



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

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



**Rule ERO/No. 01/2023**

## **RULE ON CLOSED DISTRIBUTION SYSTEM**

**Pristina, 05 July 2023**

The Board of Energy Regulatory Office, pursuant to authority granted under Article 9, paragraph 1, sub-paragraph 1.7, Article 25, Article 26, paragraph 1, sub-paragraph 1.1, Article 41, paragraphs 1 and 4 of the Law on Energy Regulator No. 05/L-084, and Article 30, paragraph 1 of the Law on Electricity No. 05/L-085, in the session held on 05 July 2023 approved the:

## **RULE ON CLOSED DISTRIBUTION SYSTEM**

### **CHAPTER I GENERAL PROVISIONS**

#### **Article 1 Purpose**

The purpose of this rule is the determination of the criteria and conditions for implementing Closed Distribution System (CDS), namely to define the application procedures and licensing of Closed Distribution System operator, as well to define the rights and obligations of the operator and the customers of Closed Distribution System.

#### **Article 2 Scope**

1. The rule on Closed Distribution System sets:
  - 1.1. The criteria and conditions for licensing of Closed Distribution System;
  - 1.2. The procedure of application for being licensed as an operator of Closed Distribution System;
  - 1.3. The procedure of licensing of the operator to operate with the Closed Distribution System, including the determination of activities that will be performed by CDS;
  - 1.4. The relations between the Closed Distribution System operator, system operators (transmission and distribution) and customers; and
  - 1.5. Regulatory reporting and monitoring of the performance of operators of Closed Distribution System operators.

#### **Article 3 Definitions**

1. The terms used in this rule have the following meaning:
  - 1.1. **Ancillary services** – all services necessary for the operation of a transmission system or distribution system;

- 1.2. **Balancing responsibility** - obligation of the market participant to balance generation, consumption, purchase and sale of electricity in accordance with the accepted schedules and to be financially responsible for settlement of imbalances;
- 1.3. **Balancing responsible party** – market participant or its chosen representative responsible for settlement of its imbalances;
- 1.4. **Closed Distribution System or CDS** – a system that distributes electricity, within an established geographic area, in which industrial, commercial or shared services are concentrated, but not including household customers, if:
  - a) for specific technical or safety reasons, the operations or the production process of the users of that system are integrated; and
  - b) that system distributes electricity primarily to the owner or operator of the system or their related undertakings.
- 1.5. **Distribution System Operator (DSO)** – a natural or legal person, licensed by the Energy Regulatory Office, responsible for operating, ensuring the maintenance of and, if necessary, developing the distribution system in a given area and, where applicable, its interconnections with other systems and for ensuring the long-term ability of the system to meet reasonable demands for the distribution of electricity;
- 1.6. **Energy Regulatory Office or ERO** – independent agency in energy sector, established by the Law on Energy Regulator;
- 1.7. **System** - a system of connected equipment intended for the transmission and distribution of electricity or thermal energy;
- 1.8. **System User** – a natural or legal person supplying to, or being supplied by, a transmission or distribution system;
- 1.9. **Supplier** – an energy undertaking licensed to perform supply activities;
- 1.10. **Transmission system** - the system comprising a combination of high voltage lines, substations and facilities, serving the transmission of electricity;
2. Other terms used in this rule have the same meaning as the Law on Energy Regulator (No. 05/L-084), Law on Energy (No. 05/L-081), Law on Electricity (No. 05/L-085), Law on Gas, Law on Thermal Energy and other applicable laws in Kosovo.

