit A3
    - Framework contract for 100,000 residential meters
  - *Contracted*
    - Upgrade of substations Peja 1, Prizren 1 and Bibaj, including civil works
- *Network Division Management* – Tt continues to support KEK with the monthly departmental management meetings and the semi-monthly project management meetings. Tt is assisting the management team to adopt an increasingly strategic approach with capital projects. Specific initiatives include
  - Development of 2012 CAPEX budget
  - Establishment of Division Goals & Objectives
  - Development of employee performance appraisal process
- *2010-11 Network Reinforcement* – Tt assisted KEK with verifying the justification of every sub-project under this contract, and ensured appropriate scope changes were included. Out of the total 38 projects, 20 are currently under execution. The expected end date of the overall project is Q2 2012.



- *2012-13 Network Reinforcement* – Tt started the process of gathering scope information for this project. A total of 30 projects were defined and verified for Peja, Prizren and Gjakova districts. These projects are currently at the design stage and the tendering process for these projects is planned for Q4 2011. Another 40 projects is expected to be defined for the remaining four districts.
- *Regulation 66 Customer Regularization* – The scope of this project is to regularize approximately 2000 customers who were registered temporarily under “Regulation 66”. About 1597 customers have been regularized until now.
- *Network Development Plan* – The 2010-2014 Network Development Plan is still awaiting ERO approval. No further changes are expected at this time.
- *Reconstruction of Palaj 110/35 kV Substation* – Tt supported KEK in all technical and project management aspects of this on-going project. Tt will continue this support over the entire life of the project which is expected to be completed in Q4 2011.
- *Prishtina 7 110/10(20) Substation* – Tt supported KEK in evaluation of the bids. The Contract has been awarded and was submitted to the Contractor. It is expected to be signed in October 2011. This project is expected to be completed in Q4 2012.
- *Construction of Gjilani-5 110/10(20) kV Substation* – Tt continued to support KEK on all technical and project management aspects of this on-going project. KEK is responsible for engineering and project management inputs at all stages of this project. The project is expected to be completed by Q3 2012.
- *Long Term Capacity Management Study* – This study focuses on the expected plant-level costs of base load electricity generation by power plants that could be realistically commissioned by 2030 and evaluates possible least cost options to meet the electricity demand of Kosovo and neighboring countries until 2030. The final draft of the study is currently under review and will be issued in October 2011.
- *Loss Calculations and Network Modeling* – Tt continued to support KEK on Network Modeling and development of Loss Calculation methods and tools. Interface to meter readings provided by KEK’s IT allows enhancing the accuracy of loss estimates. Tt supported KEK with development of specific requirements for training from software vendors. The training was held in September 2011. In the next couple of months, Tt will assist KEK to implement a new and more accurate loss estimation process.
- *Investigation of Kosovo B unit trips* – Tt supported KEK in analysis and investigation of B2 unit trips. Damaged control and communication cables from B2 unit to the transmission substation switchyard were identified as a root cause. Tt is assisting KEK in the tendering process for the purchase and installation of new control and communication cables.

## Information Services (IS) Division

As part of its ongoing support for the IS Division:

- It continued to supervise the development of the following sub-modules of the **Integrated Cost Control System**:
  - Budgeting Module
    - Budget structure and organization, and budget line items
    - Budget development and adjustments
    - Budget commitment
  - Procurement Module
    - Procurement plan
    - Tender processing
    - Contracts register and delivery and payment schedules

The Invoices and Payments Module of ICC was moved to the new Centralized Document Database. It made the following recommendations:

- To reconstruct the tables with a Multi-language field using Microsoft suggested tools (similar to the tools used in the new FA module) for organizing Multi-language functionality in the system.
  - To organize the selection of source data through stored procedures instead of direct referral to data in the software text without changing the development technology (Microsoft MVVM ) in order to secure more flexibility in handling data.
- It continued work on the design and continued to monitor the development of the new **HR & Payroll Module**:
    - Designed the “Performance Review” and “Time Attendance Control” sub-modules as a part of integrated “Human resource management” system (HRMS).
    - Completed the design of the payroll portion of the database.
    - Monitored the development of the HR part of the database based on the recommended design for its structure and organization
    - Checked the current HR and PR databases for errors and started work on the development of a utility for migration of the existing data into the new database.
  - It started work on the design of a New **Centralized Document Database** and the new **Document Management Module**.
    - Studied the old AP and TR modules and database to include appropriate documents into the structure of a new database.
    - Transferred all tables related to documents from the FA Register into the new centralized document database.
    - Designed the structure and organization of the new database and submitted it to the IT department for the development of a new Centralized Document Management module.
  - It continued to work on the design of the **Centralized Network and Supply Integrated Database (NaSID)**:
    - Continued the development of a utility for importing tariff related data from the old CCP Database into newly designed database.

## **Human Resources (HR) Department**

As part of the ongoing development of this department, Tt:

- Finalized and obtained approval for the new organizational structure for the Energy Balance and Trading Department.
- Reviewed and analyzed all recommended disciplinary measures and bonuses to determine compliance with the KEK District Regulations, and oversaw the implementation of these recommendations against non-performing employees.
- Supervised and made recommendations to KEK management on job postings, interviews and the recruitment process for various KEK positions.
- Supported HR Department to recruit interns for the Supply and Customer Services Division.
- Held meetings between HR Department and the Supply and Customer Services Divisions to resolve human resource-related issues in the districts.
- Prepared Generation Division Power Plant “A” and Power Plant “B” organizational structures for KEK Mine & Generation Company (post privatization of KEDS).
- Prepared analyses of KEK Generation Division Power Plant “A” and Power Plant “B” staffing.
- Provided supervision of and assistance to, the HR Department on drafting job announcements, job descriptions, interviewing, recruitment, implementing disciplinary measures, and preparing of payroll.
- Assisted KEK HR department on KEK Training Center accreditation process; the assessment of the KEK Training Center has been completed and the report by National Qualification Authority is positive.
- Prepared the Finance Division organizational structure for KEK Mine & Generation Company in the post privatization period.
- Assisted KEK HR with resolution of unsystemized employees in KEK through application of the redundancy process - as a result there are currently no unsystemized employees in the company.
- Analyzed district organizational structure staffing and revealed various mismatches between organizational structure and actual staffing. In a joint effort of HR and Supply and Customer Services Division, established commissions which reallocated and systemized 119 employees in 7 districts.

Tt also continued to develop a performance appraisal system for KEDS. Tt conducted a pilot during which 15 select employees from the KEDS Network, Supply, Finance and Corporate Services were asked to use the performance appraisal form and to provide feedback on the form, language and process. Tt also presented the proposed performance appraisal system, scoring, evaluation forms and the accompanying guidance material to the KEDS Executive Directors. Tt also clarified various issues in the performance appraisal system pertaining to applicability, frequency, implications of the high and low scores, notification of all employees, appraising relatives, rating scale and the implementation process.

## Security

Tt continued to assist KEK on security matters during this quarter, Tt:

- Continued to make regular ad-hoc visits to all KEK districts, the open mine, key asset depots, warehouses, and workshops to observe the execution of security duties.
- Continued to monitor the implementation of the amendment to the BESA contract to empower guards with the right to search, apprehend and detain any persons on KEK property suspected of suspicious activities, including KEK employees.
- Continued to supervise the management of the use of KEK vehicles to ensure compliance with the transportation executive order that clarifies how and when KEK vehicles should be used, stipulates the allocation of vehicles to designated officials and department/district pools, and clarifies various authorizations and approval processes. To date, the order's implementation has resulted in the continuous saving of fuel across the fleet, per month.
- Worked to identify all existing KEK vehicle assets dating back to 2009 (Presently 675 recorded vehicle assets in all), including assets transferred to outsourced entities. In order to minimize fleet numbers, a further 57 vehicles have been identified to auction in late November 2011.
- Supervised the selection of qualified bidders for the provision of IT surveillance equipment that will be used to secure KEK assets at all warehouses and workshops, monitor vehicle movement to and from KEK premises, and monitor employee movement. KEK is currently awaiting delivery from successful bidders.
- Supervised the selection of qualified bidders for the construction of 21 checkpoint booms – construction in progress.
- Initiated an application to sell as scrap the 12 vehicles from the first auction that were not sold.
- Continued the reorganization of patrol routes at the Sibovc SW mine due to expansion at the mine and the need for additional foot patrols along the unprotected northern zone where an increase in theft attempts has been identified. Repositioning of some guards from the southern zone is being discussed – this may also need the incorporation of some additional guards as the boundaries expand. Tt liaised with KEK's security provider to define key observation posts and examine existing employee availability to accommodate these new patrol routes.
- Developed a policy and reporting form for use by the fire officers to monitor the newly installed Electronic Alarm Sensor System at KEK's headquarters. A major problem is that employees have been deliberately defying Safety regulations by smoking in offices behind locked doors, causing alarm activations.
- Supervised the construction of new control checkpoint booms at 18 entrances to key installations of KEK, mostly in the Power Plant A and B, Mirash, Bardh and Sibovc mine areas. These points are in accordance with establishing more secure inspection locations monitoring asset movement and an attempt to curb theft within the company.

## **1.8 Management and Operational issues**

- For the most part, KEK's Board of Directors continues to perform well and support management's actions to improve KEK's performance. The Board occasionally interferes in employment and contractual issues, but this tendency is diminishing over time. In this context, Tt is acutely aware that the tenure of the existing Board will expire at the end of 2011 and based on the POE Law – a competitive selection must be undertaken to select the new board members. Tt has expressed to stakeholders the overriding need to maintain a degree of continuity and stability in KEK's governance by re-appointing the existing Board Members. The need for certainty and stability is particularly acute as we enter a critical period for the Kosovo energy sector.
- KEK's managing director (MD) continued to perform well and was very cooperative. He is under continuous pressure from both internal and external forces to hire individuals, not to disconnect customers, invest in villages tied to politicians, not to terminate poor performing or corrupt employees, restate terminated employees, and to influence tenders and their outcome. Fortunately, he understands that he has the full support of the advisors and has resisted all of these pressures to a great extent. The MD's employment contract was up for renewal in Q3 – as reported previously Tt presented a favorable performance review of the MD to the Chairman of the Board. Ultimately, the Board agreed with Tt's recommendation, and agreed to extend the employment contract of the MD, and also the incumbent Chief Financial Officer for two years.
- Tt's relationship with the chairman of KEK continues to be very positive. He recognizes the role and the importance of Tt's advisers in improving KEK's performance, and has continuously encouraged and recognized the cooperation of KEK's managing director with the Tt advisers.
- Tt continued to provide guidance and support to the KEK Managing Director in his oversight of the Generation and Coal Production Management Teams – particularly in relation to key operational decisions, such as procurement of new electrostatic precipitators and refurbishment of the air compressor of Kosova A TPP, variable-speed drives and electromotors for the feedwater pumps at Kosova B TPP.

