

Energy Regulatory Office (ERO)

Licensing Procedure and Content of the Electricity Licenses

**Merita Kostari,
Head of Legal and Licensing Department
Member of the Bordi of ERO**

Prishtina, September 2006



License Procedure and presentation of content of Licenses

- ❶ Adoption and promulgation of Rule on Licensing of Energy Activities in Kosovo by Bord of ERO on **24 February 2006;**
- ❷ Rule entered into force one (1) month after adoption (article 48.1 of Rule) - **on 24 March.**
- ❸ Article 49.1 of Rule determines the application of energy enterprises for license **within ninety (90) days** from the date it enters into force.
- ❹ Article 33.2. of the Law on Energy Regulator provides that ERO **may issue licenses, licenses with conditions, or refuse to issue the licenses** in a justified way.

License Application Procedures

- ❶ Deadline for application for license to ERO **was 24 of June** and the deadline for issuance of the licenses is **24 of September**.
- ❶ After promulgation of the Rule on Licensing , ERO has published it together with application forms for licenses.
- ❶ On 4 of May we held **workshop** with KEK (all Divisions). The purpose was to assist the applicants in relation to application procedures.
- ❶ From KEK was taken the **list of all traders** involved in import of electricity (or KEK purchased from them) and all were invited by ERO to apply for license.

License Application Procedures

- ❶ From 18 invited traders applied companies : EGL, EFT and EZPADA whereas **after deadline for review** of applications has applied **3 other traders**.
- ❷ The applications that has arrived after the term of 90 days from the date mentioned in the beginning of this presentation will be evaluated and discussed in separate public session.
- ❸ Starting from 24 August ERO has requested from Applicants (depends on completion of their application) **to publish** in 2 daily newspapers a summary of application together with information that ERO is in the process of review of applications. The publication was undertaken by all.
- ❹ On 24 August ERO has started to deliver the invoices for payment of initial fee for review pf applications pursuant to Schedule of FEE (Rule adopted by Bord of ERO)

License Application Procedures

Korporata Energjetike e Kosovës J.S.C (“KEK”)

- On **23 June 2006** has applied for license for :Generation, Distribution, Supply/Trade and Public Supply License.
- Within period from **10 July until 03 September** were requested additional information or documents which were sent until 04 September, whereas on 18 of September has submitted Environment Permit .
- The **relevant draft licenses** (4) were sent to KEK and the **comments received** from KEK were taken into consideration in the last version of licenses.

License Application Procedures

KOSTT- TRANSMISION SYSTEM AND MARKET OPERATOR

-Has applied **on 26 June 2006** for Transmission and Market Operator License.

-On Date **26 July** and latter the missing documents were requested and by 25 August 2006 the application was completed.

-KOSTT has received the **draft licenses (2 X)** from ERO for comments and has sent the comments which were taken in consideration by ERO.

TRIANGLE GENERAL CONTRACTORS- branch in Kosova

- On **26 June 2006** has submit the Application for License for Generation of Electricity.

- Until **21 August** he submitted all additional documents that were requested, except Environmental Permit.



License Application Procedures

- The applicant has submitted to ERO **Permit for rehabilitation of HPP issued by MESP, Permit for water**, and also signed and stamped **Statement** that has applied at MESP for Environmental Permit and soon as they get it they will submit it to ERO.(Temporary Permit received on 18 September)
- Triangle has received the draft license from ERO and sent the comments which were taken in consideration.

“IBER LEPENC” for HPP Ujmani

- On **27 June 2006** has submitted Application for a license for Generation of Electricity.
- From **04 August** and few times later ERO has requested missing or additional documents or information.

License Application Procedures

- On 11 August 2006 the above mentioned evidences were submitted, whereas on 18 of September has submitted the **temporary Environmental Permit**, except Water Permit for what the applicant has submitted the **signed and stamped Statement** and stated that has applied at MESP and in the moment of receiving the mentioned Permit it will be submitted to ERO.
- They received the draft licenses for generation from ERO and no comments were sent.
- **Our licenses forms contains necessary conditions for the Licensee** i.e.-to act in accordance with all applicable legislation on environment in Kosova or: to act in compliance with applicable legislation on labour and in relation with work security; Relating to the regular reporting of each licensee

License Application Procedures

to ERO or any change related to the evidences submitted during the application, supply standards, transmission, distribution standards etc.

License **is summary of relevant provisions** that is based on:

- Law on Energy,
- Law of Electricity,
- Law on Energy Regulator,
- Rule on Licensing of Energy Activities in Kosova,
- Rule on Disputes Settlement Procedures,
- Schedule of Fees,
- Draft Market Rules,
- Other rules adopted by Board of ERO in previous public sessions.