## **CHAPTER II CLOSED DISTRIBUTION SYSTEM**

### Article 4

#### **The criteria for a distribution system to be considered a Closed Distribution System**

1. For an area connected to the Distribution Operator's system to be considered CDS, the following criteria shall be met:
  - 1.1 Distributes electricity within a geographically confined industrial, commercial or shared services site, for which:
    - 1.1.1 for specific technical or safety reasons, the operations or the production process of the users of that system are integrated; or
    - 1.1.2 that system distributes electricity primarily to the owner or operator of the system or their related undertakings, and
    - 1.1.3 without prejudice to Article 3 subparagraph 1.63 of the Law (No.05/L-085) on Electricity distributes electricity to a small number of households located within the system's service area and with employment or similar associations with the owner of the system.
  - 1.2 The annual electricity consumption of households located within the area served by CDS, shall not exceed 10% of total annual electricity consumption of all users in CDS. ERO will determine the maximum household consumption value for each applicant in particular.
  - 1.3 There is a separate holder (owner) of that distribution system.
  - 1.4 It is registered in Business Registration Agency of Kosovo, including the activities of distribution of electricity.
  - 1.5 Has a technical project of the installations, including lines, transformers, connections, and metering points.
  - 1.6 Has a geographical map of infrastructure with drawings of infrastructure of the CDS, from which it is explicitly determined that it is a geographically limited area.
  - 1.7 The distribution system devices are built and installed in accordance with the Law on Electricity, technical codes of system operators and in accordance with the terms and conditions and demands outlined in the appropriate technical regulations.
  - 1.8 Has a connection agreement with a distribution or transmission system operator.
  - 1.9 It has its own connection and metering point (reading point for invoicing), as specified in the connection agreement with the DSO or TSO.
  - 1.10 Has a list of CDS Users with their identification number of the connection point.

- 1.11 Each end user (final customer) of CDS has their own meter.
- 1.12 The distribution assets of the system's coverage area are owned by the person applying to obtain the license for operation of CDS.
- 1.13 Has qualified personnel to operate and maintain distribution facilities, installations, devices, and plants, or has a contract with certified operator to operate the CDS.
- 1.14 Has a separate account for closed distribution activity, separated from other business activities.

#### Article 5

#### **Licensing for operation with Closed Distribution System**

1. Any physical or legal person who meets the requirements set in Article 4 of this Rule may apply to ERO to obtain the license to operate the CDS.
2. An application for license to operate the CDS shall be submitted in writing and in the form specified in Annex 1 of this rule.

### **CHAPTER III**

#### **PROCEDURE FOR LICENSING OF CDS OPERATOR**

#### Article 6

#### **Application for licensing for operation of CDS**

1. If the applicant fulfils the criteria defined in Article 4 of this Rule, then he can apply for a license to operate CDS by completing the application according to Annex 1 of this Rule.
2. The applicant can apply to operate the CDS himself if he has the necessary resources, available financial means and qualified personnel, or he can contract the operation of the CDS through a third party who will act on behalf of the licensees, provided that this third party is qualified to perform CDS operation services.
3. The application procedures for the licensing of the operation activities of the CDS will be in accordance with Article 8 (General Conditions for Application), paragraphs 1 and 2 of the Rule for Licensing of Energy Activities in Kosovo and Article 12 (Specific Criteria for Distribution System Operator License Application) of the same rule.

#### Article 7

#### **Issuance of the license and functioning of CDS**

1. For licensing of the CDS Operator, Article 28, paragraph 2, subparagraph 2.6 of the Law on Energy Regulator is applied directly.
2. ERO issues the CDS operation license to the owner of CDS.

## Article 8

### **General terms and conditions for CDS Operator's license**

1. Pursuant to Article 15, paragraph 2 of the Rule on Licensing, the CDS Operator's license must include the applicable general terms and conditions as follows:
  - 1.1 the legal base for granting the license;
  - 1.2 the type of licensed energy activity;
  - 1.3 definitions;
  - 1.4 performance of licensed activity;
  - 1.5 the territory covered by the license;
  - 1.6 the ownership or the legal right to use the facility and integral parts of the system;
  - 1.7 the main facilities used to perform the licensed activity;
  - 1.8 the terms, conditions, rights and obligations of the licensees;
  - 1.9 requirement to comply with all relevant technical and commercial codes including the Market Rules;
  - 1.10 provisions related to accounting;
  - 1.11 provisions related to prohibition of cross-subsidies (inter-subsidies);
  - 1.12 prohibition of non-compliant behaviour;
  - 1.13 prohibition of discrimination of System Users;
  - 1.14 financial sustainability of the licensee;
  - 1.15 requirements to comply to the safety, security and environmental protection standards;
  - 1.16 provisions regarding the change in controlling the licensee;
  - 1.17 prohibition of separation of assets without the approval of the ERO;
  - 1.18 obligation to maintain data in relation to the licensed activity as required;
  - 1.19 obligation to provide access to assets for the system operators;
  - 1.20 provision in relation to reporting to ERO;
  - 1.21 provision on payment of fees;
  - 1.22 provision in relation to procedure on resolution of disputes and appeals;
  - 1.23 legal consequences of violation of license provisions, etc.