## **Subtask 2: Prepare Technical and Contractual Document for Investor Due Diligence**

### **2.1 KEK Unbundling Documentation**

Tt has already developed the pertinent agreements and shared them with the Kosovo Electricity Distribution & Supply Company (KEDS) and Kosova e Re Power Plant (KRPP) transaction advisory teams. These will be reviewed and updated in Q4.

### **2.2 Draft Agreements**

Tt has developed and shared the pertinent agreements with the KEDS and KRPP transaction advisory teams. During Q3, Tt continued to advise KEK on the proposed interim power purchase agreement between KEK and KEDS (pending closure of the KRPP transaction) – the KEDS transaction advisors have opted for a bulk supply agreement (BSA). Tt attended a number of meetings with KEK and the IFC Transaction Advisory Team (to include their legal advisors – Cameron McKenna) in order to discuss the terms of the agreement. This document is a work in progress and efforts are ongoing.

Tt also provided input and comments on the draft Share Purchase Agreement for KEDS, which had been drafted by Cameron McKenna.

### **2.3 Legal/Regulatory**

As previously reported, Tt developed a draft regulatory statement that should form an integral part of the transaction documents for the sale of KEDS; these were shared with representatives from the IFC and the KRPP transaction advisory team.

Tt has also been providing extensive assistance to KEK's Regulatory Department with providing input and commentary on the new set of draft tariff documents circulated by the ERO – this is addressed more fully elsewhere in this report.

### **2.4 Investor Due Diligence**

Tt supported KEK in meetings with three of the prequalified bidder for the KEDS transaction on the 19<sup>th</sup> and 20<sup>th</sup> of July. Responses were developed for the questions submitted in advance so they could be provided at the meeting. Tt also prepared written responses to information requested at the meetings and those were provided to the investors on a timely basis.

Tt has insured that the IFC and KEDS PIU are informed on all developments related to ERO's efforts to revise the Secondary Legislation in accordance with the new set of energy laws. Tt has shared all its responses to ERO with IFC and the PIU so they can effectively participate in the consultation process.

Tt prepared the "Information Memorandum on the Value Added Tax (VAT) Situation in Kosovo". The purpose of the document is to provide background information to potential investors in the Kosovo Energy Sector of the VAT situation in Kosovo, with specific emphasis on the KEK situation. The document was provided to the Data Room so all qualified bidders could access it.

Tt continues to assist KEK in its management of the KEDS physical data rooms, and with responses to questions posed by bidders, IFC or the KEDS PIU.

It is anticipated that additional due diligence meetings with the pre-qualified bidders will occur in Q4.

## **Subtask 3: Provide Advisory Support in Privatization Process**

### **3.1 Tender Process Responses**

As reported above, Tt supported KEK in meetings with three of the prequalified bidder for the KEDS transaction during Q3. In addition, Tt has assisted KEK with developing responses to the questions submitted by the bidders during the quarter on a range of subjects, to include technical, financial and regulatory matters.

### **3.2 Bid Submission, Evaluation and Award**

There were no actions to report for the quarter.

## **Subtask 4: Strengthen Skills and Technical Capacity of Counterparts**

### **4.1 Distribution Company Staff Coaching**

Tt actively supported the Network Division's management staff by assisting with strategic and tactical issues, and ensuring proper follow-up and adequate quality in the resolution of issues. These activities were carried out by Tt with the objective of achieving on-the-job training.

### **4.2 Coaching on Billing, Managing Customer Accounts and Collection**

During this period Tt conducted training for district employees on the policy related to reading, zero bills, and billing of customers. Three hundred fifty two (352) KEK employees were trained; thirteen of them were female.

Tt also trained 12 employees of the IAO in risk identification and audit preparations as well 4 employees from the FED in electricity theft risk reduction in measurement installations.

### **4.3 Training on Management Principles, Customer Service**

There were no actions to report for the quarter.

### **4.4 Training of Trainers**

There were no actions to report for the quarter.

## **Subtask 5: Support Management Post-Privatization**

As the tendering process for KEDS is at an early stage, there are no actions to report for this subtask.

## **Subtask 6: Prepare a Thermal Power Plant Kosova B Investment Requirement and Rehabilitation Feasibility Study**

### **6.1 Kosova B TPP Investment Requirement and Rehabilitation Feasibility Study**

As previously reported, the final version of the Kosova B TPP's Investment Requirement and Rehabilitation Feasibility Study was approved in September 2010.

## **Subtask 7: Prepare Technical and Contractual Documentation for Investor Due Diligence**

### **7.1 Documentation for Data Room**

Tt continued to provide support and advice to the KEK employee who is the main contact point and coordinator for documentation requested by the KRPP Project Implementation Unit, and the KRPP transaction advisors. However, there was little activity on this transaction during the quarter.

### **7.2 Asset Sale/Lease and Power Purchase Agreements**

There were no actions to report for the quarter.

### **7.3 Responses to Tender Process Issues**

There were no new actions to report for the quarter.

As previously reported, Tt's stated position is that all of KEK's existing generation and mining assets, to include the Kosova A TPP either under a lease/ownership or an operations and management arrangement, should be included in the KRPP transaction. In this respect, while the draft RFP includes the majority of existing KEK mining and generation assets, it unfortunately omits the Kosova A TPP and operations in the Sitnica mine.

## **Subtask 8. Strengthen Skills and Technical Capacity of Counterparts**

### **8.1 Training on Feasibility Study Methodology**

There were no actions to report for the quarter.

### **8.2 Kosova B TPP Privatization Round Table Discussions**

There were no actions to report for the quarter.



# 3 Status of Results Achieved under the Performance-based Management System

Please see Appendix B for a discussion of the progress made this quarter against the planned results under the Performance-based Management System. This section discusses the barriers that are hampering the achievement of better project results.

## 3.1 KEK Board of Directors

In contrast to the previous Board of Directors, the current Board has shown a willingness to cooperate with Tt and displays greater awareness of corporate governance issues and the scope of its role and responsibilities. One looming issue of concern is the expiry of the mandate of the existing Board – at the end of 2011. This is becoming a pressing issue – Tt has raised the matter with stakeholders and pressed the need for some degree of continuity - lessons should be drawn from the fact that in 2007 and 2008 KEK experienced three Managing Directors and four different Boards of Directors - the lack of stability during that period caused major obstacle in improving the performance of the company. Further action on this item is expected in Q4.

## 3.2 Procurement

Tt has regularly reported on the problems caused to KEK's operations by Kosovo's inflexible procurement regulations. In these circumstances, Tt has always recommended that the EU's Procurement Regime for Utilities (2004/17/EC) be applied in Kosovo. This issue has now been partly addressed with recent amendments to the Procurement Law. The amendments largely exempt future private investors for both KRPP and KEDS from the provisions of the Procurement Law. The amendments also introduce additional, more flexible procedures that KEK can utilize even before privatization, which is helpful. However, KEK remains largely subject to PPA supervision on key issues, such as obtaining approval for conducting negotiations without competition. A new Procurement Law is expected to be promulgated in Q4 – it is anticipated that the new law will effectively eliminate the role of PPA in approving single source procurements and allow each individual contracting authority to make this decision for themselves.

## 3.3 Employee Issues

The approach of Kosovo's courts continues to be a problem, specifically with respect to legal challenges on employment matters. Employees who are dismissed by KEK on disciplinary grounds frequently challenge KEK's decision, request re-instatement, and are granted re-instatement by the courts. However, the Labor Law, which was promulgated in Q4 of 2010, states that with the exception of discrimination claims, employees found to be unlawfully terminated should not be reinstated, but should only receive financial compensation. It remains to be seen if the courts will correctly interpret and apply this provision of the law.

As consistently reported in previous quarters, the Regulations for Operations in KEK Districts provide clear benchmarks for assessing poor or unsatisfactory performance by employees and introduce a zero-tolerance approach to serious disciplinary offences.

However, and as reported elsewhere in this report, KEK management is reluctant to fully enforce the terms of the District Regulations. Similarly, the Disciplinary Code provides adequate tools to discipline and dismiss non-performing employees, and those found to be guilty of misconduct. However, KEK management appears reluctant to fully enforce the terms of the Disciplinary Code.

# 4 Proposed Solutions to New or Existing Problems

## 4.1 Dispute Regarding KEK's Corporate Tax Liability

**Problem:** The Kosovo Tax Administration (TAK) is forcing KEK to recognize and pay taxes on non-existent revenues from the sales of electricity to minority customers, insolvent companies, and warned and disconnected customers who have not been paying their debts, despite all measures taken by KEK.

TAK failed to recognize the "bad debt" recorded in the books of KEK and confirmed by the external auditors Grant Thornton and Deloitte & Touche during the audits of KEK financial statements for 2005, 2006, 2007 and 2008.

As a result, after adjustments that the tax auditors made to KEK's financial results, KEK appeared to owe TAK large amounts of corporate profit tax. This tax was further increased with penalties and charges for KEK's failure to declare it in due time. KEK filed an appeal of this matter with the TAK Appeals Division on 12 January 2010. On 30 April the Appeals Division issued a ruling that recognized the existence of "bad debt," but limited the amount only to the debt of customers taken to court and refused to include amounts owed by households that have been warned and disconnected for non-payment and uncollectible amounts from minorities. It has concluded that this ruling is not consistent with the current law and does not accurately reflect the situation in Kosovo. KEK filed a second appeal on 7 June 2010 with the Independent Appeals Board against the findings for 2005 and 2006.

Due to the fact that there is as yet no written ruling interpreting the requirements of the law on corporate tax, it is subject to misinterpretation. At the same time, the procedure for recognizing bad debt for the purposes of value added tax (VAT) was clearly defined in a ruling by the Minister of Economy and Finance, which was approved by the Government of Kosovo on 8 April 2009 (Decision No. 02/60) and KEK has been using it for more than a year.

