

LAW No. 05/L – 082

ON NATURAL GAS

The Assembly of Republic of Kosovo,

Based on Article 65 (1) of the Constitution of Republic of Kosovo;

Adopts:

LAW ON NATURAL GAS

**CHAPTER I
GENERAL PROVISIONS**

**Article 1
Purpose**

1. The purpose of this Law is to establish the legal framework for the transmission, distribution, supply, usage and storage of natural gas.
2. This Law specifies the organization and functioning of the natural gas sector, access to the market, the criteria and procedures applicable to the granting of authorizations for transmission, distribution, supply, usage and storage of natural gas and the operation of systems.
3. This Law is in compliance with the Directive No. 2009/73/EC on common rules of the internal European natural gas market and Regulation No. 715/2009/EC on conditions of access to natural gas transmission networks.

**Article 2
Scope**

1. This Law is implemented with the aim of determining the rules on the organization and functioning of the natural gas sector, defining non-discriminatory rules for storages, taking into account the specific characteristics of national and regional markets, and facilitating the development of a functional and transparent wholesale market with a high level of security of supply with gas, and ensuring the creation of mechanisms for the harmonization of rules for access to the network for cross-border exchanges of gas.
2. The rules established in this Law shall also apply, in a non-discriminatory way, to biogas and gas from biomass or other types of gas in so far as such gases can technically and safely be injected and transported through the natural gas system.

**Article 3
Definitions**

1. Terms used in this Law have the following meaning:

1.1. **Transmission**- the transport of natural gas through a network, which mainly contains high-pressure pipelines, other than an upstream pipeline network and other than the part of high-pressure pipelines primarily used in the context of local distribution of natural gas, with a view to its delivery to customers, but not including supply;

1.2. **Interconnection line** - a transmission line which connects the transmission systems of gas between two states- the Contracting Parties;

1.3. **Supply**- the sale, including resale, of natural gas, to the final customers;

1.4. **Natural gas** - a mixture of hydrocarbon compounds existing in the gaseous phase or in solution with crude oil in natural underground reservoirs at reservoir conditions. The principal hydrocarbons usually contained in the mixture are: methane, ethane, propane, butanes, and pentanes;

1.5. **Customer**- a wholesale or final customer of natural gas or a natural gas undertaking which purchases natural gas;

1.6. **Household customer** - a customer purchasing natural gas for his own household consumption;

1.7. **Non-household customer** - a customer purchasing natural gas which is not for his own household use;

1.8. **Final customers** - a customer purchasing natural gas for his own use;

1.9. **Wholesale customers** - a natural or legal person other than a transmission system operator or distribution system operator who purchases natural gas for the purpose of resale inside or outside the system where he is established;

1.10. **Customer in need** - a household customer who qualifies for protection or assistance according to rules set by the Ministry in charge of Social Welfare based on Article 10 of this Law.

1.11. **Connection to gas system** - physical connection to the networks of transmission, storage, distribution, pursuant to determined technical conditions;

1.12. **Control** - rights, obligations, contracts or any other means which, either separately or in combination and having regard to the considerations of fact or law involved, confer the possibility of exercising decisive influence on an undertaking, in particular by:

1.12.1. ownership or the right to use all or part of the assets of an undertaking;
or

1.12.2 rights or contracts which confer decisive influence on the composition, voting or decisions of the organs of an undertaking.

1.13. **Linepack** - the storage of gas by compression in gas transmission and distribution systems, but not including facilities reserved for transmission system operators carrying out their functions;

1.14. **Direct line** - a natural gas pipeline complementary of the interconnected system, that connects a gas source with a consumer;

1.15. **Ministry** - the Ministry responsible for the energy sector;

1.16. **Natural gas undertaking** - a natural or legal person carrying out at least one of the following functions: production, transmission, distribution, supply, purchase or storage of natural gas, which is responsible for the commercial, technical and/or maintenance tasks related to those functions, but shall not include final customers;

1.17. **Supply undertaking** - any natural or legal person who carries out the function of supply;

1.18. **Integrated natural gas undertaking** - a vertically or horizontally integrated undertaking;

1.19. **Vertically integrated undertaking**- a natural gas undertaking or a group of natural gas undertakings where the same person or the same persons are entitled, directly or indirectly, to exercise control, and where the undertaking or group of undertakings perform at least one of the functions of transmission, distribution, storage, and at least one of the functions of production or supply of natural gas;

1.20. **Horizontally integrated undertaking**- an undertaking performing at least one of the functions of production, transmission, distribution, supply or storage of natural gas, and a non-gas activity;