## Article 9

### **Specific terms and conditions for CDS operation**

1. The CDS Operator's license must include the applicable specific terms and conditions specified in Article 16, paragraph 3 of the Rule (ERO/No.07/2017) on Licensing of Energy Activities, as follows:
  - 1.1 the requirement to provide connection to and use of the CDS to third parties in an objective and non-discriminatory manner;
  - 1.2 appropriate provisions governing the submission of requests for access, the procedure for denial of access, and appeal procedure by the parties to whom the access is denied.

- 1.3 obligation to inform and update for any development or investment plan within the area of services;
- 1.4 obligation to maintain a database of information received by users of the CDS, holding data available to the public on an aggregated basis, while preserving the information considered confidential and commercially sensitive;
- 1.5 all metering and invoicing requirements are designed and performed in a safe and economical manner to ensure that both users of the system and customers connected to the system are able to receive up-to-date and appropriate consumption and demand data;
- 1.6 the reduction of distribution system losses;
- 1.7 the installation of sufficient and appropriate metering system, to allow the operator to provide accurate information to the TSO, DSO, ERO, users of the system or other interested parties.

#### Article 10

##### **Duration of license for CDS operation**

The duration of the license for operation of CDS shall be in accordance with the laws and Rule on Licensing of Energy Activities in Kosovo.

#### Article 11

##### **Termination of the license for CDS operation**

If the CDS license is terminated as per Article 37, paragraph 2 of the Law on Energy Regulator, the ERO will appoint another entity that fulfils the criteria to be licensed as CDS which shall perform CDS activities for a defined period of time by the ERO.

#### Article 12

##### **Bankruptcy of the owner of CDS**

In the event of a bankruptcy of the owner of CDS who is also the holder of license for operation of CDS, ERO will act in compliance with Article 53 (Procedure in the Event of Bankruptcy) of the Law on Energy Regulator.

#### Article 13

##### **Generation of electricity within area covered by CDS**

The CDS users and the CDS owner can produce energy for sale or for self-consumption by applying the legislation in force and the relevant rules approved by ERO and the technical codes.

Article 14  
**Exemptions for Closed Distribution Systems**

1. ERO may exempt the CDS operator from obligations which would constitute an unnecessary administrative burden because of the particular nature of the relationship between the CDS operator and the system users.
2. At request of CDS licensee, and pursuant to Article 30 of Law on Electricity and Article 41 of Law on Energy Regulator, the ERO may relieve the Closed Distribution System Operator from:
  - 2.1. the obligation to purchase the energy used for the coverage of electricity losses and reserve capacities in its system, on the basis of transparent, non-discriminatory and market-based procedures;
  - 2.2. the obligation that prices, respectively compensations or methodologies on which their calculation is based, are approved by the Regulator prior to their entry into force.
3. In the event that any release from obligations, as determined in paragraph 2. of this article, is affected, existing prices respectively compensation or methodologies on which the calculations are based, may be revised and adjusted with the pricing methodology approved by the Regulator, upon request of the users of such networks.
4. Incidental use of CDS by the small number of households with employment or similar associations with the owner of the distribution system and located within the area served by a closed distribution system shall not preclude an exemption under paragraph 2. of this article being granted.

