



ZYRA E RREGULATORIT PËR ENERGI  
REGULATORNI URED ZA ENERGIJU  
ENERGY REGULATORY OFFICE

## LICENCE FOR COGENERATION OF ELECTRICITY AND THERMAL ENERGY

ISSUED TO:

**KOSOVO POWER CORPORATION J.S.C**

**Generation Division, TC Kosova B**

**Registration number: ZRRE/Libp\_05/17\_B**

Prishtinë, 00 mars 2017



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## CHAPTER I: LICENCE TERMS

1. **Energy Regulatory Office (hereafter “ERO”),** in conformity with the authority vested under the Law on the Energy Regulator (Law No. 05/L-084), Article 18 of the Law on Energy (Law no. 05/L-081), Law on Electricity (Law No. 05/L-085) and Rule on Licensing of Energy Activities in Kosovo, **hereby modifies the License for Cogeneration of Electricity and thermal energy** from the generation plant Kosova B of **Kosovo Power Corporation (“KEK”)** J.S.C.-Division of Generation (with registration number ZRRE/Libp\_05/14\_B), now with **registration number ZRRE/Libp\_05/17\_B** (hereafter “the Licensee”).
2. **General nominal (installed) capacity of the Generation Units of cogeneration of Kosova B** is: B1- 339 MW, B2- 339 MW.
3. The current capacity available overall production of cogeneration units of Kosova B is: B1 - 264 MW, B2- 264 MW, which may change. This capacity is used for the production of electricity and thermal energy under the Agreement for the supply of thermal energy associated between KEK and DH Termokos.
4. The nominal capacity (installed) for production of thermal energy from TPP Kosova B is: Unit B1 70 MW<sub>TH</sub>; Unit B2- 70 MW<sub>TH</sub>.
5. The license shall comply with the provisions and conditions specified in this license, The Law on Electricity and other applicable laws, regulation, rules and codes.
6. The licensee shall offer its capacity in a transparent and non-discriminatory and market-based way to all customers on the wholesale and retail electricity markets, including those under public service obligations in accordance with Article 7 of the Law on Electricity.
7. In accordance with the requirements of applicable law and this License, the Licensee shall manage as efficiently as possible the electricity generation power plant, and shall:
  - 7.1 use in its power plants those sources of energy that it considers most appropriate given the design of the units, provided they comply to technical requirements, environmental conditions contained in their licenses and the applicable laws;
  - 7.2 connect the power station to the Transmission or Distribution System under the conditions specified in relevant codes and regulations;
  - 7.3 inject energy into Transmission and/or Distribution System under the conditions specified in relevant codes and regulations and in line with the instructions of the relevant system operator;
  - 7.4 to connect its plant, namely the steam extraction equipment to thermal energy extraction station and further to thermal energy transmission network;



- 7.5 transport thermal energy through the network of thermal energy transportation;
- 7.6 effect proper payment under contracts;
- 7.7 perform other functions assigned by the applicable legislation and this license.
8. The license is valid from **04 October 2006** and shall continue to be valid for the technical duration of the main technical parts of the existing power plant, which are used to carry out relevant activities, until **04 Tetor 2026**.
9. In case of change in the capacity of generating units of Kosovo B, the Licensee shall immediately notify the ERO.
10. In accordance with Article 36 of the Law on the Energy Regulator, this modified license, now with registration number **ZRRE/Li\_05/17\_B**, is granted to Kosovo Power Corporation J.S.C (KEK J.S.C) Generation Division, TC Kosova B for **cogeneration of Electricity and thermal energy** activity and enter into force on date **00.00.2017**.

Stamped with the common stamp of the Energy Regulatory Office: \_\_\_\_\_.

Signed: (on behalf of the Board of ERO) \_\_\_\_\_.