1.21. **Transmission System Operator**- a natural or legal person who carries out the function of transmission and is responsible for operating, ensuring the maintenance of, and, if necessary, developing the transmission 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 transport of gas;

1.22. **Distribution System Operator**- a natural or legal person who carries out the function of distribution and is 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 natural gas;

1.23. **Storage System Operator**- a natural or legal person who carries out the function of storage and is responsible for operating a storage facility;

1.24. **Energy Community Party** – any contracting party of the Treaty of Energy Community;

1.25. **Long-term planning**- the planning of supply and transport capacity of natural gas undertakings on a long-term basis with a view to meeting the demand for natural gas of the system, diversification of sources and securing supplies to customers;

1.26. **Upstream pipeline network** - any pipeline or network of pipelines operated and/or constructed as part of an oil or gas production project, or used to transport natural gas from one or more such projects to a processing plant or terminal or final coastal landing terminal;

1.27. **Storage facility**- a facility used for the stocking of natural gas and owned and/or operated by a natural gas undertaking, used for storage but excluding the portion used for production operations, and excluding facilities reserved exclusively for transmission system operators in carrying out their functions;

1.28. **System**- any transmission networks, distribution networks, storage facility owned or operated by a natural gas undertaking, including linepack and its installments supplying ancillary services and those of related undertakings necessary for providing access to transmission and distribution;

1.29. **Security**- both security of supply of natural gas and technical safety;

1.30. **Interconnected system**- some transmission and distribution systems which are linked with each other;

1.31. **Distribution**- the transport of natural gas through local or regional pipeline networks with a view to its delivery to customers, but not including supply;

1.32. **Ancillary services**- all services necessary for access to and the operation of transmission networks, distribution networks, and/or storage facilities, including load balancing, blending and injection of inert gases, but not including facilities reserved exclusively for transmission system operators carrying out their functions;

1.33. **Public service obligations** – a duty imposed on a natural gas undertaking, by law or by a decision adopted by the Government or Regulatory depending on their areas of responsibility, to relate to security including security of supply, regularity, quality and price of supplies, energy efficiency, energy from renewable sources, and environmental and climate protection which is non-discriminatory and does not distort competition except when it is necessary in order to achieve the provision of the public service in question;

1.34. **Natural gas derivative** - a financial instrument that may be used by the participants of natural gas market as a security means towards the possible variation of gas price in the market;

1.35. **New infrastructure**- the infrastructure which has not been completed until the entry into force of this law.

1.36. **System user**- a natural or legal person supplying to, or being supplied by, the system;

1.37. **Gas supply contract** - a contract for the supply of natural gas, but does not include the natural gas derivatives;

1.38. **Space** - the volume of gas storage facility where the user may store the gas;

1.39. **Deliverability** - the rate at which the user of the storage facility can withdraw the gas from storage facility;

1.40. **Injectability** - the rate at which the user of the storage facility is entitled to inject gas into the storage facility;

1.41. **Storage capacity**- any combination of space, injectability and deliverability;

1.42. **National storage capacities** - any combination of storage capacities within the country;

1.43. **Regional storage capacities** - any combination of storage capacities within contracted parties;

1.44. **Third country** - any country which is not an Energy Community Party, or a member of the European Economic Area;

1.45. **Energy Community Secretariat (ECS)** – the institution that provides administrative assistance to the Ministerial Council, High Permanent Level Group, Regulatory Board and Forums, in the management of the development process of Energy Community.

2. Other terms used in this Law shall have the meanings set forth in the Law on Energy and Law on Energy Regulator.

Article 4 **Natural gas sector Policies**

1. The Ministry is responsible for development of policies in the natural gas sector, in consultation with the Energy Regulatory Office (hereinafter: the Regulator) and other governmental bodies. The policies drafted for natural gas sector are going to be part of Energy Strategy and Implementation Program for Energy Strategy. Natural gas sector policies shall consider, the following components:

1.1. building the appropriate institution framework including the competent authority to implement such policy;

1.2. ensuring security of supply with natural gas;

1.3. elaborating and developing investment programs in natural gas sector;

1.4. evaluation and disposal of effective policies to provide the transparency of the natural gas market development direction;

1.5. increasing efficiency related to the storage, transmission, distribution and utilization of natural gas;

1.6. specifying the directions of relevant research and possible development for the natural gas sector and promoting advanced technologies in this field;

1.7. proposal and drafting the sub-legal acts in the natural gas sector.