**CHAPTER IV**  
**OBLIGATIONS AND RELATIONS OF CDS OPERATOR WITH SYSTEM OPERATORS AND CUSTOMERS**

Article 15  
**Relations with system operators TSO and DSO**

The following are CDS's relations with system operators TSO and DSO:

1. CDS must have Connection Agreement with TSO or DSO and Service Contract (use-of system) with TSO or DSO.
2. TSO-s or DSO-s are obliged to provide voltage level in connection point with CDS, in accordance with the rules and regulations, Transmission/Distribution Code and Metering Code for the capacity required by CDS.



3. The power used in the closed system is metered using metering devices owned by the TSO or DSO to which the closed system is connected and should not exceed the capacities agreed in connection agreement.
4. The CDS operator is required to harmonize its operations with those of the TSO or DSO to which it is connected.
5. The CDS operator is required to follow the grid rules of system operators TSO and DSO.
6. CDS shall ensure the safe and reliable operation of the closed distribution system and shall promptly notify system operators TSO or DSO of any technical difficulties in the operation of the closed system. TSO and DSO are not responsible for any technical problem inside the CDS, means after connection point.

#### Article 16

##### **CDS Market participation**

1. Pursuant to Article 24 of Law on Electricity, CDS Operator may participate in electricity market only for covering losses in the closed distribution network, and purchases of non-frequency ancillary services.
2. The CDS operator shall procure electricity at market terms and conditions to cover losses in the closed distribution system.
3. The CDS operator, is responsible for the imbalances as any other electricity market participant.

#### Article 17

##### **Operator obligations to CDS users**

1. The CDS operator is responsible for ensuring continuous, safe, and reliable electricity distribution to its users in a non-discriminatory and transparent manner, as well to secure the quality-of-service requirements/standards.
2. Providing users with relevant and timely information that is required for connection and access to CDS.
3. CDS ensures user connection to the most economically and technically optimal point, as well as third-party access to the closed system.
4. The CDS operator is responsible for metering services for customers inside CDS and meters reading.
5. Publication of user complaint procedures, as well as CDS complaint handling procedures.
6. Publication of the system maintenance plan on its website in accordance with the closed system's operating rules.

7. Secure electronic access to a list of customers connected to the closed system, along with their consumption, load, and other relevant data for suppliers' interest.
8. Make available access to the metering devices that it owns.
9. Publication of tariffs for the service of electricity distribution that it provides.
10. Publication of all compensations for each customer category that is connected to the closed system.
11. Keeping dispatcher books, communication system reliability registers, data from supervising and management system metering data, and those data, books, and registers that the operator saves as required by regulation on data savings.
12. In the event that the request of a new applicant for connection to the CDS exceeds the allowed capacity of the CDS (total capacity of the existing customers + the capacity of the new customer), then the CDS must reapply for additional capacity at the TSO and DSO.

Article 18  
**Users of CDS**

1. Customers of CDS are eligible to switch their supplier.
2. In case of bankruptcy (or other default) of supplier, customers of CDS will be supplied by the Supplier of Last Resort.
3. Customer of CDS can file a complaint at CDS Operator.
4. If a CDS customer is dissatisfied with the CDS Operator's response to his complaint, the complaint is submitted to ERO.

Article 19  
**Monitoring by ERO**

ERO will monitor CDS performance and compliance with license conditions in accordance with Article 17 and Article 18 of the Rule on Licensing of Energy Activities in Kosovo.

Article 20  
**Extension, amendment, suspension, transfer and termination of operation license to CDS**

ERO may extend, amend, suspend, transfer and terminate the license of CDS based on provisions of the **Rule** on Licensing of Energy Activities in Kosovo.

**CHAPTER V**  
**FINAL AND TRANSITIONAL PROVISIONS**

Article 21  
**Official language**

This rule is published in official languages of the Republic of Kosovo.

Article 22  
**Amendment/supplement**

1. ERO is entitled to amend or supplement any provision of this rule.
2. The procedures for amendment or supplement of this rule shall be the same as for its approval.