## CHAPTER II: LICENCE CONDITIONS

### Article 1: Definitions

1. Terms used in this licence shall have the following meaning:

**"Ancillary Services"** means services bought under the Ancillary Services Contract as defined by the Market Rules .

**"Financial year"** - the period from 1 January to 31 December of the same calendar year.

**"Generation Unit"** - any plant or equipment for generating of electricity.

**"Market Rules"** – is the document of that name approved by ERO in accordance with the Law on Electricity;

**"Balance Responsibility"** has the same meaning as in paragraph 3.1.3 of the Law on Electricity;

**"Final Customer"** has the meaning set down in the Law on Electricity.

**"Affiliated Person"** has the meaning ascribed in Article 225.1 of the Law on Business Organizations 02/L-123.

**"Legislation"** means the Law on Energy (Law No. 05/L-081), the Law on Energy Regulator (Law No. 05/L-084), the Law on Electricity (Law No. 05/L 085), and any other primary or secondary legislation regulating the energy sector.

**"Codes"** - the technical rules developed by the Transmission System Operator and Distribution System Operator under the Law on Electricity and approved by the ERO, in accordance with the Law on Energy.

**"Bilateral Agreement"** - Agreement to sell electricity to purchasers pursuant to Article 22 paragraph 2 of the Law on Electricity.

2. Terms used in this licence shall have the same meaning prescribed to them as the terms used in applicable legislation.



## Article 2: Separate accounts for generation activity

1. The Licensee shall prepare annual financial statements in accordance with Regulatory Accounting Guidelines issued by ERO and shall submit to ERO a copy of the audited financial statements within three (3) months after the end of the financial year. Internal accounts should be separate for generation activities and internal accounts for other activities, the same as if these activities were performed by another enterprise.
2. The Licensee shall submit to ERO Annual Financial Statements audited by independent auditor in accordance with International Financial Reporting Standards within the time prescribed by applicable laws for financial reporting.
3. In its internal accounting, the Licensee will maintain accounting for the overall generation activity, as well as other activities. Regulatory accounting shall be in accordance with Regulatory Accounting Guidelines and may, *inter alia*, specify:
  - 3.1. the form of regulatory accounting statements / records, including but not limited to the profit and loss accounts, balance sheets, recognized profit and loss statements, cash flow and statements of the amounts of annual revenues, costs, assets, liabilities, reserves or supplies, which are charged from any other business or established by allocation or apportionment between the consolidated generation activities and any other activity;
  - 3.2 nature and content of regulatory accounting statements/records, including information on specified types of annual revenues, expenditure, assets or debts, and information on annual revenues, expenditure, assets and liabilities attributable to specified activities;
  - 3.3 regulatory accounting principles and policies (including the basis for allocation of costs).
4. In connection with the regulatory accounting statements regarding the financial year, the Licensee shall not change the bases of charges, apportionment or allocation from those used in previous financial year, unless ERO had previously issued appropriate guidance or written approval thereto.
5. The Licensee shall act in compliance with every instruction issued by ERO and legislation in effect.



### **Article 3. Sale of production and prohibition of cross-subsidies**

1. The Licensee may sell his capacity and/or energy freely to purchasers under terms and conditions, including terms as to price, set:

1.1 in Bilateral Agreements entered into between the Licensee and the purchaser; or

1.2 by reference to the rules of any organized market in which the Licensee is a participant,

in each case subject only to any requirements as to price limitation of any Public Service Obligation imposed on the Licensee under Article 17 of this Licence.

2. In carrying out its licensed activities the Licensee shall ensure that its charges for market operation are not increased or reduced as a consequence of receiving or granting any cross-subsidy (direct or indirect)\_from or on behalf of any other such activity of the Licensee or from any Affiliated Person, corporation or any other legal or natural person.

### **Article 4: Prohibition on Abuse of Dominant Position**

1. The Licensee is prohibited to abuse its dominant position as determined by Article 23 of the Law on Energy and other related legislation in effect.
2. If there is suspicion of abuse by the Licensee according to paragraph 1 of this Article, ERO will notify the Kosovo Competition Commission and may impose an administrative fine and measures on the Licensee as provided by Article 57 of the Law on Energy Regulator.

### **Article 5: Compliance with Network Code, Metering Code and other applicable legislation**

The Licensee shall comply with the provisions of the Network Code, Metering Codes and any other applicable legislation.

### **Article 6: Provision of fuel reserves**

1. The Licensee shall prepare the plan for fuel reserves, according to Article 9 of the Law on Electricity and secondary legislation issued by the relevant ministry.
2. The Licensee shall comply with any provision that establishes the type and quantity of the minimum fuel reserves as well as with secondary legislation of the relevant ministry and applicable codes.

