



**Republika e Kosovës**  
**Republika Kosova - Republic of Kosovo**

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



## **LICENSE FOR ELECTRICITY MARKET OPERATOR**

**ISSUED TO:**

### **TRANSMISSION SYSTEM OPERATOR AND MARKET OPERATOR (KOSTT) J.S.C.**

**Registration number: ZRRE/Li\_16/17**

**Prishtinë, 13 April 2017**



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## Article 1 Purpose

1. **Energy Regulatory Office-** ERO (hereinafter “the Regulator”), pursuant to authority vested under Article 36 of Law on Energy Regulator (Law No. 05/L-084), Law on Energy (Law No. 05/L-081), Law on Electricity (Law No. 05/L-085) and Rule on Licensing of Energy Activities in Kosovo (ERO/Rule/No.07/2017), in its session held on 13 April 2017, amended (modified) to the Transmission System Operator and Market Operator (KOSTT) JSC. the “Energy Market Operator License”, for economic management of the electricity system (with license number ERO/Li\_16/12) to **License for Electricity Market Operator, granted to Transmission System Operator and Market Operator (KOSTT) JSC., with registration number ERO/Li\_16/17, having its address at St. “Iliaz Kodra” nn., 10 000, Pristina, Republic of Kosovo,** (hereinafter “the licensee”).
2. Amendment/Modification of this license comes as a result of changes in primary legislation in energy sector: Law on Energy Regulator (Law No. 05/L-084, which entered into force in July 2016); Law on Electricity (Law No.05/L-085, which entered into force in August 2016); Law on Natural Gas (Law No.05/L-082, which entered into force in July 2016); as well as Rule on Licensing of Energy Activities in Kosovo (ERO/RuleNo.07/2017, which entered into force on 31 March 2017).

## Article 2 Definitions

1. Terms used in this license shall have the following meaning:
  - a) **“Accession Agreement”** - document signed by the Market Operator and the accession party , upon which they agree to operate under the Market Rules as defined thereunder.
  - b) **“Financial Year”** – period from 1 January to 31 December of the same calendar year.
  - c) **“Legislation”** – Law on Energy (Law No. 05 /L-081), Law on Energy Regulator (Law No. 03/L-084), Law on Electricity (Law No. 05/L-085) and any other primary or secondary legislation regulating the energy sector.
  - d) **“Operation of the market”** - the activity pursued by the Market Operator regarding the management of the electricity market and the preparation of financial reports for market participants, excluding the purchase or sale of electricity, in accordance with the Market Rules;
  - e) **“Market Rules”** – the norms that regulate electricity trade between market participants and relations between parties of the electricity market, Market Operator



and Transmission System Operator, with the purpose of maintaining the physical balance in the market;

- f) **"Affiliated Person"** - any enterprise owned or controlled by another enterprise, as defined by Article 225.1 a) of the Law on Business Organizations 02/L-123, as amended.
2. Terms used in this licence shall have the same meaning ascribed to them as the terms used in applicable Legislation.

### **Article 3** **Rights, Obligations and Authorizations issued under this License**

1. The Licensee shall act in accordance with Articles defined in this License, Law on Electricity, Market Rules, Codes and other applicable legislation.
2. The Licensee shall, inter alia:
  - 2.1 ensure that the wholesale electricity market in Kosovo is at all times defined in accordance with applicable legislation and applicable Energy Strategy of the Republic of Kosovo, as it currently is and may be amended time after time in accordance with Law on Electricity;
  - 2.2 organize the wholesale market in impartial, transparent and non-discriminatory basis, in accordance with applicable legislation, Market Rules and the procedures developed by the licensee and approved by the Regulator.
  - 2.3 organize the procurement (transaction) of balancing energy and coordinate closely with the Transmission System Operator;
  - 2.4 calculate liabilities for return of costs for carrying out the licensed activity, in accordance with the methodology approved by the Regulator;
  - 2.5 carry out activities stipulated for Market Operator within Rule on Support Scheme for renewable sources and applicable laws, rules and codes.
3. The territory covered by this license is the entire territory of the Republic of Kosovo.
4. The Licensee in accordance with the Market Rules **is authorized** to conduct the following activities:
  - 4.1 accede to the Market Rules in the capacity of "owner";
  - 4.2 establish a process for adherence to Market Rules by all Trading Parties;
  - 4.3 administer the centralized electricity market;



- 4.4 manage the supplier switching process;
  - 4.5 maintain accounts for the Market Operator, the Transmission System Operator and Commercial Parties;
  - 4.6 compile and submit to the System Operator the daily programs of electricity transaction;
  - 4.7 manage the process of final reconciliation;
  - 4.8 bill mutual financial obligations of the Transmission System Operator and Market Operator and Trading Parties;
  - 4.9 act as agent for the financial reconciliation for the Transmission System Operator;
  - 4.10 perform the commercial functions of electricity balancing in line with Article 23 of the Law on Electricity;
  - 4.11 provide information on the electricity market, and
  - 4.12 perform other functions assigned by the Market Rules.
5. The Licensee shall not assign and / or transfer, nor shall it seek to assign or transfer any rights or obligations granted hereunder without prior approval of ERO.

