



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

LICENCE FOR DISTRIBUTION SYSTEM OPERATOR

ISSUED TO:

KOSOVO POWER CORPORATION J.S.C

Division of Distribution

Registration number: ZRRE/Li_06/12



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CHAPTER I: LICENCE TERMS

1. **Energy Regulatory Office (hereafter “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, as well as based on Decision of the Government of Kosovo designating the Kosovo Power Corporation (“KEK J.S.C.”) the only distribution system operator, **hereby modifies the Licence for Distribution System Operator of the electricity of Kosovo Power Corporation (“KEK J.S.C.”) J.S.C.-Division of Distribution** (hereafter "the Licensee").
2. Territory covered by this license is the entire territory of the Republic of Kosovo.
3. The Licensee may not be issued license for any other electricity activity, in conformity with Article 46.1 of the Law on Energy Regulator, on the condition that a member of the licensee may be issued a license for other electricity activities subject to relevant requirements of the Law on Energy Regulator and Law on Electricity.
4. The Licensee shall comply with the provisions and conditions specified in this license, The Law on Electricity and other applicable legislation.
5. The Licensee shall:
 - 5.1. Operate the distribution system in efficient, economical and coordinated manner, as prescribed by this License;
 - 5.2. Ensure long-term availability of system to meet any reasonable requirements for distribution, operation, maintenance and development of electricity as per market conditions, by exercising due care for environment protection and energy efficiency;
 - 5.3. Facilitate connection and use of system in a non-discriminatory manner and in conformity with the applicable laws, codes and rules;
 - 5.4. Encourage implementation of the Market Rules.
6. 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.
7. In case of change in the capacity of generating units of Kosovo B, the Licensee shall immediately notify the ERO.
8. In accordance with Article 34 paragraph 1 subparagraph 1.2 of the Law on Energy, this licence modifies the license of the licensee for generation of electricity, license number ZRRE/Li_05/06_B, issued on October 4, 2006, by the Energy Regulatory Office, and shall enter into effect on **18.07.2012.**



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:

"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.

"Compliance Programme" – programme required to be developed by the Licensee and approved by the ERO, according to Article 15 of the Law on electricity.

"Safety and Planning Standards of the Distribution System" – document to be prepared by the Licensee according to Article 11 of this License.

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

"Joint Stock Company" - a company defined as such in accordance with applicable law in Kosovo.

"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.

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

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 activity of the Distribution System Operator, and in accordance with requirements of ERO, shall submit them in the form and date specified by the ERO. Regulatory accounting shall be in accordance with Regulatory Accounting Guidelines and may, internal 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 Distribution System Operator 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 tariff bases, 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 conformity with the provisions of the Article 15 of the Law on electricity and shall undertake all necessary action to ensure compliance in order to ensure its independence.
6. The Licensee shall act in compliance with every instruction issued by ERO and legislation in effect.



Article 3: Fees, Charges and Prohibition of subsidies and cross-subsidies

1. All taxes and fees collected by the Licensee related to performance of its licensed activities shall be decided in accordance with the Pricing Rule of Distribution System Operator, Methodology of Connection Fees as approved by ERO.
2. The Licensee shall prevent or avoid any situation where generation activities awards or 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 other.

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

1. The Licensee shall comply with the provisions of the Network 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: Functioning of Distribution System

1. The Licensee is responsible for effective, economic and coordinated functioning of the distribution system, in accordance with the applicable legislation.
2. The Licensee shall offer conditions for connection and use of system, in conformity with the applicable legislation and the Rule on General Conditions of Electricity Supply. For any dispute arising in relation to connection or use of distribution system, provisions of Rule on Resolution of Disputes and Appeals in the Energy Sector, issued by ERO, shall apply.
3. The Licensee shall provide non-discriminatory access to system users or categories of system users, and shall not extend preferential treatment to Subsidiaries or stockholders as well as provide information required for effective access to system, in conformity with the Article 16 of the Law on Electricity.



4. In its website, the Licensee shall publish the Tariff Methodology on Use of Distribution System and Connection Fee Methodology, as approved by ERO.

Article 6: Development Plan

1. In accordance with Article 7 of the Law on Energy and Article 16 of the Law on Electricity, the Licensee shall develop and publish a medium and long term Distribution System Development Plan, covering periods of at least three (3) years and ten (10) years, respectively. The development plan should be made available to the Transmission System Operator and submitted to the ERO for approval.
2. The Licensee shall review long-term development plan every year, in order to ensure that the information submitted in the development plan remains accurate in all its material respects. Possible proposals for amendment or addenda of development plan should be submitted to ERO for approval.