**Proposed solution:** KEK is pressing for the Independent Appeals Board to expedite their review of KEK's appeal so that a final resolution can be reached. However, the case has now been pending before the Board for over one year without any progress. In the meantime, the Tax Administration has issued a levy on all payments, with the exception of loan monies and subsidies, which are made directly from the Ministry of Finance to KEK. In addition, during Q2 the Tax Administration issued a levy on KEK's bank account, with the instruction that the disputed tax liability of 13 million Euros be transferred forthwith. Fortunately, after urgent discussions between KEK and the Tax Authority, the levy against the Bank account was withdrawn. Given the inaction of the Appeals Board, It assisted KEK with drafting a request to the Supreme Court for a judicial review of the dispute, to include a request for an interim injunction against the Tax Authority to restrain it from taking any further enforcement action pending a determination on the substantive issues. The request was filed with the Supreme Court – and in August it issued an interim injunction restraining the Tax Authority from taking any further enforcement action until KEK's appeal has been substantively addressed, either by the Supreme Court or the Independent Appeals Board.

## 4.2 Lack of Progress in Addressing the Issues in Northern Kosovo

**Problem:** There has been no tangible progress in regularizing the customers in the north and Serbia has not been constructive about moving forward with the ESCO agreement after over two years of discussions. Even though Serbia has been told that having a second distribution operator in the north is not an option, its representatives continue to demand creating a second distribution operator in the north or as their fallback position, despite the fact that KEK has informed them their demands are against the laws of Kosovo and that it cannot do anything illegal. They continue to insist on allowing the ESCO to serve Serb customers in the south and to unilaterally import electricity for the north as KEK's agent. In addition, they have also now raised the issue of requesting the reinstatement of all Kosovo Serb KEK employees that left the company in 1999, or compensation in lieu. As a consequence of this intransigence, KEK is facing yet another winter without resolution of its inability to bill and collect for energy supplied to northern Kosovo.

The IFC is moving forward with the KEDS privatization process and four investors are prequalified. Given this timeframe and the need for due diligence in the north, it is not clear how the investors will be given access to the assets in the north to perform their due diligence. If access is not provided to the investors, the IFC may have to remove the assets in the north from the privatization list. Effectively, this will lead to the perception that Kosovo is partitioned.

**Proposed solution:** Energy issues should remain on the top of the agenda for the ongoing EU-facilitated dialogue in Brussels between the Governments of Kosovo and Serbia. In particular, the EU must press upon the Serbian delegation the need to move forward with the ESCO agreement only in northern Kosovo without further delay. In the meantime, KEK must limit the amount of electricity being delivered to the north – which KEK can neither bill for, nor collect. In this context, by letter dated August 23<sup>rd</sup>, KEK reminded stakeholders of the upcoming three month outage of one of its generating units (Kosova B2) to perform a major periodic capital overhaul and explained how this will result in a generation capacity reduction of 260MW for the Kosovo market, or approximately 33% of total KEK operating production capacity. The letter proceed to explain the impact of this capacity shortage on KEK's supply of electricity to northern Kosovo – the letter outlined various options for stakeholders to assist KEK with serving the north, to include donating monies to fund electricity imports or contributions in kind (i.e. providing humanitarian electricity). However, no response or offer for assistance was received from stakeholders. Consequently on September 9<sup>th</sup>, KEK was left with no option but to limit the supply of electricity flowing from the south to the north by activating a partial bypass in south Mitrovica and installing a flow limiter on the only line in operation to Novi Pazar in Serbia. KEK once more asked operators at Vallaq substation to comply with KEK instructions for electricity rationing, and operate in accordance with flow limitation applied. However, the failure of the operators at Vallaq to comply with KEK instructions and manage this load properly, combined with the continued operation of the 110kV line that runs from Novi Pazar (Serbia) into northern Kosovo, resulted in the supply line from the south failing on several occasions. After the third failure, the supply line was left de-energized. As at the end of Q3, northern consumers are being supplied with electricity from the 110kV line that runs from Novi Pazar (Serbia) into northern Kosovo, and intermittent electricity generated by the Ujmani Hydro Power Plant, which is equivalent to the situation that persisted in the north between November 2009 and October 2010. As in the past, KEK will finance these arrangements through the balancing process and direct payment to the Ujmani operator.

# 5 Documentation of Best Practices that Can be Taken to Scale

The following procedures were produced under the project in Quarter 3 and are best practices that can be used on other similar projects.

- New KEK Employment Manual.
- Contract for replacement of ESPs – Units A3, A4, and A5, Kosova A TPP.

## 6 Coordination with Other USAID Implementing Partners and Other Donors

The Tt team coordinated with several other USAID partners, especially other donors and Deloitte, on a number of activities during Quarter 3:

- Tt has insured that the IFC and KEKS PIU are informed on all developments related to ERO's efforts to revise the Secondary Legislation in accordance with the new set of energy laws. Tt has shared all its responses to ERO with IFC and the PIU so they can effectively participate in the consultation process.
- Tt continued to coordinate with Deloitte advisors on issues regarding the privatization of KEDS and the KRPP Project.
- Tt cooperated and shared information with the IFC (and its technical advisors) as the transaction advisor for the KEDS privatization.
- Tt cooperated with Deloitte advisors at the Ministry of Finance in connection with the level of import subsidies and loan monies available to KEK.
- Tt maintained its communications with OSCE, EULEX, UNMIK, ICO, COM KFOR, Swedish KFOR, and US KFOR on the issue of minority area policies, including internally displaced persons.
- Tt continued to maintain regular contact with the WB, IMF, KfW, EU, UNMIK, EULEX, OSCE, ICO, and other stakeholders, and has been responsive to their requests.

# 7 Upcoming Events

The following are upcoming events for quarter 4:

- Issuance of the revised Secondary Legislation by ERO, which will impact KEK in many aspects including its dealings with customers, disconnection policies, efforts to reduce theft and increase collections, and the methodologies used to determine all its tariffs. It expects to spend considerable time during Q4 to build capacity within KEK to understand and implement the drastically different tariff methodologies being proposed by ERO.
- Contract signing for new power purchase agreement between KEK and Iber Lepence, in connection with Ujmani HPP.
- Contract signing for construction of Pristina VII substation.
- Signing of new Framework Agreement with household meter suppliers.
- Completion of major overhaul of Unit B2, Kosova B TPP.
- ERO is expected to approve the Connection Charging Methodology.
- Continuation of the EU-facilitated dialogue between Kosovo and Serbia, which will include energy issues.
- Finalization and KEK Board approval of the 2012 budget and business plan.
- Finalization and issuance of the Long Term Capacity Management Study.
- It will be working closely with KEK Regulatory staff during Q4 to prepare the 2012 tariff applications for:
  - Public Generator (including costs of KEK Mines and Kosovo A and B)
  - Distribution System Operator (KEK Network Division)
  - Public Supplier (Supply Division)
  - Retail Tariffs for all customers

## Appendix A. List of Activities and Deliverables

Nr.	Subtask 1: Support Management and Operation to Maintain Asset Value Specific Objectives / Accomplishments	Completion Date (End-of-month)	Major Activities Completed/ Status of Deliverables
1.1	Assist with the development and implementation of new internal policies and procedures.	Ongoing	Tt prepared two new policies that were issued by KEK as executive orders during the quarter 1) new Employment manual; and 2) allocation of KEK owned apartments.
1.2	Support business planning and budgeting.	Ongoing	Tt supervised the execution of KEK's expenditure budget for the third quarter of 2011 and assisted KEK in preparing its <i>Quarterly Performance to Plan</i> report, which analyzes the execution of KEK's second quarter expenditure budget and the progress on the implementation of its 2011 Business Plan.
1.3	Recommend improvements to billing and collection and monitor their implementation in the field on a daily basis.	Ongoing	Readings, bill delivery, and disconnections are continuously monitored by Tt. The performance of the districts is evaluated each month.
1.4	Provide support to accounting and financing.	Ongoing	KEK's external auditors issued their reports on the company's 2010 consolidated and unbundled financial statements. The reports undoubtedly proved that with Tt's support KEK has successfully addressed all the weaknesses in internal controls and accounting for business transactions, which resulted in qualifying the auditor's opinion on the fair presentation of the company's financial position and performance in the 2009 financial statements.



Nr.	Subtask 1: Support Management and Operation to Maintain Asset Value Specific Objectives / Accomplishments	Completion Date (End-of-month)	Major Activities Completed/ Status of Deliverables
1.5	Provide assistance in legal and regulatory affairs.	Ongoing	<p>Tt continued to provide legal advice to KEK senior management and various project managers on a number of discrete issues during Q3 as summarized in this report.</p> <p>Tt's assistance in regulatory affairs during Q3 included 1) Reviewing and providing extensive comments to ERO on revisions to Secondary Legislation, 2) Supporting KEK in meetings with ERO and its International Advisors, and 3) implementation of new tariffs for KFOR facilities</p>
1.6	Provide active support to Internal Audit and Anti-corruption.	Ongoing	<p>Tt assisted the IAO with the completion of 22 audits and investigations and the initiation of 22 new audits. As a result of the investigations performed by the IAO, 94 KEK employees were proposed for different forms of disciplinary action. With Tt's assistance, KEK was able to discover 252 cases of electricity theft and other irregularities, and initiate legal procedures for criminal prosecution. With Tt's guidance, the FED has taken actions that allowed KEK to collect €824 055 of direct additional revenue.</p>
1.7	Provide support to other functions in KEK on an as-needed basis, e.g., Network, Human Resources, Information Services, Public Relations and Communications.	Ongoing	<p>Tt continued to develop a performance appraisal system for KEDS by conducting a pilot of the appraisal forms with 15 select employees.</p> <p>Tt developed a new policy and reporting form for use by the fire officers to monitor the newly installed Electronic Alarm Sensor System at KEK's headquarters.</p>

Nr.	Subtask 1: Support Management and Operation to Maintain Asset Value Specific Objectives / Accomplishments	Completion Date (End-of-month)	Major Activities Completed/ Status of Deliverables
1.8	Advise KEK top management on other management and operational issues.	Ongoing	It provided advice on management and operational issues. Regular meetings were held with the Managing Director and with Supply, Network, CFO, and Corporate Services executives. Meetings were also held on an as-needed basis with mining, generation and procurement executives.

Nr.	Subtask 2: Prepare Technical and Contractual Document for Investor Due Diligence in KEK DistCo (KEDS) Specific Objectives / Accomplishments	Completion Date (End-of-month)	Major Activities Completed/ Status of Deliverables
2.1	Prepare KEK unbundling documents and related transfer papers.	Per TA's Request	First drafts completed, save for populating the schedules.
2.2	Prepare draft agreements between the electricity market participants.	April 2010	First drafts completed.
2.3	Prepare Legal/Regulatory documentation related to the privatization transaction.	Per TA's Request	Completed the following deliverables:  1) Draft Regulatory Statement 2) Draft Collection Agreement 3) Draft KEDS Privatization Law 4) New wording for the draft Energy Law, to address the property rights of KEDS/KEK. New legislation has since been enacted that incorporates this wording. 5) New wording for the draft Electricity Law, to address the theft of electricity. New legislation has since been enacted that incorporates this wording.