2. The Ministry ensures the accomplishment thereof by undertaking the following actions:

2.1. develop detailed program for implementing the policy to the extent that other agencies do not have primary authority over them;

2.2. undertaking studies on the priority policy items;

2.3. cooperate with the Regulator and any other entities governing the natural gas sector;

2.4. monitor the application and conformity of measures established for environmental protection by the respective agencies;

2.5. ensures the harmonization with European Union standards and legislation in natural gas sector and creates necessary mechanisms for their implementation;

2.6. proposals, elaborates and develop social programs for customer in need, in consultation with Ministry responsible for Social Welfare, other associations and trade union organizations, as well as to develop the acts in accordance with norms on work protection on the natural gas sector;

2.7. establish conditions to enable that all natural gas undertakings related to transmission or distribution function as a unique system of natural gas.

3. Natural gas system in Kosovo shall be in compliance with the common technical and security standards and integrated regional gas system/market in the region.

Article 5

Natural gas supply activities

1. A natural gas undertaking holding a license for the supply of natural gas can engage in the supply of natural gas to any customer pursuant to this Law.

2. Every customer in Kosovo, including final and wholesale customers, shall be entitled to a free choice of a supplier and its change.

3. Without prejudice to the possibility of the Regulator to impose public service obligations for specific purposes and a limited period of time, supply of natural gas shall be provided at non-regulated market prices subject to a contract negotiated between the supplier and the customer.

4. All suppliers shall purchase natural gas for supplying customers on the bilateral or organised natural gas market.

5. The Rules for the general conditions, as adopted by the Regulator, shall be mandatory for all suppliers operating in Kosovo, except otherwise expressly provided in this Law. The General Conditions shall set objective, transparent and non-discriminatory requirements to be equally applied to all natural gas undertakings depending on their activities in the natural gas market. The General Conditions shall be publicly available on the Regulator website, as well as on the websites of the suppliers.

Article 6

Supplier Switching Rules

The Regulator ensures the implementation of an efficient procedure which enables a final customer to switch to another supplier as simply as possible, within a period of less than twenty-one (21) days after having notified its former supplier of its intention to switch to another supplier in accordance with the Law on Energy Regulator.

Article 7

Final customers

1. The final customer enjoys protection in accordance with this Law and regulations passed on this law, under the relevant legislation in force.
2. The final customer pays for the natural gas in accordance with the General Conditions and other applied contractual conditions. Terms and procedures for invoicing, collection and payment shall be determined in secondary legislation approved by the Regulator.
3. Each final customer is entitled to possess all relevant data in relation to its natural gas consumption and shall be able to, by explicit agreement and free of charge, give any registered supplier access to its metering data. The party responsible for data management shall be obliged to give such data to the undertaking. The General Conditions shall define a format for the data and a procedure for suppliers and final customers to have access to the data. No additional costs shall be charged to the final customer for that service.
4. Large non-household customers shall have the right to contract simultaneously with several suppliers. The Regulator shall adopt, pursuant to this Law, the rules that shall enable large non-household customers to exercise that right.
5. In the event of technical or other disturbances in the delivery of natural gas and which are not caused by facilities of the final customers, the final customer shall have the right to demand the removal of such disturbances within the shortest possible period of time under the terms and conditions stipulated in the applicable Grid rules.
6. Disruptions due to the implementation of measures for limiting delivery which are undertaken in the event of distortions on the natural gas market shall not be considered as disturbances in the delivery of natural gas referred to in paragraph 5 of this article.
7. Final customers shall use natural gas under the conditions, in the manner and for the purposes established by this Law, the Transmission Grid rules, the Distribution Grid rules, other applicable acts and in line with respective contracting obligations.

Article 8

General conditions of natural gas supply

1. Rights and obligations of the supplier and final customer shall be regulated under the contract for the supply of natural gas.
2. The conclusion and content of the contract for the supply of natural gas shall be further determined by the General conditions in line with the provisions of this Law.

3. The General conditions, with respect to the contract for the supply of natural gas, shall particularly contain the following:

- 3.1. the method for changing contracted terms of supply;
- 3.2. the right of the final customer to terminate the contract;
- 3.3. the method for the notification of a price increase before its application;
- 3.4. the method for the notification of valid prices, standard deadlines and conditions, in particular those related to the access and use of services; and
- 3.5. the ban for a final customer to keep any data from that contract, calculations and bills especially prices, ways to change prices and metering data, as confidential data.