Legal Basis in dispositions of the License

1) Draft License for Generation of Electricity for “Ibër Lepenc” and “Triangle” from HPP

Part I-Terms of Licenses are based on Article 6 of Law on Electricity.

The duration of the licenses is **20 years** (for Triangle based on PPA with KEK) whereas for Ibër Lepenc based on evaluation (according to Law-maximum 30 years)

- ① **Article 1: Definitions and Interpretation** (definitions from Law on Energy, Law on Electricity and Law on Energy Regulator);
- Article 2 : Separate Accounts for the Generation Businesses** – pursuant Article 26.1 of Rule on Licensing of Energy Activities in Kosovo;

Legal Basis in dispositions of the License

Article 3: Prohibition of Cross-subsidies - pursuant Article 46 të Law on Energy Regulator;

Article 4: Prohibition of Discrimination - pursuant Article 15.4 të Law on Energy Regulator;

Article 5: Compliance with the Distribution Code, Grid Code and Metering Code - pursuant Article 15.2 of Law on Energy Regulator and Article 1.4 e) Rule on Licensing...;

Article 6: Central Dispatch – based on Market Rules;

Article 7: Ancillary Services - pursuant Article 22 dhe 24.1 of Rule on Licensing;

Article 8: Appointment of Operators – appoint a suitable qualified and experienced individual to take responsibility for the operation of each generation unit

Legal Basis in dispositions of the License

Article 9: Market Rules – based on draft Market Rules;

Article 10: Health and Safety –pursuant to Articles 21 dhe 23.2 of Rule on Licensing...;

Article 11: Environment - pursuant Articles 11.4, 21 dhe 23.2 Rule on Licensing, Ligjeve and secondary legislation of MESP;

Article 12: Labour - pursuant to Article 11.4 of Rule on Licensing...;

Article 13: Disposal and Outsourcing of Relevant assets of the Licensee – pursuant Article 42 of Rule on Licensing;

Article 14: Insurance Obligations - pursuant Article 29.2 of Rule on Licensing;

Article 15: Change in Control of the Licensee - pursuant Articles 36 and 29.1 of Rule on Licensing;

Legal Basis in dispositions of the License

Article 16: Public Service Obligation - pursuant Article 8 of Law on Electricity (only for Ibër Lepenc and not Triangle)

Article 17: Provision of Information to ERO -pursuant Articles 13.1; 27.2, 50.2 and 57.1 of Law on Energy Regulator;

Article 18: Reasons for License Termination, Withdrawal and Modification – Chapter 9 of Rule on Licensing;

Article 19: Fees – pursuant to Schedule of Fees;

Article 20: Administrative Fines and Measures – pursuant Article 57 of Law on Energy Regulator and draft Rule on Administrative Fines and Measures;

Article 21: Settlement of Disputes – pursuant Article 2.1 of Rule on Disputes Settlement Procedures.

Legal Base of provisions of the License

2) Draft License for Generation of Electricity with Conditions for KEK J.S.C (Kosova_A)

-All Articles as in Draft License Nr. 1 (Generation from HPP) except in **Part I -Terms of License** – the validity of the license is **5 years** (based on technical lifespan of the of the existing generation station);

- Also in Article 2 (**Separate Account for Generation Businesses**) is put the Condition:

In accordance with Article 49.2 of Rule on Licensing of Energy Activities in Kosova, the Licensee shall comply in with requirements of this Article within twelve (12) months from the date of issuance of this license.

Legal Base of provisions of the License

- In **Article 5 - Compliance with the Grid Code and Metering Code** there is **another condition** and ERO for implementation of this Article will assign a term which will depend when the mentioned Codes will be prepared and adopted.
- In **Article 10: Market Rules** is put the **third condition** where the ERO may issue directions relieving the Licensee from the obligations from paragraph 1,2 and 3 below related to parts of Market Rules in such content as set forth in such directions.
- In **Article 12: Environment**, the condition is given for a certain period of time to provide the Environmental Permit from the MESP. Depending on the Permit we will analyze implementation of this requirement with KEK.

Legal Base of provisions of the License

3) Draft License for Generation of Electricity with Conditions for KEK J.S.C (Kosova_B)

All Articles as in License for Generation for Kosova A except in Part I – validity of the License **is 20 years**. Depending from the Permit issued by MESP Article 12: The environment has to be analyzed again with KEK.

