



ZYRA E RREGULLATORIT PËR ENERGJI
REGULATORNI URED ZA ENERGIJU
ENERGY REGULATORY OFFICE

PUBLIC ELECTRICITY SUPPLY LICENSE

GRANTED TO:

**KOSOVO ELECTRICITY DISTRIBUTION AND
SUPPLY "KEDS" JSC COMPANY**

Registration Number: ZRRE/Li/Tr_07/12

IS HEREBY TRANSFERRED TO

**“KOSOVO ELECTRICITY SUPPLY COMPANY”
(KESCO) J.S.C**



CONTENTS

CHAPTER I: TERMS OF THE LICENSE	3
CHAPTER II: LICENSE CONDITIONS	4
Article 1: Definitions.....	4
Article 2: Separate Accounts for Public Electricity Supplier Activities.....	4
Article 3: Tariffs and Prohibition of subsidies and cross-subsidies.....	5
Article 4: Compliance with Distribution Code, Grid Code, Metering Code and Rule on General Conditions of Electricity Supply.....	6
Article 5: Obligations of the Licensee.....	6
Article 6: Economic Purchase of Electricity, Assets and Services	6
Article 7. Consumer Protection	7
Article 8: General and Minimum Compliance Standards.....	7
Article 9: Market Rules.....	8
Article 10: Health and Safety.....	8
Article 11: Labour	8
Article 12: Changes in Control of Licensee.....	8
Article 13: Public Service Obligation	8
Article 14: Supplier of Last Resort.....	9
Article 15: Provision of information to ERO	10
Article 16: Renewal, Modification, Suspension, Transfer and Termination of License	11
Article 17: Taxes	11
Article 18: Administrative Measures and Fines	11
Article 19: Dispute Resolution.....	11



CHAPTER I: TERMS OF THE LICENSE

1. **Energy Regulatory Office (hereinafter “ERO”)**, in conformity with the authority vested under the Law on Energy Regulator (Law No. 03/L-185), Article 15 of the Law on Energy (Law no. 03 / L - 184), Law on Electricity (Law No. 03/L – 201), and Rule on Licensing of Energy Activities in Kosovo, hereby **transfers the Public Electricity Supply License** from the Kosovo Electricity Distribution and Supply Company JSC to “Kosovo Electricity Supply Company” (KESCO) JSC (hereinafter "the Licensee").
2. Territory covered by this license is the entire territory of the Republic of Kosovo.
3. The Licensee is entitled to:
 - 3.1. sell, on exclusive basis, electricity to tariff (regulated) customers at regulated tariffs, in accordance with this license;
 - 3.2. purchase electricity from generators of electricity at regulated tariffs in accordance with Article 7 of the Law on Electricity and Article 41 of the Law on Energy Regulator;
 - 3.3. purchase capacity and electricity from generators or other suppliers at unregulated tariffs, in accordance with applicable law;
 - 3.4. sell capacities and electricity to other licensed electricity companies in accordance with procedures specified by the ERO, in case demand of its customers for electricity drop below the contracted levels;
 - 3.5. import capacity and energy in accordance with Article 18, paragraph 2 of the Law on Electricity;
 - 3.6. export capacity and electricity in case the customer demands for electricity are lower than the contracted capacity;
 - 3.7. bill and collect revenue from its customers in accordance with Article 18, paragraph 8 of the Law on Electricity and Rules in force;
 - 3.8. deal with complaints of its customers;
 - 3.9. supply electricity to eligible customers at unregulated tariffs when requested by eligible customers, in accordance with the requirements of this license, the Law on Electricity and applicable legislation.
4. The license is valid from **04 October 2006** and shall continue to be valid for a period of thirty (30) years, until **04 October 2036**, with the possibility of renewal, in line with Rule on Licensing of Energy Activities in Kosovo.
5. In accordance with Article 38 of the Rule on Licensing of Energy Activities in Kosovo, this license is hereby transferred from the “Kosovo Electricity Distribution and Supply Company” JSC to the “Kosovo Electricity Supply Company” JSC, and this transfer shall enter into force on 01 January 2015.