#### **Article 4**

##### **Separate accounts for licensed activities**

1. The Licensee shall prepare annual financial statements for activities covered by the Licence, 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 market operation activities and internal accounts for other activities, the same as if these activities were performed by another enterprise. In the event that the licensee, due to objective reasons, cannot prepare these statements within three (3) months, then no later than 15 March, the licensee shall require from the Regulator and extension of the deadline, but no later than 30 April of the actual year, for submission of these statements.
2. The Licensee shall submit to the Regulator the Annual Financial Statements audited by independent auditor in accordance with International Financial Reporting Standards within the time prescribed by applicable laws for financial reporting. The audit shall



verify that the requirements relating to the prohibition of cross-subsidies and discrimination in Articles 5 and 6 have been met.

3. Regulatory accounting shall be in line with Regulatory Instructions on Accounting, which may, *inter 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 revenues, costs, assets, liabilities, reserves or supplies, which are charged from any other business or established by allocation or apportionment between the consolidated Market 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 basis of charging, 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 compliance with every instruction issued by ERO and legislation in effect.

## **Article 5**

### **Legal and Managerial Independence**

1. To ensure independence of the Licensee:
  - 1.1. Persons responsible for managing the Licensee shall not take part in the structure of any enterprise licensed for generation, distribution or supply of electricity in Kosovo; and
  - 1.2. The Licensee shall take all necessary measures to ensure that the professional interests of persons responsible for management of the Licensee are taken into consideration to ensure that they are capable of acting independently.



2. The Licensee shall implement the Code of Conduct for Market Operator, specifying measures necessary to ensure the prohibition of discriminatory behavior. This Code shall also contain specific obligations of directors and other employees on issues relating to confidentiality, conflict of interest, etc.
3. The Licensee shall publish the Code of Conduct on its official web site.

#### **Article 6**

##### **Prohibition of subsidies and cross-subsidies**

1. All charges levied by the Licensee related to performance of its licensed activities shall be set in accordance with the Pricing Rule for Market Operator and any applicable charging methodology as approved by the Regulator.
2. In carrying out its licensed market operator activities, the Licensee shall ensure that its charges are not increased or reduced as a consequence of receiving or granting any cross-subsidy (direct or indirect) from or on behalf of any other such activity of the Licensee or from any Affiliated Person, corporation or any other legal or natural person.

#### **Article 7**

##### **Prohibition of discrimination**

1. The Licensee shall not unduly discriminate between Trading parties, or any person wishing to become a Trading Party, and shall perform its functions, with due respect for principles of transparency, objectivity and independence.
2. Exceptionally from paragraph 1 of this Article, a Trading Party may receive different treatment by the Licensee under circumstances specified and authorized by the Market Rules.

#### **Article 8**

##### **Market Design and Market Rules**

1. The Licensee shall develop Market Design in line with energy laws, the Republic of Kosovo Energy Strategy, as amended from time to time, in consultation with Trading Parties and other relevant institutions responsible for the energy sector.
2. The Licensee shall develop the Market Rules in line with applicable legislation and the Market Design as approved by the Regulator.
3. The Licensee shall be responsible for managing any modification of the Market Rules, under the relevant provisions of the Market Rules and shall submit any proposals for modification to the Regulator for approval, after appropriate consultation with the parties that will be affected by this modification.



4. The modifications referred to in paragraph 3 may be proposed by the Licensee, by the Regulator or by any party to the Market Rules.

### **Article 9** **Adherence to Market Rules**

1. The Licensee shall enter into Accession Agreement with all persons are eligible to sign such an agreement and to become parties to the Market Rules, and who are licensed for the activities they wish to undertake. The Licensee shall notify the ERO of all applications received from persons wishing to enter into the Accession Agreement, in accordance with the provisions of the Market Rules.
2. The Licensee is required to monitor compliance by the parties to the Commercial Agreements, Agreements on Accession, and in accordance with the Market Rules.
3. The Licensee may only terminate this Agreement for Accession in accordance with the provisions of the Market Rules.