Nr.	Subtask 2: Prepare Technical and Contractual Document for Investor Due Diligence in KEK DistCo (KEDS) Specific Objectives / Accomplishments	Completion Date (End-of-month)	Major Activities Completed/ Status of Deliverables
2.4	Assist KEK to prepare data for the Investor Due Diligence.	Per TA's Request	<p>It compiled an index to the documents collected in the KEDS Data Room, provided a copy to the IFC for their review and comment, and facilitated the provision of various documents requested by the IFC and the KEDS privatization project implementation unit. It has assisted KEK with reviewing, updating and expanding the index.</p> <p>It prepared the "Information Memorandum on the Value Added Tax (VAT) Situation in Kosovo" and provided it to the Data Room so all qualified bidders could access it.</p>

Nr.	Subtask 3: Provide Advisory Support In Privatization Process Specific Objectives / Accomplishments	Completion Date (End-of-month)	Major Activities Completed/ Status of Deliverables
3.1	Assist KEK with the timely preparation of responses to all technical, legal and financial issues raised during the tender process.	Per TA's Request	No action required at this time.
3.2	Provide active support to the Transaction Advisor during the process of bid submission, evaluation and award.	Per TA's Request	It met with the transaction advisor and provided information on KEK's financial position and performance.

Nr.	Subtask 4: Strengthen Skills And Technical Capacity Of Counterparts Specific Objectives / Accomplishments	Completion Date (End-of-month)	Major Activities Completed/ Status of Deliverables
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Nr.	<b>Subtask 4: Strengthen Skills And Technical Capacity Of Counterparts</b> <b>Specific Objectives / Accomplishments</b>	<b>Completion Date</b> <b>(End-of-month)</b>	<b>Major Activities Completed/ Status of Deliverables</b>
4.1	Provide assistance and coaching to the KEDS staff on a daily basis in developing leadership skills, including communicating expectations, motivating employees, time management, meeting management, presentation skills, and planning and organization.	Ongoing	Tt actively supported the Network Division's management staff by assisting with strategic and tactical issues and ensuring proper follow up and adequate quality in the resolution of issues. These activities were carried out by Tt with the objective of achieving "on-the-job" training.
4.2	Provide day-to-day coaching on billing, managing customer accounts, and collection.	Ongoing	Tt trained 352 district employees on the policy related to reading, zero bills, and billing of customers. Tt also trained 12 employees of the IAO in risk identification and audit preparations as well 4 employees from the FED in electricity theft risk reduction in measurement installations.
4.3	Conduct training on management principles, customer service and other areas as deemed necessary.	December 2010	No action during the quarter.
4.4	Convene round table discussions and workshops on important topics to support the privatization process.	December 2010	No action at this stage.
4.5	Identify potential trainers and train them to deliver all training courses developed and offered by the Tt team.		No action at this stage.

Nr.	<b>Subtask 5: Support Management Post-Privatization</b> <b>Specific Objectives / Accomplishments</b>	<b>Completion Date</b> <b>(End-of-month)</b>	<b>Major Activities Completed/ Status of Deliverables</b>
5.1	Develop and assist with the implementation of a transition plan for the Finance and Accounting Function.	One month after closing the privatization transaction.	Completed

<b>Nr.</b>	<b>Subtask 5: Support Management Post-Privatization Specific Objectives / Accomplishments</b>	<b>Completion Date (End-of-month)</b>	<b>Major Activities Completed/ Status of Deliverables</b>
5.2	Develop and assist with the implementation of a transition plan for the Legal Function.	One month after closing the privatization transaction.	Will be defined once a specific work plan is developed by KEDS and the incoming private sector investor.
5.3	Develop and assist with the implementation of a transition plan for the Regulatory Affairs Function.	One month after closing the privatization transaction.	Will be defined once a specific work plan is developed by KEDS and the incoming private sector investor.
5.4	Develop and assist with the implementation of a transition plan for the Human Resources Function.	One month after closing the privatization transaction.	Will be defined once a specific work plan is developed by KEDS and the incoming private sector investor.
5.5	Development and assist with the implementation of a transition plan for the Billing and Collection Activities.	One month after closing the privatization transaction.	Will be defined once a specific work plan is developed by KEDS and the incoming private sector investor.

<b>Nr.</b>	<b>Subtask 6: Prepare A Thermal Power Plant Kosova B Investment Requirement And Rehabilitation Feasibility Study Specific Objectives / Accomplishments</b>	<b>Completion Date (End-of-month)</b>	<b>Major Activities Completed/ Status of Deliverables</b>
6.1	Prepare TPP Kosova B Investment Requirement and Rehabilitation Feasibility Study.	October 2010	The final version was approved by USAID and circulated to stakeholders and the KRPP Transaction Advisory Team during Q3 2010.

<b>Nr.</b>	<b>Subtask 7: Prepare Technical And Contractual Documentation For Investor Due Diligence Specific Objectives / Accomplishments</b>	<b>Completion Date (End-of-month)</b>	<b>Major Activities Completed/ Status of Deliverables</b>
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Nr.	Subtask 7: Prepare Technical And Contractual Documentation For Investor Due Diligence Specific Objectives / Accomplishments	Completion Date (End-of-month)	Major Activities Completed/ Status of Deliverables
7.1	Assist KEK and Transaction Advisors with collating documentation for the data room.	Upon request	It provided support to the designated KEK employee who acts as the main contact point/coordinator for documentation requested by the KRPP Project.
7.2	Provide assistance and input to the Transaction Advisors in connection with asset sale or lease agreement(s), and power purchase agreement.”	Upon request	It has developed two draft power purchase agreements for the sale of the Kosova B TPP’s output and shared these with the KRPP transaction advisors.
7.3	Timely preparation of responses to all technical, legal and financial issues raised during the tender process.	Upon request	It continued to provide its input to the KRPP Transaction Advisory Team and the World Bank representatives on what assets it believes should be included in the KRPP transaction.

Nr.	Subtask 8: Strengthen Skills And Technical Capacity Of Counterparts Specific Objectives / Accomplishments	Completion Date (End-of-month)	Major Activities Completed/ Status of Deliverables
8.1	Conduct training on the methodology to evaluate performance, characteristics of the new technology and the methodology for economic and financial analysis used in the Feasibility Study.	Three months following the completion of the Feasibility Study	No action at this time.

Nr.	Subtask 8: Strengthen Skills And Technical Capacity Of Counterparts Specific Objectives / Accomplishments	Completion Date (End-of-month)	Major Activities Completed/ Status of Deliverables
8.2	Convene round table discussions on important issues raised during investor Due Diligence (see Subtask 7) to support the TPP Kosova B privatization process.	Three months following the completion of the Feasibility Study	No action at this stage.

## List of Outputs prepared in Q3

### Legal

- Contracts for replacement of ESPs – Units A3, A4 and A5.
- Letter for KEK to send to IFC on the Bulk Supply Agreement
- Letter for KEK to send to Minister Beqa (MoED) on the proposal to move the KEK/KOSTT boundary.
- Request to PPA for approval to directly negotiation with the OEM for overhaul of turbine Unit B1 Kosova B.
- Job descriptions and organizational chart for new KEDS legal office.
- Letter for KEK to send to Ministry of Finance relating to the request for repayment of the 2005 loan (for 10m Euros).
- Letter for KEK to send to the Tax Authority regarding the implementation of the Supreme Court interim injunction, which prevents enforce collection of KEK's alleged corporate tax liabilities.
- Faxes for KEK to send to Vallaq substation operations regarding implementation of load shedding schedule.
- Letter for KEK to send to stakeholders regarding the upcoming scheduled outage of Unit B2, Kosova B Power Plant.
- Contract for repair of existing rotors for boiler feed-water pumps of Kosova B Power Plant.
- Executive order on the implementation of the new Employment Manual.
- Executive order on Allocation of KEK owned apartments.
- Contract for supply of new Uninterruptible Power Supply for KEK Data Room.
- Memorandum of Understanding between KEK and KOSTT relating to implementation of construction of new Gjilan V substation.
- Letter for KEK to send to Vattenfall on status of rehabilitation of excavator E8M.

### Network

- Tender Dossier - Framework Contract for Supply with Meters for Residential Customers
- Technical Specification - MV Protection
- Technical Specification - Kosovo B Cables

### Supply

#### Related to Regulatory Issues:

- Comments to ERO on Draft Rule of General Conditions of Service
- Comments to ERO on Draft Rule of Disconnection and Reconnection
- Comments to ERO on Draft Rule of Dispute Settlement
- Comments to ERO on Tariff Rules Explanation
- Comments to ERO on Regulatory Asset Base
- Comments to ERO on Generator Pricing Rule – Round 1
- Comments to ERO on TSO Pricing Rule – Round 1
- Comments to ERO on DSO Pricing Rule – Round 1
- Comments to ERO on Public Supplier Pricing Rule – Round 1
- Comments to ERO on Pertaining to all Pricing Rules – Round 2
- Comments to ERO on Generator Pricing Rule – Round 2
- Comments to ERO on DSO Pricing Rule – Round 2



- Comments to ERO on Public Supplier Pricing Rule – Round 2

Related to Privatization:

- Information Memorandum – Value Added Tax Situation in Kosovo

Other:

- Request to Government for Funds – 2010 Social Cases
- Agreement with Prizren Municipality
- Agreement with Prizren Regional Hospital
- Agreement with Mitrovica Regional Water Company
- New Daily Collection Form.