Stamped with the common stamp of the Energy Regulatory Office: _____.

Signature (on behalf of the ERO Board): _____.



CHAPTER II: LICENSE CONDITIONS

Article 1: Definitions

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

"Member" - direct or indirect relationship with the Licensee, any shareholder company or subsidiary of the Licensee, or any subsidiary of a shareholder company of the Licensee, established under legislation in force.

"Financial Year" – period from 1 January to 31 December of the same calendar year.

"Legislation" – Law on Energy (Law No. 03 / L - 184), Law on Energy Regulator (Law No. 03 / L - 185), Law on Electricity (Law No. 03 / L - 201) and any other primary or secondary legislation regulating the energy sector.

"Market Rules" - rules adopted by the ERO to determine the functioning of the electricity market and the relationship between the Market Operator and market participants, as well as interactions between these parties and the Transmission System Operator.

"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.

"Power Purchase Agreement" – an agreement for purchase of electricity with the producer of energy in accordance with Article 18 on of the Law on Electricity.

"Subsidiary" - any enterprise owned or controlled by another enterprise, as defined by the applicable law in Kosovo.

"Eligible customer" – customer that is free to purchase electricity from supplier he/she chooses.

2. Other terms used in this license shall have the same meaning as the terms used in applicable legislation.

Article 2: Separate Accounts for Public Electricity Supplier Activities

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 for the activities of the Public Electricity Supplier must be separate from



internal accounts of other activities, as if these activities were carried out 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 activity of the Public Electricity Supplier in general as well as separate accounts for:
 - 3.1. Supply of eligible customers at unregulated tariffs,
 - 3.2. Supply of eligible customers at regulated tariffs,
 - 3.3. Supply of non-eligible customers.
4. Accounts separated under paragraph 3 of this Article, shall be prepared in accordance with Article 46 of the Law on Energy Regulator. If required by ERO from time to time, the Licensee shall send all accounts in the form and on the date specified by the ERO. Regulatory accounting shall be held in accordance with guidelines regarding ERO Regulatory reporting statements, and may, among others, specify:
 - 4.1. 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, debts, reserves or supplies, which are charged from any other activity or established by allocation or apportionment between the consolidated Public Electricity Supplier activities and any other activity;
 - 4.2. 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 debts attributable to specified activities;
 - 4.3. regulatory accounting principles and policies (including the basis for allocation of costs).
5. In connection with the regulatory accounting statements regarding the financial year, the Licensee shall not, with regard to account state related to financial years, change the payments basis, apportionment or allocation from those applied in previous financial years, unless ERO had previously issued appropriate guidance or written approval thereto.
6. The Licensee shall act in compliance with every instruction issued by ERO and legislation in effect.

Article 3: Tariffs and Prohibition of subsidies and cross-subsidies

1. All tariffs charged by the Licensee related to performance of its licensed activities shall



be determined in accordance with the Pricing Rule of the Public Electricity Supplier, as approved by ERO.

2. The Licensee shall prevent or avoid any situation where public supplier activity awards or receives any subsidy or cross-subsidy (direct or indirect) from any other activity of the Licensee and / or any Subsidiary (partner) or any member and / or from any other person.
3. The Licensee shall also ensure that it shall not allow any cross-subsidy (direct or indirect) between eligible customers at regulated and unregulated tariffs, neither between eligible and non-eligible customers, nor between any other of its individual customers or customer categories, except at the level approved by the ERO.

Article 4: Compliance with Distribution Code, Grid Code, Metering Code and Rule on General Conditions of Electricity Supply

1. The Licensee shall comply with the provisions of the Distribution Code, Grid Code, Metering Codes and Rules on the General Conditions of Electricity Supply.
2. The Licensee may seek derogation (postponement) in implementation of those provisions that are inapplicable under paragraph 1 of this Article. ERO shall, after reviewing the application by the Licensee, may allow or refuse the derogation (postponement) of the implementation deadline.