### **Article 7: Efficiency Measures**

1. Within six months of the coming into force of this amended License, the Licensee shall submit to ERO for its information a program of measures proposed to be undertaken to increase the efficiency of generation from its generation units in line with Article 7 paragraph 4 of the Law on Electricity and any secondary legislation, instruction or guidelines issued by ERO or any other competent body.



2. The program of measures specified in paragraph 1 shall be accompanied by an analysis of the costs and benefits of the measures proposed, and the factors taken into consideration by the Licensee.
3. For so long as ERO shall require, the Licensee shall report to ERO by 31 December each year on:
  - 3.1 progress towards the implementation of the measures proposed in terms of paragraph 1, and
  - 3.2 the efficiency gains resulting from measures implemented.

### **Article 8: Central Dispatch**

1. The Licensee shall report all available generation units to Central Dispatch of Transmission System Operator, where ever Central Dispatch is required under the Grid Code and Market Rules.
2. The Licensee shall provide the Transmission System Operator all required information in order to enable the operation of the Central Dispatch system, whenever and in the manner required by the Grid Code.

In this article:

**"Available"** – with respect to any generation unit shall mean generation unit available in accordance with the Grid Code.

**"Central Dispatch"** – shall mean the process of planning and issuing direct instruction with respect to dispatch of generation units available by the Transmission System Operator.

### **Article 9: Ancillary and Balancing Services**

1. The Licensee shall offer from its generation units the ancillary and balancing services to any system operator who requests such services in conformity with provisions of the applicable codes.
2. When the conditions offered by the Licensee are acceptable to the system operator, the parties may enter into an agreement.
3. If the system operator disputes the terms offered by the Licensee under paragraph 2 of this Article, ERO shall designate each term of the agreement that is under dispute in line with the Rule on Resolution of Complaints and Disputes in the Energy Sector.
4. If the system operator proceeds under conditions specified by ERO, the Licensee shall enter into an agreement for ancillary or balancing services and shall implement it in accordance with its terms.
5. The Licensee shall, upon request by ERO, submit to ERO the report with the following details:



5.1. prices offered for delivery of ancillary or balancing services from each generation unit of the Licensee, and

5.2 details related to Licensee's costs for delivery of ancillary or balancing services.

#### **Article 10: Designation of Operator**

1. The Licensee shall appoint a qualified person of relevant experience in charge for the operation of any generating unit included in the license. Prior to any such appointment, the Licensee shall obtain the written consent from the ERO.
2. If the person is not competent to exercise that function, ERO may, by a written notice issued to the licensee, require replacement of that person.
3. ERO shall, under paragraph 2 of this Article, determine what criteria will be considered for review of competence, in accordance with criteria pertaining to knowledge and professional skills, experience, as well as criteria associated with the requirements for protection and safety of generation.

#### **Article 11: Market Rules**

1. The Licensee shall act in conformity with the Market Rules.
2. The Licensee shall have Balance Responsibility and shall perform all its obligations promptly, fully and accurately in line with all applicable legislation, codes and rules.

#### **Article 12: Health and Safety**

1. The Licensee shall take all actions necessary to protect persons from injuries and damages that may be caused by the Licensee during generation operations, in accordance with applicable legislation.
2. The Licensee shall, in accordance with applicable law, perform technical and security checks of generation capacity on an annual basis, and shall submit the results of such inspection to the ERO, whenever required by ERO.

#### **Article 13: Environment**

1. The Licensee shall submit to ERO a copy of Environment Permit for environment protection and other documents issued by the relevant ministry of environment. The Licensee shall comply with applicable legislation for environment protection in Kosovo.
2. The Licensee shall report to ERO annually on its environmental activity.

#### **Article 14: Labour**

With respect to labour and safety at work, the Licensee shall act in conformity with the applicable legislation in Kosovo.



## Article 15: Registration and Disposal of relevant assets of Licensee

1. The Licensee shall develop and maintain a register of all relevant assets and shall submit it to ERO, along with any changes on the register not later than 31 January of every year.
2. The Licensee shall not sell or relinquish operational control over any relevant asset, if that will affect its ability to perform its duties or if the asset has a replacement value in excess one hundred thousand Euros (€ 100,000.00).
3. In cases where the Licensee wishes to dispose of assets used in carrying out the licensed activity, the licensee shall notify ERO. The Licensee shall dispose of any assets upon written approval by the ERO.