Article 23  
**Interpretation**

In case there are uncertainties concerning the provisions of this rule, the Board shall issue explanatory information.

Article 24  
**Entry into force**

1. The rule enters into force on the day of approval by ERO Board.
2. The rule is published in the official gazette of the Republic of Kosovo.

**ERO Board:**

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Ymer Fejzullahu, Chairman

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Lutfije Dervishi, Member

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Gani Buçaj, Member

**Annex 1**

**APPLICATION FOR LICENSING  
OF THE DISTRIBUTION OF ELECTRICITY IN CLOSED DISTRIBUTION SYSTEM**

<b>I</b>	<b>THE APPLICANT APPLIES FOR:</b> (mark with a plus one of the following activities, or with PZ those that are not applicable)
	ELECTRICITY DISTRIBUTION LICENSE
	EXTENSION OF ELECTRICITY DISTRIBUTION LICENSE
	TRANSFER OF ELECTRICITY DISTRIBUTION LICENSE

<b>II</b>	<b>INSTRUCTIONS FOR APPLICATION</b>
<p>The applicant shall submit to the Energy Regulatory Office this completed application and the attached original or notarized evidence as well as electronic copies (if required by the Energy Regulatory Office), in one of the official languages in Kosovo.</p> <p>The applicant will submit the completed application at the following addresses:</p> <ul style="list-style-type: none"><li>▲ In written form at:                   Energy Regulatory Office,   Street: Bekim Fehmiu (ex-Fazita Building), Floor:2   10 000 Pristina, Republic of Kosovo</li> <li>▲ Electronically at: <a href="mailto:legal-licensing@ero-ks.org">legal-licensing@ero-ks.org</a></li></ul> <p>For any change in the data of the company or contact person, as long as the license is valid, the Energy Regulatory Office shall be notified.</p>	
<b>NAME OF THE ENTERPRISE (LEGAL PERSON):</b>	<b>STAMP:</b>

III GENERAL INFORMATION ON THE ENTERPRISE & CONTACT PERSON	
NAME OF ENTERPRISE (LEGAL PERSON):	
HEADQUARTERS:	
ADDRESS:	
BUSINESS REGISTRATION NUMBER:	
PHONE NUMBER:	FAX NUMBER:
E-MAIL ADDRESS:	
NAME AND SURNAME OF CONTACT PERSON:	
ADDRESS:	
PHONE NUMBER:	FAX NUMBER:
E-MAIL ADDRESS:	
APPLICANT'S CURRENT ACTIVITIES IN THE FIELD OF ENERGY IN KOSOVO:	
1.	
2.	
APPLICANT'S PREVIOUS ACTIVITIES IN THE FIELD OF ENERGY IN KOSOVO:	
1.	
2.	

IV EVIDENCE TO BE ATTACHED TO THIS APPLICATION		
<i>Instruction: Mark with a plus (on the right) for the documents attached to this application:</i>		
No.	EVIDENCE/DOCUMENT (ORIGINAL OR NOTARIZED)	ATTACHED (MARK WITH PLUS)
1.	Copy of the Registration Certificate, issued by the Business Registration Agency in Kosovo, including the activity for the distribution of electricity.	

<b>2.</b>	The statute of the enterprise or the agreement of establishment of the company.	
<b>3.</b>	The applicant's (business) plan related to the energy activities that will be covered by the license, covering at least the next three (3) years.	
<b>4.</b>	Evidence on the financial ability of the applicant and/or the parent company confirming the availability (existence) of funds for the energy activity at least ten (10%) of the annual value of the cost of operation. This proof must be supported by bank evidence issued by the bank no earlier than five (5) days from the date of application.	
<b>5.</b>	Annual financial statements of the applicant or parent company for the last three (3) years. These financial statements shall be audited by licensed and independent financial auditors.  Newly established enterprises shall submit a statement on the current financial situation.	
<b>6.</b>	Evidence for opening and maintaining a separate account for the activity of electricity distribution in the closed distribution area.	
<b>7.</b>	The certificate from the competent body that the applicant fulfils the legal obligations related to the payment of taxes.	
<b>8.</b>	The certificate from the competent body that the applicant is not in liquidation or bankruptcy procedure.	
<b>9.</b>	Description of the applicant's experience in performing energy activities, from the establishment until the moment of application (biography of the enterprise).	
<b>10.</b>	Information regarding the organizational structure (management and professional staff) of the applicant, in particular the structure of the unit that will deal with the electricity distribution activity.	
<b>11.</b>	Evidence on qualified personnel for the operation of the distribution system, including the biographies-CVs of the staff who will deal with the electricity distribution activity.	
<b>12.</b>	If the owner of the CDS has contracted the electricity distribution service to another qualified operator, then it shall submit evidence of the ability and professional staff of the contracted company.	
<b>13.</b>	Evidence of ownership or legal right to use elements in the closed distribution system.	