Article 7: Economic Purchase of Assets and Services

1. The Licensee shall contract and acquire assets and services that are necessary to enable him to perform his obligations under the Grid Code and Distribution Code. Such contracts shall be made in accordance with the Law on public procurement and other relevant legislation applicable in Kosovo.
2. While entering into contract for acquisition of assets and services in accordance with paragraph 1 of this Article, the Licensee shall purchase or otherwise acquire services from most economic resources available.
3. Given the economic resources available, the Licensee take into account the quantity, nature, diversity, numbers and safety of such assets and services at the time of availability for purchase or acquisition, and shall enable it to perform its obligations under this license, the Distribution Code and other applicable legislation.

Article 8: 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 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). In cases where the Licensee wishes to dispose of assets or other inventory 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:

“Alienation” – 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:

- a) any equipment of the Distribution System used by the Licensee to perform its functions as prescribed under paragraph 2 herein;
- b) Any legal or profitable interest on any land and/or facility that contains such interests, and/or used by the Licensee to perform functions awarded by the License; and
- c) Any intellectual property.

Article 9: Supply of metering equipment and data service

1. In accordance with Articles 31 and 32 of the Law on Electricity, Distribution Code, Grid Code, Metering Code and DSO Market Rules, and upon request of customers, suppliers and Transmission System Operator, the Licensee shall provide the following services.
 - 1.1 Supply of metering equipment;
 - 1.2 Installation, metering, testing, repair and maintenance of metering equipment;
 - 1.3 Data collection services;
 - 1.4 Data transfer, data processing and data collection services.
2. The Licensee shall make all efforts to ensure the meter reading at each facility specified or described in the instruction of the last resource supplier, within fourteen (14) days of such notice.
3. The Licensee may entrust the meter reading to suppliers or to any other contractor. In this case, the Licensee shall ensure that the entity contracted for meter reading shall perform regular and accurate reading of meters, in conformity with the DSO Metering Code.
4. ERO may require the Licensee to collect and retain information, records and



documents in accordance with Article 28 of the Rule on Licensing of Energy Activities in Kosovo.

In this Article:

"Data Services" - data collection, data processing, data storage services and supply of data;

"Data transfer" - transfer of raw data and processed data on measurements to other licensed companies related to energy, as required for final calculations and for billing purposes;

"Data Processing" - services that include reviewing, validating, evaluating data from meter reading related to electricity consumption in buildings supplied with electricity through the meter, as well as creation, review and validation of data on electricity consumption in buildings that are not supplied with electricity through the meter; and

"Data Collection" - the collection of data from the meter reading, comparison (sorting) and sending these data to Market Operator.

Article 10: Identification and Prevention of Unauthorized Use of Electricity

1. The Licensee shall take all reasonable measures to identify and prevent unauthorized use of electricity, damage to any equipment or meter and other offenses specified in Article 39 of the Law on Electricity.
2. The Licensee shall apply the procedure to identify and prevent unauthorized use of electricity, and shall take precautions to protect DSO revenues.
3. At the request of the Licensee or ERO, Procedure for identifying and preventing unauthorized use of electricity can be amended (complemented) from time to time, however such amendment (addenda) shall be approved by ERO.

Article 11: Distribution System Safety and Planning Standards

1. The Licensee shall, within twelve (12) months of the approval of this license modification, shall develop Distribution System Safety and Planning Standards and shall submit them to the ERO for approval.
2. The Licensee shall be responsible for operation, ensuring the maintenance of the Distribution System, and if necessary, its development in accordance with Distribution System Safety and Planning Standards and such other standards of planning and operation which the Licensee may implement, subject to ERO's



approval.

3. The Licensee shall periodically review the implementation of Distribution System Safety and Planning Standards, and shall submit to the ERO
 - 3.1 a report of review findings; and
 - 3.2 proposals for potential amendment of Distribution System Safety and Planning Standards.
4. The Licensee shall publish on its official website, Distribution System Safety and Planning Standards.
5. The Licensee may seek derogation (postponement) of the implementation of some parts of Distribution System Safety and Planning Standards. ERO may, after reviewing the application by the Licensee, allow or refuse the derogation (postponement) of the implementation deadline.