In this Article:

***“Disposal”*** – shall mean any sale, transfer, donation, rent, lease, mortgage, assignment, restrictions of use (physical or legal) or any other assignment, as well as allowing any assignment towards any other business of the Licensee or any third party.

***“Relevant Asset”*** – shall mean any property or equipment used by the Licensee in performing any activities granted hereunder, including any legal or useful interest on any land or facility, or any intellectual property.

## Article 16: Obligation of Insurance

1. The Licensee shall insure all assets in accordance with the legislation in effect in Kosovo.
2. The Licensee shall enter into contracts for insurance of generation assets and for equipment used for generation of electricity. Such contracts shall be submitted to ERO for review on annual basis.

## Article 17: Changes in control of Licensee

1. The Licensee shall notify ERO of any changes expected in control at least sixty (60) days in advance. Changes in control shall not take effect unless approved by ERO.
2. The Licensee shall notify the ERO of any change in the organizational structure of the Licensee. Such notice shall be given ERO not later than three (3) days from the date of any such change.

## Article 18: Public service obligations

The Licensee shall perform any public service obligation that may be determined by the ERO, in accordance with Article 51 of the Law on the Energy Regulator.

## Article 19: Provision of information to ERO

1. The Licensee shall submit to ERO information, reports and contracts in the manner and on timeframes that ERO may deem appropriate.



2. If the Licensee, in accordance with Rule on Confidential Information, requires that any specific information should be treated as confidential, it is his duty to record such information as confidential and justify its request to ERO. ERO will review the application in accordance with the Rule on Confidential Information.
3. The Licensee shall report to ERO at any time regarding the circumstances of sale to buyers, including (without limitation) volumes, load factors, termination conditions, terms and duration of the relevant agreements.
4. The Licensee shall appoint a focal person for liaison with the Transmission System Operator and Market Operator. The address, telephone number, fax number or electronic address of such person shall be sent to the Transmission System Operator and Market Operator.
5. The Licensee shall hand over to ERO details of any changes in information submitted in the course of application for this license.

For the purposes of this Article:

***"Information"*** – shall mean any material in any form and shall include, without limitation, any contract, book, document, record, accounting, calculation (status or other), assessment, return or report of any description or any explanation (verbal or written) with respect to these information that may be requested from ERO.

#### **Article 20: Extension, modification, suspension, transfer and termination of licence**

1. ERO may extend, modify, suspend, and terminate this license in accordance with the Law on Energy Regulator and the Rule on Licensing of Energy Activities in Kosovo.
2. ERO may transfer this license in accordance with the Law on Energy Regulator Licensing and Rule on Licensing of Energy Activities in Kosovo, subject to requirement that the license obligations shall be performed by another Licensee or that the transfer may not be to the detriment of customers.

#### **Article 21: Fees**

The Licensee shall pay any initial or annual fees to ERO, as prescribed under Rule on Fees adopted by ERO.

#### **Article 22: Administrative Measures and Fines**

1. In case of violation of provisions of applicable legislation including the rules issued by ERO or Articles and conditions of this License or the instructions given to the Licensee by the ERO, ERO has the power to cite administrative measures and penalties to Licensee, in accordance with Article 57 of Law on Energy Regulator and the Rule on Administrative Measures and Fines.
2. Administrative measures and fines may be cited to the enterprise as a legal entity as well as to responsible persons within the enterprise.



3. The amount of the fine shall be assessed in accordance with the Law on Energy Regulator and the Rule on the Administrative Measures and Fines.

### **Article 23: Dispute Resolution**

1. Any dispute that may arise on or is related to licensed activities shall be resolved in accordance with the Rules on Resolution of Complaints and Disputes in the Energy Sector, issued by ERO.
2. Decisions of ERO related to amendment, suspension, termination and transfer of license as well as decisions on fines as a consequence of license terms violations or violations of applicable legislation, may be challenged by the Licensee at the competent court, in conformity with the applicable legislation.

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