<b>14.</b>	A description of the relevant characteristics of the closed distribution system, along with their technical characteristics and the territory for the distribution of electricity.	
<b>15.</b>	A geographical map of the infrastructure with drawings of the CDS infrastructure, which is expressly defined as a geographically limited area.	
<b>16.</b>	The technical design of installations, including lines, transformers, connections and metering points.	
<b>17.</b>	Specifications and technical characteristics of the metering devices of the closed distribution system.	
<b>18.</b>	Evidence that there is a connection agreement with a distribution or transmission system operator.	
<b>19.</b>	Evidence of own connection and metering point (reading point for billing), as defined in the connection agreement with DSO or TSO.	
<b>20.</b>	Evidence of the list of CDS users with their identification number of the connection point.	
<b>21.</b>	Evidence on the electricity characteristics of CDS users, including the annual consumption of each user.	
<b>22.</b>	The number of household customers (if any) that are located in the area of the closed distribution system.	
<b>23.</b>	The total annual consumption of household customers within the Closed Distribution System.	
<b>24.</b>	Evidence that each CDS user has his own meter.	
<b>25.</b>	Evidence on the annual consumption of the entire closed distribution system.	
<b>26.</b>	Evidence regarding the expected number and structure of connected and potential customers.	
<b>27.</b>	Indicators for measuring the quality of energy supply (duration, frequencies, number of interruptions, interruptions expressed in minutes per customer, etc.) and services in system operation (general information, agreements for meter reading, connection time, failures , restoring the energy system after failures, etc.).	

<b>28.</b>	Evidence of payment of the initial license application tax, in the amount of one thousand euros (€1,000.00), for review-modification/change or extension, as well as license transfer in the amount of five hundred (€500.00), in accordance with Article 4 of the Rule on Licensing and Annex 1 of the Rule on Taxes.	
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<b>V</b>	<b>APPLICANT'S STATEMENT</b>		
<i><b>Instruction:</b> Answer "YES" or "NO" to the following statements.</i>			
<b>No.</b>	<b>STATEMENTS:</b>	<b>YES</b>	<b>NO</b>
<b>1.</b>	Have the applicant's managers been convicted or prosecuted for criminal offences?		
<b>2.</b>	Has the applicant's license been withdrawn for the activity for which he/she is applying within five (5) years from the date when the application was submitted?		
<b>3.</b>	Has the applicant acted and will he act (in Kosovo or abroad) in accordance with all the provisions of the legislation in force, related to the protection of the environment?		
<b>4.</b>	Does the applicant understand and is he aware of his obligations to implement the legislation for the energy sector, the rules issued by the Regulator, technical and commercial codes and other legislation in force?		
<b>5.</b>	Has the applicant committed a violation in Kosovo or abroad regarding the conditions of safety and protection at work?		



## Statement

I (responsible person): .....  
(Name & Surname)

.....  
(Position)

declare that all information, evidence and documents attached to this application to the best of my knowledge are genuine and correct and I am subject to the penalty of perjury and providing false information.

**DATE:** \_\_\_\_\_

**PLACE:** \_\_\_\_\_

**SIGNATURE:** \_\_\_\_\_

**STAMP:**