



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

LICENSE FOR THE PUBLIC ELECTRICITY SUPPLIER

ISSUED TO:

KOSOVO ENERGY CORPORATION J.S.C

Supply Division

Registration number: ERO/L_07/12

IS HEREBY TRANSFERRED TO:

**KOSOVO ELECTRICITY DISTRIBUTION AND
SUPPLY COMPANY J.S.C.**

Supply Division

Registration number: ERO/Li/Tr_07/12



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CHAPTER I: LICENSE TERMS

1. Energy Regulatory Office (henceforth “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), the Law on Electricity (Law No. 03/L – 201) and Rule on Licensing of Energy Activities in Kosovo, **hereby transfers the License for Public Electricity Supply**, from the Kosovo Energy Corporation J.S.C. (KEK J.S.C.) Supply Division to the Kosovo Electricity Distribution and Supply Company J.S.C. – Supply Division (hereafter ‘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 (regulated) tariff customers at regulated tariffs, in conformity 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 energy from generators or other suppliers at unregulated rates, 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 requirements of its customers for electricity drop to the levels below the contracted level;
 - 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 effect;
 - 3.8. deal with complaints of its customers;
 - 3.9. supply electricity to eligible customers at unregulated rates 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, as modified on 18.07.2012, is hereby **transferred** from the Kosovo Energy Corporation J.S.C. Supply Division to the Kosovo Electricity Distribution and Supply Company J.S.C. Supply Division.

Stamped with the common stamp of the Energy Regulatory Office:

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



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 effect.

"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 Regulator.

"Power Purchase Agreement" – agreement for purchase of power with the producer in line with Article 18 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. Terms used in this license shall have the same meaning prescribed to them as the terms used in applicable legislation.

Article 2: Separate accounts for Public 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 should be separate for public supply 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 deadlines 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 along with 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 will be held in accordance with guidelines regarding ERO Regulatory reporting statements, and may, among other, 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, liabilities, reserves or supplies, which are charged from any other business or established by allocation or apportionment between the consolidated Public 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 liabilities 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, and in relation to the accounting state related to any financial year, the Licensee shall not change the tariff bases, apportionment or allocation from those used in previous financial year, 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 with the 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 allocated 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 the Distribution Code, Grid Code, Metering Codes and the 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 Energy Supply.
2. The Licensee may seek derogation (postponement) in implementation of provisions that are inapplicable under paragraph 1 of this Article. ERO shall, after reviewing the application by the licensee, allow or refuse the derogation (postponement) of the application deadline.

Article 5: Licensee's Obligations

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 legislation in force, provisions of this license and related agreements 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 under the applicable legislation, the Licensee shall purchase the electricity, assets or services at 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 the electricity sources, assets and services at the time of purchase, and in accordance with its needs, in order to enable it to perform its duties under the applicable legislation and this license. The Licensee shall maintain adequate



records on all such contracts and agreements, and upon ERO's request, the Licensee shall prove that it met the requirement of economic purchase in conformity with the 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 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, who are responsible for receiving telephone 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 shall respond to all customer complaints, efficiently and fairly, in accordance with Rule on Resolving Disputes and Appeals in the 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 service quality and supply of electricity as approved by ERO.
2. Whenever required by 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 to ERO for approval procedure for monitoring of standards of quality and supply and service. The Licensee shall comply with 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, until 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 after reviewing the request may allow or deny the derogation (postponement) of the application deadline.

Article 10: 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 public supply operations, in accordance 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

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

Article 12: Changes in the Licensee's control

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 13: Public Service Obligations

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. ERO may, by written notice (instruction), require the Licensee to supply electricity to any customer.



2. Paragraph 1 of this Article shall apply when ERO:

2.1 has withdrawn the license to supply from some other supplier of electricity, from which the customer is supplied, and

2.2 finds that the Licensee may fulfill the obligations of the former supplier under paragraph 1 of this Article, without prejudice to its ability to:

2.2.1. continue supplying customers; and

2.2.2. fulfill contractual obligations for supply of electricity.

3. Instructions for supply from the last resort will take effect from the date of revocation / withdrawal of a license to supply from the other Supplier and will continue to be applicable for the period specified in the instruction.

4. The Licensee shall supply electricity to customers who were previously supplied by another supplier at the premises specified or described in the instruction for the supply from the last resort.

5. Immediately after the ERO has issued guidance for the supply from last resort, the Licensee shall, under the guidance of ERO, issue a notice and send a copy of the notice to each customer. The notice shall be sent to:

5.1. inform the customers that they will no longer be supplied from the other Supplier;

5.2. inform the customers that the Licensee is the electricity Supplier as of date of entry into effect of the instruction; and

5.3. establish amounts due payable for supply of electricity according to instruction as well as an explanation of how the dues were assessed.

6. The Licensee shall charge the customer of last resort with tariffs applicable to other customers, who are supplied in the same customer category as the customer in question. Potential additional costs associated with the customer service in question will be allocated to other customers of the Licensee, in a transparent and non-discriminatory manner.

7. In cases where, the category to which the customer requiring service of last resort belongs to is supplied at regulated prices, the Licensee shall notify ERO in writing about possible additional costs associated with supplying the customer in question.

8. When a licensee enters into contractual obligations for purchase of electricity to comply with the obligations of this Section, the Licensee shall make all reasonable efforts to ensure that the acquisition 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 timeframes that ERO may deem appropriate.
2. The Licensee shall submit to ERO quarterly and annual reports on Public Electricity Supplier activities and on compliance with license terms and conditions in line with Reporting Manual for the Energy Sector, as approved by ERO.
3. If the Licensee, in accordance with Rule on Confidential Information, requires that any specific information should be treated as confidential, it is its 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.
4. Energy Regulatory Office 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 through which it shall maintain communication with the Transmission System Operator and Market Operator. The address, telephone number, fax or electronic address of such person shall be forwarded to Transmission System Operator and Market Operator.
6. The Licensee shall submit to ERO any copy of signed supply contracts, Power Purchase Agreements and any contract signed in conformity with the 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.

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 16: Extension, Modification, Suspension, Transfer and Termination of the License

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 and Rule on Licensing 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 17: Fees

The Licensee shall pay ERO any initial and annual fee prescribed by the Regulation on Fees, issued by the 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 and conditions of this License or the instructions given to the Licensee by the ERO, ERO has the authority to cite administrative measures and fines to 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 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 19: 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 Disputes and Appeals in the Energy Sector, issued by ERO.
2. Decisions of ERO related to extension, 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 with the competent court, in conformity with the applicable legislation.