4) Draft License for Public Supply with Conditions – (only for KEK)

-Part I – Terms of License is based in Article 6 and 9 of Lw on Electricity where KEK is given exclusive right to sell electricity to non-eligible customers (regulated prices) and the validity of this license is **10 years** (pursuant to Article 31 of Law on Energy Regulator);

Legal Base of provisions of the License

- Article 5 :Compliance with the Codes and Rule on General Conditions for Energy Supply** – pursuant Article 15.2 të LER, Article 1.4 e) Rule on Licensing...and Article 4.2 b) of Rule on General Conditions for Energy Supply;
- **Article 6: Governance of Licensee's obligations** - pursuant to Article 3 of Rule on Licensing;
- Article 7: Security and Safety** - pursuant to Article 11.4 of Rule on Licensing;
- **Article 8: Overall and Minimum Standards of Performance** – pursuant to Article 19 of Rule on Licensing;

Legal Base of provisions of the License

Article 9: Procedures for the detection and prevention of theft, damage and meter interference-Article 28.7 of Rule on general Conditions for Energy Supply;
-Other Articles same as in previous license.

5) Draft License for “Supply/Trade with Electricity” (for KEK J.S.C, and other traders (EGL, EFT dhe EZPADA)

All Articles are the same as in **Public Supply License** except **Part I – Terms of licenses**, where legal base is Article 23.3 of Law on Electricity and the validity of these licenses is **2 years** (Article 31 of Law on Energy Regulator). In this License **Article 19 – Public Service Obligation is missing** and **Article 6 – Governance of Licensee’s Obligations**.

Legal Base of provisions of the License

6) Draft Distribution License to KEK.J.S.C-with Conditions

- **Article 5: Operation of the Distribution System** - pursuant to Article 11 of Law on Energy, Tariff Methodology, Rule on Principles of Calculation of Tariffs, Articles 17, 18, 19, 25, 26, 30 and 31 of Law on Electricity.
- **Article 6: Development Plan** pursuant to Article 18 of Rule on Licensing;
- **Article 7: Economic Purchasing of Assets, Services and Ancillary Services** - pursuant to Article 42 of Rule on Licensing;
- **Article 9: Provision of metering and data services** (pursuant to Rule on General Conditions for Energy Supply);

Legal Base of provisions of the License

- Article 10: Detection and prevention of theft of electricity, damage and meter interference** – pursuant to Article 22.5 of Rule on Licensing
- Article 11: Distribution System Security and Planning Standards** – pursuant to Article 4 and Article 38.7 of Law on Electricity (within 12 months).
- Article 12: Operating Security Standards** – pursuant Article 4 and Article 38.7 of Law on Electricity (within 12 months).
- Article 13: Overall and Minimum Standards of Performance of Distribution Operator Business** –6 months pursuant to Article 33 of the Rule on Licensing ;

Legal Base of provisions of the License

-Article 14: Access to Land and/or Premises

Pursuant to Article 26 of Law on Energy;

- **Article 15: Restriction on Use of Certain Information** - pursuant to Rule on Confidentiality of Information and Article 13 and 50.2 of the Law on Energy Regulator
- **Article 16: Provision of Information to the TSO** - draft Market Rules;
- **Article 17: Other information Given to Customers** – pursuant to Article 31 of Rule on Licensing;
- **Article 18: Code of Conduct of the Distribution System Operator** – experience of the region;

Legal Base of provisions of the License

- **Article 22: Insurance Obligation** –the condition that within 12 months to conclude the insurance contract for distribution assets.
- **Article 24: Public Services Obligation** – pursuant to Article 22.4 of Rule on Licensing of Energy Activities in Kosova. License will be given for the period of **30 years**. Other Articles as in other Licenses.

Legal Base of provisions of the License

7) Draft License for KOSTT- Transmission with Conditions

- All Articles are the same as in the **Distribution of Electricity License**, except some differences that this license has:
 - Article 8- Energy Balance** – pursuant to Article 6 of Law on Energy,
 - Article 11: System Operation** – pursuant to Article 38.7 of Law on Energy, Law on Electricity and draft Market Rules.
- This License does not contain the Articles as Distribution License about: **Detection and prevention of theft of electricity, damage and meter interference and other information related to customers.**
- The License will be given for period of **30 years**.

Legal Base of provisions of the License

7) Draft Market Operator License to KOSTT-with Conditions

All dispositions are the same as per TSO License, except some specific Articles which are based on Market Rules:

Article 8 : Accession to Market Rules ;

Article 9: Operational Communications ;

Article 10 Capacity Availability ;

Article 12: Notification on Energy Contract;

Article 13: System Operation Forecasting ;

Article 14: Settlement and Energy Imbalance Prices .

The license will be issued for the period of **30 years**.



ERO

Energy Regulatory Office



Thank you!!!

Energy Regulatory Office
Str."Hamdi Mramori"Nr. 1
10 000-Prishtin, Kosovë
Tel: +381 (0) 38 247 615 ext. 101
Fax: +381 (0) 38 247 620
e-mail: info@ero-ks.org
www.ero-ks.org 25



ERO

www.ero-ks.org