4. Each supplier shall ensure that the conditions from the contract for the supply of natural gas which the supplier offers are in line with the General conditions. The conditions from the contract shall be written clearly and comprehensibly and shall not include non-contracting barriers to exercise the rights of customers, such as excessive contractual documentation or excessive administrative burdens. Each supplier shall ensure that final customers are protected from unfair and misleading sales methods.

5. Each supplier shall prepare and in an appropriate manner publish standard conditions for the conclusion of the contract for the supply of natural gas containing conditions established in advance. All suppliers shall also appropriately publish applicable prices or regulated tariffs, as the case may be.

6. Based on the general conditions it shall be ensured that all final customers:

- 6.1. are afforded a right to a contract with their suppliers that specifies:
 - 6.1.1. the identity and address of the supplier;
 - 6.1.2. the services provided, the service quality levels offered, as well as the time for the initial connection;
 - 6.1.3. if offered, the types of maintenance service offered;
 - 6.1.4. the means by which up-to-date information on all applicable tariffs and maintenance charges may be obtained;
 - 6.1.5. the duration of the contract, the conditions for renewal and termination of services and of the contract, the existence of any right of withdrawal;
 - 6.1.6. any compensation and the refund arrangements which apply if contracted service levels are not met; and
 - 6.1.7. the method of initiating procedures for settlement of disputes;

6.2. are given adequate notice of any intention to modify contracting conditions and are informed about their right of withdrawal when the notice is given. Suppliers shall be required to notify their customers directly of any increase in charges, no later than one (1) standard billing period before the increase comes into effect;

6.3. receive transparent information on applicable prices and tariffs, and on standard terms and conditions, specifically with respect to access to and use of gas services;

6.4. benefit from transparent, simple and inexpensive procedures for dealing with their complaints. Such procedures shall enable disputes to be settled fairly and promptly with provision, where warranted, for a system of reimbursement and/or compensation

6.5. are informed about their rights to be supplied, under this law, with gas of a specified quality at published prices or regulated tariffs.

7. Provisions of the contract for the supply of natural gas shall be fair and shall, clearly and unambiguously, encompass the rights and obligations of both the supplier and final customer. Where contracts are concluded through intermediaries, the notification must also be provided prior to the conclusion of the contract.

8. The contract for the supply of natural gas shall not deprive or aggravate the right of the final customer to terminate or cancel the such contract for the purpose of using its right to change supplier, nor impose additional financial obligations for that matter, except for in cases where it is expressly otherwise agreed between the supplier and non-household customer.

Article 9

Standard Supply Contract

1. The Regulator approves a standard supply contract, which shall stipulate the provisions for a continuous and reliable supply with natural gas of household customers and small enterprises.

2. The supplier supplying a household customer or a small enterprise is obliged to sign a standard supply contract.

3. Under the standard supply contract, the supplier may refuse the starting of supply with natural gas of a customer or may interrupt the supply of the already started gas supply only if:

3.1. the connection pipeline or the customer's equipment endangers human life, health, the environment, or the security of property;

3.2. in the event of force majeure, as defined by the applicable legal acts;

3.3. the customer has not met its obligations specified in the supply contract in spite of the notice of the supplier for these obligations;

4. The supply of a household customer or a small enterprise can only be refused as long as the circumstances serving as a basis of the refusal according to paragraph 3 of this Article prevail.

Article 10

Protection of customers in need

1. The Ministry in charge for social welfare shall develop, in cooperation with the Ministry in charge for energy, Ministry of Finance and in consultation with the Regulator and other stakeholders of the natural gas sector, a detailed program for establishing the status of socially customers in need, the scope of rights, as well as measures aimed at protecting the socially customers in need in order to meet their gas demand.

2. The program of treatment of socially customers in need referred to under paragraph 1 of this article shall be approved by the Government and shall include the following elements:

2.1. definition of customers in need benefiting from the above established program; defined in this Article as:

2.1.1. be limited to natural gas customers with lowest income using gas for supplying her/his permanent housing where for the definition of low income, beside the income, all available assets shall be taken into account;

2.2. make reference to a maximum level of gas consumption per person reflecting seasonality; when defining gas consumption level per person, total consumption of up to seventy (70) cubic meters/month for a family with up to four (4) members shall be considered;

2.3. manner of direct support by the Government to customers in need from revenue sources other than tariff charges by licensees, to avoid cross subsidies and price distortion; and

2.4. funding for support for customers in need should be accomplished in a non-discriminatory manner, and in particular should not be funded from gas customers.