**Human Resources**

- KEK Energy Balance and Trading Department organizational structure
- Generation Division Power Plant “A” and Power Plant “B” organizational structures for KEK Mine & Generation Company (post privatization of KEDS)
- Finance Division organizational structure for KEK Mine & Generation Company (post privatization of KEDS)

**Security**

- Smoking Warning Order
- Fire Alarm Form

# Appendix B. Performance-Based Management System Results

## I. Key Indicators (KI) (Reported Quarterly)

No.	Objectives Supported by These Results	Task Reference Supported by These KI	Definition of Indicator and Unit of Measure	2006 Actual/ Calculation	2007 Actual	2008 Actual	2009 Actual	2010 Actual	Q3 2011 Actual	First 9 Months 2011 Actual
1	1, 2, 3	1	Reduce commercial losses as compared with previous year (ratio of commercial losses vs. energy available for sale)	31%	30%	20%	21%	22%	7%	16%
2	1, 2, 3	1	Reduce technical losses (ratio of technical losses vs. energy delivered to distribution)	18.2%	17.4%	16.6%	17.7%	17.1%	15.8%	16.6%
3	1, 2, 3	1	Ratio of energy billed vs. energy available for sale	69.1%	69.9%	79.8%	79.3%	78.5%	92.9%	84.0%
4	1, 2, 3	1	Ratio of revenue collected versus billed	74.2%	76.6%	75.6%	81.4%	87.8%	98.6%	95.0%
5	1, 2, 3	1	Revenue collected as a percentage of value of energy available for sale [ratio of revenue collected vs. billed] x [ratio of energy billed vs. energy available for sale]	51.3%	53.5%	60.3%	64.5%	68.9%	91.6%	79.8%
6	1, 2, 3	1	Collected revenue in Euros	€96 M	€110.8 M	€135 M	€160.3 M	€178 M	€43.4M	€147.0M

## 2. Milestone Indicators

Subtask	Description	Milestones	Reporting Frequency	Status
1	Support Management and Operation to Maintain Asset Value	2010 Business Plan approved by the BOD 2010 Budget approved by the BOD Tariff filing for 2010 Performance against the budget Draft audited financial statements Billing and collection reports to the BoD Unbundled financial statements Credit facility agreements Internal audit summary report	Quarterly	Completed. Completed. Completed, but no tariff increase ordered by ERO. Report completed and submitted to the BOD. Completed. Provided. Completed. Completed. Completed.
2	Prepare Technical and Contractual Documentation for Investor Due Diligence	Draft legal unbundling agreement Draft KEK/KEDS (KEDS regulated power sales agreement Draft KEK/KEDS, deed transferring assets & liabilities from KEK to KEDS Briefing paper - transfer of 110 kV system to KEDS/KEK Draft full requirements electricity service agreement between KEDS and New Mine/Generation Co. Draft regulatory statement Draft collection agreement between KEDS and GoK/MEF Draft KEDS Privatization Law Draft share purchase agreement between GoK/investor Draft index of data room documentation. Create KEDS asset registers and compile asset ownership documentation	Quarterly	Completed Completed.  Completed.  Completed.  Completed. Completed.  Completed. Ongoing.  Completed. Ongoing.
3	Provide Advisory Support in Privatization Process	Timely preparation of responses to all technical, legal and financial issues raised during the tender process.	Quarterly	Ongoing.

Subtask	Description	Milestones	Reporting Frequency	Status
4	Strengthen Skills and Technical Capacity of Counterparts	Per training indicators	Quarterly	See training indicators
5	Support Management Post-Privatization	Producing transition plan for the Finance and Accounting Function. Producing transition plan for the Legal Function. Producing transition plan for the Regulatory Affairs Function. Producing transition plan for the Human Resources Function. Producing transition plan for the Billing and Collection Activities.	Quarterly	No action at this stage.
6	Prepare a Thermal Power Plant Kosova B Investment Requirement and Rehabilitation Feasibility Study	Feasibility study report, including technical and financial feasibility for rehabilitation and potential efficiency improvement of Power Plant B, investment requirements, recommendation, and implementation schedule	Quarterly	Completed.
7	Prepare Technical and Contractual Documentation for Investor Due Diligence	Timely preparation of responses to all technical, legal and financial issues raised during the tender process.	Quarterly	Ongoing.
8	Strengthen Skills and Technical Capacity of Counterparts	Per training indicators	Quarterly	See training indicators

### 3. Training Indicators - Performance (Reported Quarterly)

No.	Task Order Objective Reference	Definition of Indicator & Unit of Measure	2006 Actual/ Calculation	2007 Actual	2008 Target Actual	2009 Target Actual	2010 Target Actual	2011 Target Actual	Q1 2011 Actual																								
1.	1, 2 &3	Number of people who received training in technical energy field	0	231	Target 60 (M=42 and W=18) <b>Actual 54</b> (M=54 and W=0)	Target 60 (M=48 and W=12) <b>Actual 36</b> (M=32 and W=4)	Target 40 (M=35 and W=5) <b>Actual 425</b> (M=399 and W=26)	Target 40 (M=35 and W=5)	<table border="1"> <thead> <tr> <th></th> <th>Men</th> <th>Women</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>Q1 2011</td> <td>10</td> <td>-</td> <td>10</td> </tr> <tr> <td>Q2 2011</td> <td>16</td> <td>0</td> <td>16</td> </tr> <tr> <td>Q3 2011</td> <td>333</td> <td>12</td> <td>345</td> </tr> <tr> <td>Q4 2011</td> <td></td> <td></td> <td></td> </tr> <tr> <td><b>Total Year 2011</b></td> <td></td> <td></td> <td></td> </tr> </tbody> </table>		Men	Women	Total	Q1 2011	10	-	10	Q2 2011	16	0	16	Q3 2011	333	12	345	Q4 2011				<b>Total Year 2011</b>			
	Men	Women	Total																														
Q1 2011	10	-	10																														
Q2 2011	16	0	16																														
Q3 2011	333	12	345																														
Q4 2011																																	
<b>Total Year 2011</b>																																	
No.	Task Order Objective Reference	Definition of Indicator & Unit of Measure	2006 Actual/ Calculation	2007 Actual	2008 Target Actual	2009 Target Actual	2010 Target Actual	2011 Target Actual	Q2 2011 Actual																								
2.	1, 2 &3	Number of people who received training in energy-related business management field	0	149	Target 100 (M= 70 and W=30) <b>Actual 69</b> (M=61 and W=8)	Target 60 (M=30 and W=30) <b>Actual 261</b> (M = 196 and W =65)	Target 200 (M=150 and W=50) <b>Actual 141</b> (M=112 and W=29)	Target 200 (M=150 and W=50)	<table border="1"> <thead> <tr> <th></th> <th>Men</th> <th>Women</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>Q1 2011</td> <td>31</td> <td>2</td> <td>33</td> </tr> <tr> <td>Q2 2011</td> <td>174</td> <td>19</td> <td>193</td> </tr> <tr> <td>Q3 2011</td> <td>33</td> <td>8</td> <td>41</td> </tr> <tr> <td>Q4 2011</td> <td></td> <td></td> <td></td> </tr> <tr> <td><b>Total Year 2011</b></td> <td></td> <td></td> <td></td> </tr> </tbody> </table>		Men	Women	Total	Q1 2011	31	2	33	Q2 2011	174	19	193	Q3 2011	33	8	41	Q4 2011				<b>Total Year 2011</b>			
	Men	Women	Total																														
Q1 2011	31	2	33																														
Q2 2011	174	19	193																														
Q3 2011	33	8	41																														
Q4 2011																																	
<b>Total Year 2011</b>																																	

#### 4. Contextual Indicators - Impact (Reported Quarterly)

No	Task Order Objective Reference	Definition of Indicator & Unit of Measure	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual	FY Q4 2011 Actual
1.	1&2	Percentage (%) of served demand (ratio of “unserved energy” to “supplied energy plus unserved energy”) based upon data provided by the KEK Capacity Management Department.	12.92 %	10.24 %	14.70 %	8.54%	3.53%	4.46%	2.91%

Note: The Fiscal Year (FY) runs from 1 October of one year to 30 September of the following year; Q1 of the Fiscal Year is the fourth quarter (October to December) of the calendar year.

# Appendix C. Supporting Documentation

# Energy Accounting Report – Quarter 3

## ENERGY FLOWS - THROUGH TRANSMISSION YTD - September 2011 (All flows in MWH)

### Flows Into KOSTT:

<b>A&amp;B Generation</b>	
Gross	4,339,299
Aux (on-site only)	353,344
<b>Net</b>	<b>3,985,955</b>

HPP Ujmani	59,796	MK
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Kosova Coal	0	MK
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Interconnections In	2,268,322	MK
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<b>Total In:</b>	<b>6,314,073</b>
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<b>PP Kosova A</b>	
Gross	1,519,882
Aux (on-site only)	132,171
Aux at PP Kos. A in excess of Net	64,220

<b>PP Kosova B</b>	
Gross	2,819,417
Aux (on-site only)	221,173
Aux at PP Kos. B in excess of Net	63,505

<b>Coal production</b>	<b>6,032,926</b>
<b>Overburden production</b>	<b>7,782,524</b>

Net Import (In-Out)	60,931
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Losses (% of Flow In)	86,548	1.37%
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### Flows Out Of KOSTT:

497,790	MK
KOSTT delivery to Direct Customers (3)	497,790

KOSTT delivery to LOMAG	206,905	MK
<b>Total</b>	<b>206,905</b>	

KOSTT Delivery to 7 Districts 52 mtrs @ 22 s/s	3,315,440	MK
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Interconnections Out	2,207,391	MK
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<b>Total Out:</b>	<b>6,227,526</b>
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ENERGY FLOWS - DSO including 220 and 110 kV  
YTD - September 2011  
(All flows in MWH)

**Flows In To KEK (Gross)**

Delivery From KOSTT	
KOSTT delivery to Direct Customers (3)	497,790 MK
KOSTT delivery to LOMAG	206,905 MK
KOSTT Delivery to 7 Districts	3,315,440 Mk
<b>Total</b>	<b>4,020,135</b>

Small HPP Connected in Distribution	
Lumbardh	19,279 R
HPP Dikance+HPP Radavc+WP Golesh	7,266 R
<b>Total</b>	<b>26,545</b>

Flow Through non 110 kV	
Delivery to 7 Districts and LOMAG	3,522,345
Small Hydro Inflow	26,545
<b>Total</b>	<b>3,548,890</b>

Allocation of Losses			R
	MWH	Euro (000)	
Technical Losses			
110 kV Xformer to 10 kV	206,662	6,556	
0.4 kV from ESTAP	348,983	10,956	
<b>Total</b>	<b>555,644</b>	<b>17,512</b>	
% of Total Technical Losses for KEK excluding N. Mitrovica	16.33%		
% of Technical Losses at 7 Districts excluding N. Mitrovica	17.35%		
Unaccounted for Energy Losses	501,562	27,456	
(Energy component of commercial losses)	14.13%		
<b>Total</b>	<b>1,057,207</b>	<b>44,968</b>	
(% Flow Thru Non 110 kV)	29.79%		

Average Wtd Trf is 56.2 Euro / MWH from April 2011 as per ERO tariffs order.

Cost of purchased losses is 29.6 (Euro / MWH) from April 2011 as per ERO tariffs order.