### **Article 10** **Operational Communications**

1. The Licensee, for the purpose of managing the settlement process shall install, maintain and update the market operation platform including any published standards required for communication with this software in line with international standards, in accordance with Market Rules.
2. The Licensee shall ensure that the software for settlement is audited by an appropriate, independent and qualified audit company to determine compliance with the Market Rules. The audit shall be carried out in accordance with 21.7 of Market Rules and other applicable legislation.
3. The Licensee shall maintain complete and accurate records of all settlement data presented by the Trading Parties or maintained by the Licensee. The format for maintaining these records shall be determined by the Licensee.

For purposes of this Article:

***“Final Settlement data”*** – shall be all the information required to be supplied by the Licensee or Commercial Parties under the Market Rules to enable the final reconciliation under the Market Rules.





## **Article 11** **Market Operator Charges**

All charges levied by the Licensee related to performance of its licensed activities shall be set in accordance with the Pricing Rule for Transmission System and Market Operator and any applicable methodology approved by the Regulator.

## **Article 12** **Market for Ancillary Services**

1. No later than three (3) months after the grant of this modified license, the Licensee in coordination with the Transmission System Operator, shall prepare a draft- Procedure for the pricing and provision of ancillary services and shall submit it to the Regulator for initial review and approval. The methodology shall ensure that, until such time as the circumstances exist for competitive procurement, ancillary services are procured at the best economic price taking into account the quantity, nature and diversity of the sources of ancillary services available to the Licensee.
2. Having taken into account the Regulator`s comments on the draft methodology, the Licensee shall consult with Trading Parties prior to finalization of the draft.
3. The Licensee shall submit the finalized Procedure for approval to ERO and shall implement the approved Procedure until otherwise instructed by ERO.
4. The Licensee shall notify the Regulator of the prices for ancillary services procured in line with the Procedure.

## **Article 13** **Restrictions in Use of Certain Information**

1. All data obtained by the Licensee in the performance of its duties may only be disclosed in line with the Market Rules and any applicable legislation.
2. The Licensee shall, where necessary for the performance of licensed activities disclose any information other than confidential information, which are kept or obtained in the course of performance of its functions as Market Operator. Notwithstanding, the Licensee shall disclose information, including confidential information if such information is required by the Regulator.
3. The Licensee shall ensure that any documents containing confidential information, must clearly identify the information as confidential (mark it as confidential information).

For the purposes of this Article, **“confidential information”** shall have the same meaning as defined under Law on Energy Regulator.



#### **Article 14 Labour**

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

#### **Article 15 Changes in control of Licensee**

1. The Licensee shall notify the Regulator of any changes expected in control at least sixty (60) days in advance. Changes in control shall not take effect unless approved by the Regulator.
2. The Licensee shall notify the Regulator of any change in the organizational structure of the Licensee. Such notice shall be given to the Regulator not later than three (3) days from the date of any such change

#### **Article 16 Provision of information to the Regulator**

1. The Licensee shall submit to the Regulator the information and reports in the manner and on timeframes that the Regulator may deem appropriate.
2. The Licensee shall submit to the Regulator reports on Market Operator activities and on compliance with license articles and conditions in line with Reporting Manual for Energy Sector, as approved by the Regulator, and in accordance with the requirements of the Regulator.
3. The Licensee shall hand over to the Regulator 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 the Regulator.

#### **Article 17 Fees**

The Licensee shall pay any initial or annual fees to the Regulator, as prescribed under Rule on Fees adopted by the Regulator.



### **Article 18**

#### **Extension, modification, suspension, transfer and termination of license**

1. The Regulator 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. The Regulator may transfer this license in accordance with the Law on Energy Regulator and Rule on Licensing of 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 19**

#### **Administrative measures and fines**

1. In case of violation of provisions of applicable legislation including the rules issued by the Regulator or Articles and conditions of this License or the instructions given to the Licensee by the Regulator, the Regulator has the power to cite administrative measures and fines to Licensee, in accordance with Article 57 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 20**

#### **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 Complaints and Disputes in the Energy Sector, issued by the Regulator.
2. Decisions of the Regulator 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.



## Article 21 Entry into force

1. In line with Article 36 of Law on Energy Regulator, this amended/modified license, with registration number ERO/Li\_16/17 is issued to Transmission System Operator and Market Operator (KOSTT)JSC. for the activity of electricity market operation, and shall enter into force on **13.04.2017.**
2. The license issued on 04 October 2006 (License no. ERO/Li\_16/06), modified on 18.07.2012 (License No. ERO/Li\_16/12), currently modified on 13.04.2017 (License No. ERO/Li\_16/17) shall continue to be valid for a period of thirty (30) years, namely until **04 October 2036.**

Stamped with the common stamp of Energy Regulatory Office on: \_\_\_\_\_.

Signed (on behalf of the Regulator's Board) Acting-Chairman: \_\_\_\_\_.

Signed on: \_\_\_\_\_

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