

Energy Regulatory Office

ESTABLISHMENT OF DISTRIBUTION SYSTEM OPERATOR

Prepared by: Naim Bejtullahu
Member of ERO Board Kosovo



Energy Regulatory Office

A. LEGAL REQUIREMENTS:

1. Law on Electricity(Chapter 5)

17.1. Within 60 days after the promulgation of this Law, The Government of Kosovo shall appoint one or more legal persons as candidate to become a Distribution Network Operator. A candidate shall apply for a license from the Energy Regulatory Office within 90 days from the date of its appointment by the Government.

Energy Regulatory Office

17.2. If a Distribution Network Operator is part of a vertically integrated enterprise, it shall be independent from all other activities not relating to distribution, at least in terms of its legal form, organization and decision making.

Energy Regulatory Office

- 17.3. In order to ensure the independence of a Distribution Network Operator, the following minimum criteria shall apply:**
- a). those persons responsible for the management of a Distribution Network Operator may not participate in company structures of any integrated electricity enterprise responsible, directly or indirectly, for the day-to-day operation of the generation, transmission or supply of electricity;**
 - b). appropriate measures must be taken to ensure that the professional interests of the persons responsible for the management of a Distribution Network Operator are taken into account in a manner that ensures that they are capable of acting independently;**



Energy Regulatory Office

- c). a **Distribution Network Operator** shall have effective decision-making rights, independent from the integrated electricity enterprise, with respect to assets necessary to operate, maintain and develop the network. Nonetheless, the parent company may annually approve a financial plan proposed by a **Distribution Network Operator** and including its maximum level or indebtedness;
- d). a **Distribution Network Operator** shall establish a compliance program, which sets out measures taken to ensure that discriminatory conduct is excluded, and ensure that observance of it is adequately monitored. The program shall set out the specific obligations of employees to meet this objective. An annual public report, setting out the measures taken, shall be submitted by the person or body responsible for monitoring the compliance program to the **Energy Regulatory Office**.



Energy Regulatory Office

Article 18

18.1. A Distribution Network Operator shall be responsible for:

- a). maintaining a secure, reliable and efficient electricity distribution system in its area with due regard for the environment;
- b). ensuring non-discrimination between network users or classes of network users, particularly in favor of any subsidiary or shareholder;
- c). providing system users with the information they need for efficient access to the system;
- d). planning the development of the distribution network, taking into account energy efficiency measures or distributed generation that might supplant the need to upgrade or replace electricity capacity;



Energy Regulatory Office

- e). **drafting and publishing short-term and long-term plans for developing the distribution networks and coordinating such plans with municipalities;**
 - f). **studying the economic development and demand change prospects in its territory;**
 - g). **assisting the municipalities in the preparation of their plans, programs and development strategies;**
 - h). **making the content of its short-term and long-term plans available to the transmission network operator.**
- 18.2. A Distribution Network Operator shall procure the energy it uses to carry out its functions according to transparent, non-discriminatory and market-based procedures.**



Energy Regulatory Office

Article 19

19.1. A Distribution Network Operator shall not divulge confidential information obtained in the course of carrying out its business, and shall prevent information about its own activities which may be commercially advantageous from being disclosed in a discriminatory manner.

19.2. Notwithstanding paragraph 1, the Energy Regulatory Office may require a Distribution Network Operator to divulge confidential information required to perform its functions, powers, and duties.



Energy Regulatory Office

2. EU Directive 2003/54(Chapter V)

DISTRIBUTION SYSTEM OPERATION



Energy Regulatory Office

Article 13

Designation of Distribution System Operators Member States shall designate or shall require undertakings that own or are responsible for distribution systems to designate, for a period of time to be determined by Member States having regard to considerations of efficiency and economic balance, one or more distribution system operators. Member States shall ensure that distribution system operators act in accordance with Articles 14 to 16.



Energy Regulatory Office

Article 14

Tasks of Distribution System Operators

- 1. The distribution system operator shall maintain a secure, reliable and efficient electricity distribution system in its area with due regard for the environment.**
- 2. In any event, it must not discriminate between system users or classes of system users, particularly in favour of its related undertakings.**
- 3. The distribution system operator shall provide system users with the information they need for efficient access to the system.**



Energy Regulatory Office

- 4. A Member State may require the distribution system operator, when dispatching generating installations, to give priority to generating installations using renewable energy sources or waste or producing combined heat and power.**
- 5. Distribution system operators shall procure the energy they use to cover energy losses and reserve capacity in their system according to transparent, non-discriminatory and market based procedures, whenever they have this function.**



Energy Regulatory Office

- **Return on assets, regulated indirectly in accordance with Article 23(2), in a subsidiary are protected. In particular, this shall enable the parent company to approve the annual financial plan, or any equivalent instrument, of the distribution system operator and to set global limits on the levels of indebtedness of its subsidiary. It shall not permit the parent company to give instructions regarding day-to-day operations, nor with respect to individual decisions concerning the construction or upgrading of distribution lines, that do not exceed the terms of the approved financial plan, or any equivalent instrument.**
- (d) the distribution system operator shall establish a compliance programme, which sets out measures taken to ensure that discriminatory conduct is excluded, and ensure that observance of it is adequately monitored. The programme shall set out the specific obligations of employees to meet this objective. An annual report, setting out the measures taken, shall be submitted by the person or body responsible for monitoring the compliance programme to the regulatory authority referred to in Article 23(1) and published.**



Energy Regulatory Office

B. CURRENT STAGE OF DISTRIBUTION NETWORK

- Distribution actually operate under vertically organized KEK.
- Incorporation is an ongoing activity which is expected to be completed at end of the year.

C. DEADLINE FOR ESTABLISHMENT OF DSO

- January 2008

D. NEEDNESS OF ACTIONS TO BE TAKEN

- 1. **Development Distribution Code**
- 2. **Development of Distribution Policy Framework**
 - ◆ • Status of DSO
 - ◆ • Role of DSO in the future electricity market
- 3. **Institutional Design**
 - Organization Design
 - Performance Indicators
 - Commercial Agreement



Energy Regulatory Office

→ E. RECOMANDATION

Establishment of DSO require to be provided ASAP Technical Assistance.