Article 5: Obligations of the Licensee

1. The Licensee shall perform the licensed activity in Kosovo in an effective, economic and coordinated manner, in accordance with the applicable legislation.
2. The Licensee shall take all necessary actions to implement the obligations under the applicable legislation, provisions of this license and agreements concluded with parties including any Power Purchase Agreement (PPA).
3. The Licensee shall comply with the provisions of Article 18 of the Law on Electricity and take all necessary measures to comply with those requirements in order to guarantee its independence.

Article 6: Economic Purchase of Electricity, Assets and Services

1. In contracts or agreements for purchase of electricity, assets, or services that are necessary to carry out the obligations of the Licensee under this license as well as the applicable legislation, the Licensee shall purchase the electricity, assets or services at the most economical sources available to it.



2. Given the economic resources available, the Licensee shall take into account the quantity, nature, diversity and security of sources of electricity, assets and services at the time of purchase, and in accordance with its needs, in order to enable to it to perform its duties under the applicable legislation and this license. The Licensee shall maintain adequate records on all such contracts or agreements, and upon ERO's request, the Licensee shall prove that it met the requirement of economic purchase, in accordance with applicable legislation.

Article 7. Consumer Protection

1. The Licensee shall ensure equal and non-discriminatory treatment to all customers, with respect to the rights and obligations relating to electricity services.
2. The Licensee is responsible for protecting its customers, by addressing the complaints made in respect of any act, neglect or breach made by the supplier itself or system operator, and by making reasonable efforts to resolve such complaints.
3. The Licensee shall provide at least one official during business hours, to answer customer questions and requests.
4. Officials of the Licensee, responsible for receiving phone calls and receiving customers in office, must be qualified and properly instructed, on appropriate and expedient way of handling issues of complaints/disputes and requests for service or refer them to the relevant department.
5. The Licensee is obliged to respond to all customer complaints, efficiently and fairly, in accordance with Rule on Resolution of Complaints and Disputes in Energy Sector.
6. The Licensee shall inform its customers of the postal address, phone number, fax number and email address of the information service it established with the purpose of receiving their complaints or reporting incidents.

Article 8: General and Minimum Compliance Standards

1. The Licensee shall comply with all standards of electricity supply and service quality as approved by ERO.
2. Whenever required by the ERO, or where the Licensee deems reasonable, the Licensee shall review the existing general and minimum performance standards, within the deadline specified by the ERO.
3. The Licensee shall implement the approved standards and shall propose for approval to the ERO the procedure on monitoring the fulfillment of standards of supply and service quality. The Licensee shall act in conformity with the approved procedures.
4. The Licensee shall provide ERO not later than 31 March of each calendar year a report on



its activity regarding standards to be met. This report will include information and analysis regarding the implementation of standards under this Article.

5. The Licensee shall, on March 31 of each calendar year, publish statistics as requested by ERO, regarding compliance with performance standards established in this Article, or failure thereof.

Article 9: Market Rules

1. The Licensee shall act in conformity with the applicable Market Rules.
2. The Licensee may seek derogation (postponement) in implementation of certain provisions of the Market Rules. ERO may, after reviewing the application by the Licensee, allow or reject the derogation (postponement) of the implementation deadline.

Article 10: Health and Safety

1. The Licensee shall take all necessary actions to protect persons from injuries that may be caused by the Licensee while performing the activities of Public Supply, pursuant with applicable legislation.
2. The Licensee shall, in accordance with applicable law, perform technical and security checks (audits) on an annual basis, and shall submit the results of such inspection to the ERO, whenever required by the ERO.

Article 11: Labour

The Licensee shall, with respect to labour and safety at work, comply with the applicable legislation in Kosovo.

Article 12: Changes in Control of Licensee

1. The Licensee shall notify ERO of any changes expected in control at least sixty (60) days in advance. Change in control shall not take effect until it is 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 13: Public Service Obligation

The Licensee shall perform any public service obligation that may be determined by the ERO, in accordance with Article 47 of the Law on Energy Regulator.