<b>Total In to KEK (Gross)</b>	<b>4,046,680</b>
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<b>Losses Total</b>	<b>1,057,207</b>
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**Flows Out Of KEK Distribution**

Customer Billing (by CCP)	
Residential	1,487,264 F
Commercial	460,500 F
Industrial (35&10KV)	178,974 F
Public Lighting	8,930 F
<b>Total</b>	<b>2,135,667</b>

KOSTT delivery to Direct Customers (Billed but not in CCP)	497,790 F
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KEK Internal Use:	
KEK Mines	75,672 R
Aux for Gen in excess of Net	127,724 R
Distribution (Self Consumption)	6,990 F
<b>Total</b>	<b>210,386</b>

Minorities	
N. Mitrovica (Unbillable)	145,630 R
<b>Total</b>	<b>145,630</b>

<b>Total Out:</b>	<b>2,989,473</b>
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Note:

1) Average Wtd Trf is 56.2 Euro / MWH from April 2011 as per ERO tariffs order.

2) Cost of purchased losses is 29.6 (Euro / MWH) from April 2011 as per ERO tariffs order.

**RESULTS BY DISTRICT**  
**YTD - September 2011**  
(Energy flows in MWH, Monetary amounts in 000 €)

Responsible Area	Input to KEK	Technical Losses	KEK Internal Use:	Minorities Unbillable & Uncollectable	Energy Available For Sale (EAFS)	Energy Billed			Indicators Based on January-August 2011 Data			
						MWH	€ (000)	Collections € (000)	Billed as % of EAFS	Collection As % of Billed	% Collected Versus EAFS	% Energy Accoun. Versus Input to DSO.
	R	R	F	R/F	Calculated	F	F	F	Calculated	Calculated	Calculated	Calculated
Prishtinë	1,024,659	165,919	4,196	0	854,544	682,471	43,738	44,490	79.86%	101.72%	81.24%	83.21%
Prizren	465,873	88,343	587	0	376,943	321,106	19,268	18,944	85.19%	98.31%	83.75%	88.01%
Pejë	366,849	61,367	571	0	304,910	231,851	14,585	13,463	76.04%	92.31%	70.19%	80.08%
Ferizaj	418,560	76,350	300	0	341,911	280,423	16,941	15,233	82.02%	89.92%	73.75%	85.31%
Gjilan	296,850	47,973	540	0	248,336	231,783	13,505	12,363	93.33%	91.55%	85.44%	94.42%
Mitrovicë	455,378	56,543	367	145,630	252,838	181,438	10,965	8,145	71.76%	74.28%	53.30%	84.32%
Gjakovë	316,221	58,474	429	0	257,318	206,594	12,329	11,227	80.29%	91.07%	73.11%	83.96%
<b>Sub TOTAL</b>	<b>3,344,390</b>	<b>554,968</b>	<b>6,990</b>	<b>145,630</b>	<b>2,636,801</b>	<b>2,135,666</b>	<b>131,332</b>	<b>123,866</b>	<b>80.99%</b>	<b>94.32%</b>	<b>76.39%</b>	<b>85.02%</b>
% of Technical Losses at 7 Districts excluding N. Mitrovica		17.35%										
Land of Mines & Generation (Energy delivered and billed to tariff customers is included in PR Dis.)	204,500	677	203,396	0	427				0.00%	#DIV/0!	#DIV/0!	99.79%
<b>Sub TOTAL</b>	<b>3,548,890</b>	<b>555,645</b>	<b>210,386</b>	<b>145,630</b>	<b>2,637,229</b>	<b>2,135,666</b>	<b>131,332</b>	<b>123,866</b>	<b>80.98%</b>	<b>94.32%</b>	<b>76.38%</b>	<b>85.87%</b>
% of Total Technical Losses for KEK excluding N. Mitrovica		16.33%										
Direct Customers billed but not in CCP	497,790				497,790	497,790	23,304	23,108	100.00%	99.16%	99.16%	100.00%
<b>TOTAL</b>	<b>4,046,680</b>				<b>3,135,018</b>	<b>2,633,456</b>	<b>154,636</b>	<b>146,975</b>	<b>84.00%</b>	<b>95.05%</b>	<b>79.84%</b>	
7 Districts + 3 Direct Customers	3,842,180				3,134,591	2,633,456	154,636	146,975	84.01%	95.05%	79.85%	

Customer Billing	YTD - September 2011									
	Energy Billed				Collection		Customer Debt per month € (000')			
	MWH	%	EURO (000)	%	EURO (000)	%	January	July	February	August
Household	1,487,264	56%	77,730	50%	69,794	47%	368,480	370,203	371,016	370,591
Commercial	460,500	17%	40,611	26%	40,531	28%	374,778	369,915	374,778	369,915
Industrial & Public Lighting	187,903	7%	12,992	8%	13,541	9%	370,176		370,176	
(3) Direct Customers	497,790	19%	23,304	15%	23,108	16%	369,350		369,350	
<b>Total</b>	<b>2,633,457</b>	<b>100%</b>	<b>154,636</b>	<b>100%</b>	<b>146,974</b>	<b>100%</b>	<b>369,234</b>		<b>369,234</b>	

Note:

- 1) The energy billed to tariff customers located at LOMAG is included in Prishtina District.
- 2) Customer debt accumulated in a given month is equal to the difference between billing and collection for this month.
- 3) Column P 'Collections € (000)' might be subject to changes because of later adjustments due to payments done through bank accounts (including Kos Giro).

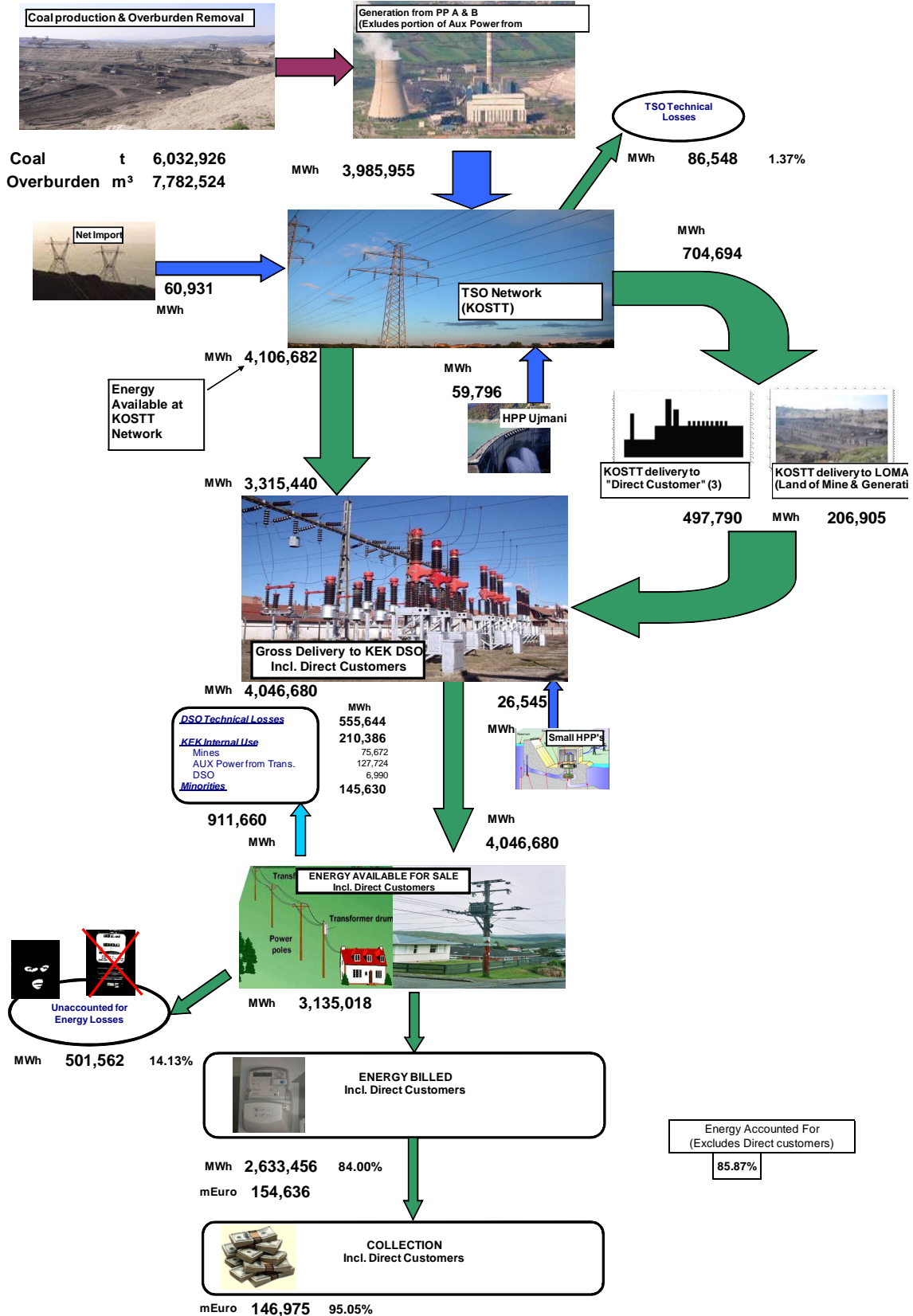
## **NOTE CONCERNING ENERGY ACCOUNTING REPORT – RESULTS BY DISTRICT**

The format of the Energy Accounting Report Results by district page has changed since July 2010, affecting the presentation and calculation of data used in the Performance-based Management System. The report's "Results by District" page has four columns on the far right of the sheet that contain indicators of performance. Since September 2010, the indicators have been computed using the data in the columns to the left, as was the practice from 2006 through the end of 2009. The indicators shown in the March 2010 year to date and June 2010 year to date reports were computed using "lagged" data, which were used to measure the performance of district personnel. The lagged data compared billing in one month with collection in the subsequent month to measure the performance of districts.

As far as the PBMS measures are concerned, the Energy Accounting Report "indicators" are not relevant since all reporting to USAID since 2007 has consistently been based on the actual base data as shown on the left side of the page.