Article 12: Operation Safety Standards

1. The Licensee shall, within twelve (12) months of the approval of the modification of this license, develop Operation Safety Standards and shall submit them to ERO for approval.
2. The Licensee shall implement the Operation Safety Standards and shall be responsible for operating the distribution system in accordance with these standards.
3. The Licensee shall periodically review the Operation Safety Standards and their implementation, and shall submit to ERO
 - 3.1 report on findings of such review, and
 - 3.2 proposed changes to be made to the Operation Security Standards.
4. ERO may issue instruction which require the Licensee to revise the Operation Safety Standards in such manner as shall be specified in instructions, and the Licensee shall comply with those instructions.
5. The Licensee shall publish the Operation Safety Standards in its official website.



Article 13: General and Minimal Standards of Compliance of Distribution System Activities

1. The Licensee shall comply with all standards of service quality and supply of electricity as approved by ERO.
2. When required by ERO, or where the Licensee deems it reasonable, the Licensee shall review the existing general and minimum performance standards and within the time specified by the ERO.
3. The Licensee shall implement the approved standards and shall propose to ERO for approval procedures 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 standards established in this Article, or failure thereof.

Article 14: Access to lands and/or buildings

1. The Licensee shall implement the Labour Code which sets out principles and procedures to follow in relation to any person acting on behalf of the Licensee and that requires access to land and / or buildings associated with the performance of licensed activities.
2. Labour Code shall include procedures to ensure that the person seeking access to land and / or building, on behalf of the Licensee:
 - 2.1. has the necessary competence to perform the required tasks;
 - 2.2. may be identified by the public; and
 - 2.3. are persons authorized to visit and access land or buildings.
3. The Licensee shall carry out period review of Labour Code and shall submit any changes to the Code to ERO for approval.

Article 15: Restrictions in Use of Certain Information



1. The Licensee shall, where necessary for the performance of licensed activities, disclose any information other than confidential information, which are kept and / or obtained in the course of performance of its functions as Distribution System Operator. Notwithstanding, the Licensee shall provide any information that ERO may ask with respect to performance the duties vested by the law in effect, and Article 25 of this License.
2. The Licensee shall ensure that any documents containing confidential information, must clearly identify the information as confidential (mark it as confidential information).
3. The Licensee shall take prescribed measures to prevent disclosure of confidential information from any person and such information may not be used or disclosed for any purpose other than as provided under the relevant provisions of applicable laws.

Article 16: Provision of Information to Transmission System Operator and other Distribution System Operators

1. In order to ensure efficient operation, coordinated development inter-functioning of related systems, the Licensee shall submit any necessary information to the Transmission System Operator and other Operators and Distribution System, in a manner and times that may reasonably be required by these operators.
2. In case of any dispute between the Licensee and any other party, the Licensee shall proceed in accordance with Rule for Resolution of Disputes and Appeals in the Energy Sector, issued by ERO.

Article 17: Customer Information

1. The Licensee shall keep its customers informed (unless the customer is supplied through its own power meter not channeled through the meter) on the quantity of electricity that is registered as consumed by that customer according to the meter, through which the customer is supplied.
2. The Licensee shall keep its customers informed about the procedure for resolving customer complaints and requests, and the role of the ERO in resolving such disputes.
3. The Licensee shall perform the obligations under paragraph 1 and 2 of this Article by providing relevant information for each invoice or statement given to the customer in connection with obligations to supply electricity.



Article 18: Distribution System Operator Compliance Programme

1. The Licensee shall, in accordance with Article 15 of the Law on Electricity, develop a compliance program which sets out measures to be taken on unbundling the distribution business from KEK integrated structures in terms of legal form, organization and decision making. ERO shall approve such program.
2. The program referred to in paragraph 1 of this Article shall also set out measures to eliminate discriminatory behavior and ensure that the program is monitored adequately.
3. The program shall determine the specific obligations of Distribution System Operator employees for accomplishing the objectives mentioned above. An annual public report that describes the measures that are taken shall be submitted by the person or body responsible for monitoring the compliance program with the Energy Regulatory Office.
4. The Licensee shall publish the compliance program in its official website.

Article 19: Market Rules

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

Article 20: 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 (audits) of distribution system on an annual basis, and shall submit the results of such inspection to the ERO, whenever required by the ERO.

Article 21: Labour

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



Article 22: 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 distribution system and for equipment used for distribution of electricity. Such contracts shall be submitted to ERO for review on annual basis.

Article 23: 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 24: 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.

Article 25: 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 to ERO quarterly and annual reports on Distribution System Operator activities and on compliance with license articles and 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 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.
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 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 26: 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 Licensing 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 27: 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 52 of Law on Energy Regulator and the Rule on Administrative Action 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 28: 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 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 with the competent court, in conformity with the applicable legislation.