Article 14: Supplier of Last Resort

1. The ERO, upon written notification (instruction), may oblige the Licensee to supply any customer with electricity.
2. Paragraph 1 of this Article shall be applied when the ERO:
 - 2.1. has revoked the supply license of any other Electricity Supplier, that supplied the customer; and
 - 2.2. considers that the Licensee can fulfill the obligations of the supplier of the last resort under paragraph 1 of this Article, without prejudice to its ability to:
 - 2.2.1; continue to supply customers; and
 - 2.2.2; fulfill contractual obligations for electricity supply.
3. Instruction on supply from the last resort shall enter into force from the date of revocation of the other Supplier's supply license and shall continue for a time period as specified in instruction.
4. The Licensee shall supply with electricity the customers that were supplied previously by the other Supplier, to the premises specified or described in the Instruction on supply from the last resort.
5. Immediately after the ERO issues the instruction on supply from the last resort, the Licensee, in accordance with the instruction of the ERO, will issue a notice and will deliver a copy of the notice to each customer. The notice that will be delivered shall:
 - 5.1. inform the customer in question that he will not be supplied any more from the other Supplier;
 - 5.2. inform the customer in question that the Licensee has become the Electricity Supplier for the customer from the date of entry into force of the instruction; and
 - 5.3. determine the obligations that shall be paid for the supply of electricity in accordance with the instruction, or will provide an explanation how the obligations have been set.
6. The Licensee shall charge the customer of last resort at the tariffs charged to other customers supplied in the same customer category as the customer in question. Potential additional costs associated with the service provided to the customer in question shall be allocated to the other customers of the Licensee, in a transparent and non-discriminatory manner.
7. In case when the category to which belongs the customer requesting service of the last resorts is supplied at regulated tariffs, the Licensee is obliged to notify the ERO in writing in regards to the potential additional costs related to the supply of the customer in question.



8. When the Licensee enters into contractual obligations to purchase electricity in order to comply with the obligations arising from this Article, the Licensee shall make all reasonable efforts to ensure that the purchase is as economically favorable as possible.

Article 15: Provision of Information to ERO

1. The Licensee shall submit to ERO information and reports in the manner and on time frames that ERO may deem appropriate.
2. The Licensee shall submit to ERO quarterly and annual reports on public supply activities and compliance with License conditions in line with Reporting Manual for Energy Sector, as approved by ERO.
3. If the Licensee, in accordance with Rule on Confidential Information, requires that any information should be treated as confidential, it is his duty to mark such information as confidential and justify its application to ERO. ERO will review the application in accordance with the Rule on Confidential Information.
4. ERO is entitled to ask of Licensee any confidential information, necessary for performance of its functions and duties in accordance with Article 12 of the Law on Energy Regulator.
5. The Licensee shall appoint a person to maintain the communication link with the Transmission System Operator and Market Operator. Address, phone number, fax number or electronic mail address of such person shall be sent to the Transmission System Operator and Market Operator.
6. The Licensee shall submit to ERO any copy of contracts signed in relation to supply, Power Purchase Agreements and any contract signed pursuant to Power Purchase Agreements.
7. The Licensee shall hand over to ERO details of any changes in information submitted in the course of application for this License.

In this Article:

"Information" – shall mean any material in any form and shall include, without limitation, any contract, book, document, record, accounting, calculation (statutory 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 16: Renewal, Modification, Suspension, Transfer and Termination of License

1. ERO may renew, 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 and Rule on Licensing Energy Activities in Kosovo, subject to requirement that the License obligations may be performed by another Licensee if the customers will not be detriment due to such a transfer.

Article 17: Taxes

The Licensee shall pay to ERO any initial and annual tax, set under the Rule on Taxes, issued by ERO.

Article 18: Administrative Measures and Fines

1. In case of violation of provisions of applicable legislation including the rules issued by ERO or Articles of this License or the instructions given to the Licensee by the ERO, ERO has the power to impose administrative measures and fines to the Licensee, in accordance with Article 52 of Law on Energy Regulator and the Rule on Administrative Measures and Fines.
2. Administrative measures and fines may be imposed 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 19: Dispute Resolution

1. Any dispute that may arise or is related to Licensed activities shall be resolved in accordance with the Rule on Resolution of Complaints and Disputes in the Energy Sector, issued by ERO.
2. Decisions of ERO related to renewal, modification, 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.