# ENERGY FLOW THROUGH SYSTEM

YTD - September 2011



# Unserved Demand Report – Quarter 3

TABLE 1: Actual FY 2008 (October 2007 - September 2008)

[MWh]	2007			2008									USAID Fiscal Year PUD	
	10	11	12	1	2	3	4	5	6	7	8	9	SubTot.	
Served demand (Gross Consumption)	388,862	467,904	522,047	523,567	459,620	452,155	394,926	353,068	294,030	318,849	321,106	379,584	SubTot.	4,875,718
Un-served demand (Load shedding)	59,015	74,761	126,784	134,529	93,087	58,668	49,117	45,878	64,010	33,903	70,233	30,421	SubTot.	840,406
Quarterly PUD			1,378,813 260,560 15.89%			1,435,342 286,284 16.63%			1,042,024 159,005 13.24%			1,019,539 134,557 11.66%		
$PUD = UD / (UD + SD) * 100\%$													14.70%	

Calendar Year PUD Q1+Q2+Q3+Q4 2008	4,921,392
	724,855
	12.84%

TABLE 2: Actual FY 2009 (October 2008 - September 2009)

[MWh]	2008			2009									USAID Fiscal Year PUD	
	10	11	12	1	2	3	4	5	6	7	8	9	SubTot.	
Served demand (Gross Consumption)	424,452	461,502	538,533	575,293	522,811	526,077	386,131	351,686	321,742	336,304	346,483	352,296	SubTot.	5,143,310
Un-served demand (Load shedding)	43,814	45,297	55,898	74,681	35,229	46,737	34,202	24,363	23,923	35,292	40,192	24,410	SubTot.	484,038
Quarterly PUD			1,424,487 145,009 9.24%			1,624,181 156,647 8.80%	113.2% 45.3%		1,059,559 82,488 7.22%	101.7% 48.1%		1,035,083 99,894 8.80%	101.5% 25.8%	
$PUD = UD / (UD + SD) * 100\%$													8.60%	

Calendar Year PUD Q1+Q2+Q3+Q4 2009	5,241,899
	389,202
	6.91%

TABLE 3: Actual FY 2010 (October 2009 - September 2010)

[MWh]	2009			2010									USAID Fiscal Year PUD	
	10	11	12	1	2	3	4	5	6	7	8	9	SubTot.	
Served demand (Gross Consumption)	447,956	506,950	568,170	599,918	524,740	529,168	428,294	388,455	351,084	364,140	378,480	369,064	SubTot.	5,456,419
Un-served demand (Load shedding)	22,184	22,184	5,805	19,372	32,979	18,508	25,645	18,542	11,385	3,627	13,584	6,177	SubTot.	199,992
Quarterly PUD			1,523,076 50,173 3.19%	106.9% 65.4%		1,653,826 70,859 4.11%	101.8% 54.8%		1,167,833 55,572 4.54%	110.2% 32.6%		1,111,684 23,388 2.06%	107.4% 76.6%	
$PUD = UD / (UD + SD) * 100\%$													3.54%	

Calendar Year PUD Q1+Q2+Q3+Q4 2010	5,465,263
	194,911
	3.44%

TABLE 4: Actual FY 2011 (October 2010 - September 2011)

[MWh]	2010			2011									USAID Fiscal Year PUD	
	10	11	12	1	2	3	4	5	6	7	8	9	SubTot.	
Served demand (Gross Consumption)	468,007	480,994	582,919	630,726	541,259	542,352	416,012	402,665	337,151	372,487	383,112	353,629	SubTot.	5,511,313
Un-served demand (Load shedding)	22,604	12,313	10,175	25,846	41,163	32,895	43,043	23,210	12,900	3,448	9,928	19,725	SubTot.	257,250
Quarterly PUD			1,531,920 45,092 2.86%	100.6% 10.1%		1,714,337 99,904 5.51%	103.7% -41.0%		1,155,828 79,153 6.41%	99.0% -42.4%		1,109,228 33,101 2.90%	99.8% -41.5%	
$PUD = UD / (UD + SD) * 100\%$													4.46%	

Calendar Year PUD Q1+Q2+Q3 2011	3,979,393
	212,158
	5.06%

TABLE 5: Actual FY 2012 (October 2011 - September 2012)

[MWh]	2011			2012									USAID Fiscal Year PUD	
	10	11	12	1	2	3	4	5	6	7	8	9	SubTot.	
Served demand (Gross Consumption)													SubTot.	-
Un-served demand (Load shedding)													SubTot.	-
Quarterly PUD			- 0.0%	0.0%										
$PUD = UD / (UD + SD) * 100\%$													#DIV/0!	

Unserved Demand is 2.90% in Q3 2011 compared to 2.06% in Q3 2010.

- The data for above table are provided by the KEK Capacity Management Department.
- Consumption is defined to be "Input to Distribution + Trepcas + Newco Feronikell Production + Shari + Kosova Thengjilli + TS Palaj&Bardhi Drenas + Self Consumption + Kosova A PP SS, note that these numbers will be different from the numbers for the "Input to Distribution TOTAL" from the Energy Accounting Reports to the KEK Board of Directors.
- Consumption in the future is based on the energy forecast that KEK has already prepared as part of the KEK business plan process.
- Data not available is indicated as "n/a" in the cell.
- The data are arranged based on USAID Fiscal Year (that is FY 2009 starts on 1 October 2008 and ends on 30 September 2009)
- The Consumed Energy includes the transmission losses of KOSTT (which are a little over 2%).

Note: Prior year data has been restated based on a review of actual data. All changes were insignificant.

### Training Information – Quarter 3

The following 41 people received training in the energy-related business management during Quarter 3 of 2011.

**Training Topic:** General principles of KEK operation

**Training Date:** 6 July, 2011

**Trainer:** Shalva Rukhadze

**Trainees:**

No	Name	Gender
1	Abetare Prebreza	F
2	Ahmet Demiri	M
3	Besnike Shala	F
4	Blerta Gashi	F
5	Fortesa Statovci	F
6	Remzi Selimi	M

**Training Topic:** Role of internal control in the utility management

**Training Date:** 19 July, 2011

**Trainer:** Givi Jgarkava

**Trainees:**

No	Name	Gender
1	Abetare Prebreza	F
2	Ahmet Demiri	M
3	Besnike Shala	F
4	Blerta Gashi	F
5	Fortesa Statovci	F
6	Remzi Selimi	M

**Training Topic:** Performance Evaluation Criteria for KEK districts

**Training Date:** 11 August, 2011

**Trainer:** Shalva Rukhadze

**Trainees:**

No	Name	Gender
1	Mentor Krasniqi	M
2	Ilir Zeqiri	M
3	Isa Malsiu	M
4	Ahmet Demiri	M

**Training Topic:** Advanced methodologies and approaches about commercial loss reduction

**Training Date:** 15 August, 2011

**Trainer:** Givi Jgarkava

**Trainees:**

No	Name	Gender
1	Arber Mulaku	M
2	Agron Uka	M
3	Isa Hajra	M
4	Bujar Jupaj	M
5	Ruhan Mala	M

**Training Topic:** High risk areas of KEK operation and most effective methods deployed.

**Training Date:** 14 September, 2011

**Trainer:** Givi Jgarkava

**Trainees:**

No	Name	Gender
1	Mentor Hyseni	M
2	Arben Spahiu	M
3	Mentor Krasniqi	M
4	Abetare Prebreza	F
5	Ahmet Demiri	M
6	Besnike Shala	F
7	Blerta Gashi	F
8	Fortesa Statovci	F
9	Remzi Selimi	M

**Training Topic:** New Structure of Sub-Districts

**Training Date:** 01 July, 2011

**Trainer:** Gela Kereselidze

**Trainees:**

No	Name	Gender
1	Izet Ramadani	M
2	Kadri Ibrahim	M
3	Bajram Sadiku	M
4	Muharrem Thaci	M
5	Enver Mahmuti	M
6	Ismet Krasniqi	M
7	Nue Bekai	M
8	N. Shabani	M
9	Arben Shabani	M
10	Hajdin Ademi	M
11	Bashkim Hazishi	M

The following are the details of the 345 persons of which 12 females received training in the technical energy field during Quarter 3 of 2011.

**Training Topic:** Reading & Billing Instruction

**Training Date:** 19, 24, 25 August 2011

**Trainer:** Gela Kereselidze, Albert Durmishi

**Trainees:**

No	Name	Gender
1.	Lindita Jashari	F
2.	Menduh Leka	M
3.	Shaqir Ramadani	M
4.	Afrim Fejzullahu	M
5.	Izet R.	M
6.	Xhavit Zatriqi	M
7.	Lulzim Raka	M
8.	Lutfi Salihaj	M
9.	Muharrem Haziri	M
10.	Perparim Cakolli	M
11.	Islam Mehmeti	M
12.	Adnan Aliu	M
13.	Naim Rexhepi	M
14.	Faton Rexhepi	M
15.	Xhelal Bislimi	M
16.	Afrim Goga	M
17.	Isuf Poloja	M
18.	Kujtim Ajeti	M
19.	Adem Recica	M
20.	Xhevdet Guri	M
21.	Ilaz Jakupi	M
22.	Heredin Mehmeti	M
23.	Mexhid Recica	M
24.	Shefqet Ramadani	M
25.	Ramadan Bajrami	M
26.	Hysni Aliu	M
27.	Bardhyl Murati	M
28.	Jankovic Sasa	M
29.	Shaban B.	M
30.	Fadil Banusha	M
31.	Sherafedin Sadriu	M
32.	Bajram Fejzulahu	M
33.	Agron Haxhiu	M
34.	Safet Sadiku	M
35.	Izet Kurti	M
36.	Ramadan Rexhepi	M

No	Name	Gender
37.	Hysen Hyseni	M
38.	Fazli Ibishi	M
39.	Bajram Gashi	M
40.	Valon Ibishi	M
41.	Fidan Seferi	M
42.	Refik Hoxha	M
43.	Arsim Abazi	M
44.	Nazif Mehmeti	M
45.	Fadil Tahiri	M
46.	Kenan Duricovic	M
47.	Lulzim Shalaj	M
48.	Mexhri Kabashi	M
49.	Adnan Hajrizi	M
50.	Mehi Zymberi	M
51.	Idriz Asllanaj	M
52.	Armend Atiqi	M
53.	Jakupi Bademe	M
54.	Emin Emimi	M
55.	Ismet Krasniqi	M
56.	Bashkim Haziri	M
57.	Burim Qerimi	M
58.	Enver Mahmuti	M
59.	Driton Shkodra	M
60.	Nehat Bllaca	M
61.	Kadri U.	M
62.	Ahmet J.	M
63.	Nexhat Xheliu	M
64.	Izet Ramadani	M
65.	Ragmi Hoda	M
66.	Ramadan Ahmeti	M
67.	Beshir Kallaba	M
68.	Gymer Aliu	M
69.	Hajdini Ademi	M
70.	Hysni Qahili	M
71.	Xhelal Ramadani	M
72.	Mustafe Rahimi	M



No	Name	Gender
73.	Muharrem Thaci	M
74.	Ramadan Spahiu	M
75.	Drita Zylfijaj	F

No	Name	Gender
76.	Abdylsamet Ali	M
77.	Naim Shala	M

**Training Topic:** Reading & Billing Instruction

**Training Date:** 18 August 2011

**Trainer:** Irakli Babukhadia, Kastriot Gashi

**Trainees:**

No	Name	Gender
1.	Vehebi Sofiu	M
2.	Hymet Mydti	M
3.	Artan Kazazi	M
4.	Selam Dolumezi	M
5.	Sherif Sallahaj	M
6.	Valon Gashi	M
7.	Sinan Morina	M
8.	Aferdita Lama	F
9.	Lorik Lipoveci	M
10.	Kadrush Syla	M
11.	Jusuf Berisha	M
12.	Agon Dobruna	M
13.	Visar Hasi	M
14.	Genc Pylla	M
15.	Arbnresha Dupa	F
16.	Ruzhdi Gashi	M
17.	Arijeta Kryeziu	F
18.	Nezafete Berisha	F
19.	Merita Hoxha	F

No	Name	Gender
20.	Rexhe Blakaj	M
21.	Afrim Kelmendi	M
22.	Ragip Vrenezi	M
23.	Shpetin Aliu	M
24.	Metush Kurtaj	M
25.	Burim Lajqi	M
26.	Ajet Morina	M
27.	Hajriz Dobranaj	M
28.	Driton Muja	M
29.	Xhevat Berisha	M
30.	Riza Nikqi	M
31.	Riza R.	M
32.	Muharrem Zajnullahu	M
33.	Shefqet Rexhaj	M
34.	Besnik Kastrati	M
35.	Gezim T.	M
36.	Naser Kurtaj	M
37.	Naim Bajraktari	M

**Training Topic:** Reading & Billing Instruction

**Training Date:** 22 – 31 August 2011

**Trainer:** Fadil Osmankaq

**Trainees:**

No	Name	Gender
1.	Rrezart Dragusha	M
2.	Milaim Avdiu	M
3.	Valon Shabani	M
4.	Arben Mustafa	M
5.	Mentor Selmani	M
6.	Armend Gashi	M
7.	Arsim Uka	M
8.	Valon Fazliu	M

No	Name	Gender
9.	Izja Mjekiqi	M
10.	Eljas Jashari	M
11.	Avni Kutllavci	M
12.	Jakup Krasniqi	M
13.	Xhevdet Ibrahimimi	M
14.	Teuta Haxhiu	M
15.	Advije Aliu	M
16.	Sofije Bullatovci	F

No	Name	Gender
17.	Minire Rushiti	F
18.	Mihane Krasniqi	F
19.	Mentor Peci	M
20.	Elvane Demaku	F
21.	Mentore Sherifi	F
22.	Ilaz Jashari	M
23.	Muharren Zhegrova	M
24.	Arton Ismajli	M
25.	Muhamet Ahmeti	M
26.	Rrustem Maqastena	M
27.	Lumni Rrahimi	M
28.	Shukri Podvorica	M
29.	Muhamet Beshiri	M
30.	Bekim Citaku	M
31.	Edon Gashi	M
32.	Betim Beqiri	M
33.	Adnan Mehmeti	M
34.	Mehdi Avdiu	M
35.	Kushtrim Miftari	M
36.	Hysen Kosumi	M
37.	Naser Kuleta	M
38.	Blerim Zeneli	M
39.	Enver Gashi	M
40.	Faton Gashi	M
41.	Burim Musa	M
42.	Xhelal Musa	M
43.	Rexhaj Pacarada	M
44.	Hamdi Mehmeti	M
45.	Faruk Ismajli	M
46.	Avdusa Tahiri	M
47.	Mentor Vokri	M
48.	Ismet Selmani	M
49.	Ukshin Musliu	M
50.	Drilon Mehmeti	M
51.	Petrit Shaqiri	M
52.	Ramadan Salihu	M
53.	Mursel Terholli	M
54.	Isuf Rrahimi	M
55.	Muharrem Sopjani	M
56.	Bahri Gashi	M
57.	Bakim Haziri	M
58.	Fexhri Shabani	M
59.	Veton Paloqi	M
60.	Shefki Vitija	M

No	Name	Gender
61.	Liridon Hashani	M
62.	Zijadin Gashi	M
63.	Milos Kostic	M
64.	Narko Ivic	M
65.	Fadnil Halimi	M
66.	Adnan Mjeku	M
67.	Lulzim Borovci	M
68.	Ilir Hajdini	M
69.	Hysen Hasani	M
70.	Jeton Gashi	M
71.	Mustafa Buza	M
72.	Fatmir Hoxha	M
73.	Valmir Berbatovci	M
74.	Ilir Gjinovci	M
75.	Jordan Maksimoviq	M
76.	Slobodan Periq	M
77.	Behxhet Arifi	M
78.	Naim Sopi	M
79.	Jeton Aliu	M
80.	Zymer Selimi	M
81.	Gzim Gashi	M
82.	Nikolla Mirkovic	M
83.	Fehmi Mirena	M
84.	Ekrem Durmishi	M
85.	Qamil Bekteshi	M
86.	Berat Konjusha	M
87.	Qemail Kasabaqi	M
88.	Heset Tahiri	M
89.	Enver Pllana	M
90.	Arbnor Osmani	M
91.	Sami Rafuna	M
92.	Florim Makdi	M
93.	Bajram Kuleta	M
94.	Ramadan Hyseni	M
95.	Dukagjin Dibrani	M
96.	Bejtush Bytyqi	M
97.	Bafti Fazliu	M
98.	Faton Uka	M
99.	Isa Obertinca	M
100.	Hajdin Zhdrella	M
101.	Adnan Gashi	M
102.	Bajram Hajdari	M
103.	Fatmir Jonuzi	M
104.	Skender Shala	M

No	Name	Gender
105.	Nashit Simnica	M
106.	Muhamed Sopjani	M
107.	Ruzhdi Islami	M
108.	Flamur Recica	M
109.	Hamdi Ismajli	M
110.	Jakup .....	M
111.	Bedri Feka	M
112.	Ilir Kelmendi	M
113.	Rexhep Haliti	M
114.	Nexhat Qyqalla	M
115.	Ahmet Ternava	M
116.	Ivic Vlastimir	M
117.	Ismet Gerguri	M
118.	Mehdi Mehmeti	M
119.	Mehdi Koliqi	M
120.	Besim Miftari	M
121.	Faik Shala	M
122.	Jaser Hashani	M
123.	Mehmet Berisha	M
124.	Ramadan Salihu	M
125.	Islam Mehmeti	M
126.	Elbasan Shala	M
127.	Sead Haliti	M
128.	Elisa Haliti	M
129.	Ilaz Hashani	M
130.	Burim Berisha	M
131.	Fidan Berisha	M
132.	Avdulla Miftari	M
133.	Islam Hajdini	M
134.	Goran Ristic	M
135.	Miresllav Kovic	M
136.	Rrahman Berisha	M
137.	Driton Ferizi	M
138.	Faik Binaku	M
139.	Bajram Bajrami	M
140.	Fatmir Medeci	M
141.	Isuf Morina	M
142.	Remzi Berisha	M
143.	Adem Begolli	M
144.	Muharrem Havolli	M
145.	Bekim Hajdini	M
146.	Berat Babatinca	M
147.	Gani Zeqiri	M
148.	Bashkim Bytyqi	M

No	Name	Gender
149.	Gazmend Pllashniku	M
150.	Naim Bahtijari	M
151.	Xhevshet Durmishi	M
152.	Hilmi Asllani	M
153.	Ilir Hajdini	M
154.	Muharrem Duraku	M
155.	Ahmet Hyseni	M
156.	Artan Selimi	M
157.	Afrim Shahini	M
158.	Ahmet Gjocaj	M
159.	Jonuz Gashi	M
160.	Selim Gashi	M
161.	Besim Gashi	M
162.	Arben Ibrahim	M
163.	Sokol Bunjaku	M
164.	Naim Resetelica	M
165.	Behshet Shala	M
166.	Islam Halimi	M
167.	Jeton Krasniqi	M
168.	Imer Ibishi	M
169.	Besim Brahimi	M
170.	Berat Hoxha	M
171.	Ismajl Hasani	M
172.	Salih Ahmeti	M
173.	Agim Ibrahim	M
174.	Becir Mjeci	M
175.	Esad Hyseni	M
176.	Berat Kutillovci	M
177.	Arben Ternava	M
178.	Ahmet Mujeci	M
179.	Astrit Bujupaj	M
180.	Gazmend Gashi	M
181.	Gani Termkolli	M
182.	Ismajl Aliu	M
183.	Rame Gerxhaliu	M
184.	Blerim Sadiku	M
185.	Milaim Januzi	M
186.	Fadil Goxhufi	M
187.	Bahri Mustafa	M
188.	Fevzi Mehmeti	M
189.	Lulzim Potera	M
190.	Halil Sahiti	M
191.	Bekim Jusufi	M
192.	Selim Hoti	M

No	Name	Gender
193.	Gani Dubova	M
194.	Valon Fazliu	M
195.	Burim Tahiri	M
196.	Zenel Krasniqi	M
197.	Shkelzen Avdyli	M
198.	Muhamet Canolli	M
199.	Rrahim Zena	M
200.	Zaim Luma	M
201.	Florim Muja	M
202.	Behar Gervalla	M
203.	Kreshnik Dodaj	M
204.	Halit Behluli	M
205.	Naim Hyseni	M
206.	Hilmi Osmani	M
207.	Lulzim Krasniqi	M
208.	Agim Selimi	M
209.	Nexhat Kosumi	M
210.	Bashkim Shabani	M
211.	Alltaj Kahraman	M
212.	Lulzim Krasniqi	M

No	Name	Gender
213.	Valdin Zeka	M
214.	Faik Zogu	M
215.	Halit Gjoshi	M
216.	Zymer Gerguri	M
217.	Bujar Brahimi	M
218.	Nexhat Istogu	M
219.	Jeton Thaci	M
220.	Habib Elshani	M
221.	Xhelal Gerguri	M
222.	Rizah Krasniqi	M
223.	Habib Kadriu	M
224.	Naim Qela	M
225.	Hysen Elshani	M
226.	Kesel Hajdari	M
227.	Ylber Nika	M
228.	Betim Gashi	M
229.	Musa Binaku	M
230.	Ilir Elshani	M
231.	Arsim Halilaj	M