3. Household customers benefiting from a financial support for payments for the natural gas supply service shall not be allowed to use such funds for other purposes.

4. Household customers who have obtained the decision on their socially customers in need status shall have the right to special protection in accordance with this Law and the program developed under paragraph 1 of this Article.

5. Socially customers in need are entitled to a supply service pursuant to this Article as long as the conditions from the paragraph 1 of this Article are fulfilled, which shall be verified at least every six (6) months by the authority responsible for the social welfare. If, due to a change of circumstances a customer loses the socially customer in need status he shall be deleted from the relevant register, but his data shall remain available for a period of five (5) years after his registration into the said register. The concerned Distribution System Operator shall, in writing and within eight (8) days, notify the socially customer in need and his supplier regarding the deletion of said socially customer in need from the concerned register.

6. The program of treatment of socially customers in need referred to in paragraph 1 of this Article shall be implemented in a way least likely to distort competition in the supply of natural gas. The difference between costs and revenues from the activity of a supplier for socially gas customers in need shall be covered by the Government.

7. A supplier under public service obligations shall be obliged to offer a supply contract to all gas customers in need and shall begin supplying without delay after the customer in need submits a request accompanied with the evidence on meeting requirements from the paragraph 1 of this Article.

8. The Distribution System Operators shall establish and keep a register of socially customers in need. The registers shall contain the socially customer's in need first and last name, the socially customer's in need personal identification number, the address at which he/she is supplied with gas, the number under which he/she is listed, the type of special treatment to which he/she is entitled and the benefits that are granted to him/her under the status of socially customer in need. Data from the register may be presented only to the socially customer in need who has applied for registration into the relevant register and to his/her supplier.

9. Rights and obligations linked to customers in need, based on paragraphs 1 and 2 of this Article, shall be duly applied and implemented by the Distribution System Operator. In particular, the Distribution System Operator shall take appropriate measures to protect final customers in remote areas who are connected to the natural gas system.

10. The supplier offering gas supply to customers in need shall set up mechanisms for providing assistance to customers in need aimed at avoiding the disconnection of natural gas due to unpaid bills.

11. All subsidies to the energy sector shall be subject to the provisions of any applicable state aid legislation and the monitoring procedures provided for therein.

12. Based on the applicable legal acts, appropriate measures, such as formulating national energy plans, shall be taken in providing social security benefits to ensure the necessary gas supply to customers in need, or providing for support for energy efficiency improvements, to address energy poverty where identified, including in the broader context of poverty. Such measures shall not impede the effective opening of the market and its functioning, as regulated by this law, and shall be notified to the Energy Community Secretariat. Such notifications shall not include measures taken within the general social security system.

Article 11

Obligations of the supplier towards final customers

1. Each supplier shall ensure a single contact point from which its final customers shall be provided with all the necessary information and notifications concerning their rights, current regulations and the existing and available means of dispute settlement. The single contact point shall also allow final customers to:

1.1. receive transparent notification on applicable tariffs and on standard terms and conditions, in respect of access to and use of services;

1.2. be offered a wide choice of payment methods, which do not unduly discriminate between final customers. Prepayment systems shall be fair and adequately reflect likely consumption. Any difference in terms and conditions shall reflect the costs to the supplier of the different payment systems;

1.3. receive available information as regards the possibility to change their supplier on a free basis;

1.4. receive instructions for the implementation of transparent, simple and economic procedures for dealing with their complaints – in particular, each supplier shall ensure that its final customers have the right to a good standard of service and that their complaints are handled properly and in such a way that enables disputes to be settled fairly and promptly, preferably within two (2) months, with provision, where warranted, for a system of reimbursement and/or compensation;

1.5. receive frequent and accurate notifications on actual natural gas consumption and costs to enable them to regulate their own natural gas consumption – that information shall be provided by using a sufficient time frame, which takes account of the capability of the metering equipment of the final customer, with due account taken of the efficiency of such measures and without additional costs charged to the final customer for that service; and

1.6. receive a final closure account following any change of supplier no later than six (6) weeks after the change of supplier has taken place.

2. Suppliers shall take the necessary steps to provide their final customers with a copy of the energy customer checklist which contains practical information relating to energy customer rights and ensure that it is timely published.

3. Each supplier shall notify the final customer on changes to tariffs and other supply conditions, at least fifteen (15) days before the implementation of such changes, including the information on the right of the final customer to terminate the contract. Such notification is not compulsory when the changes concern tariff decreases or the provision of more favourable supply conditions. Final customers are free to terminate their contracts if they do not accept the new conditions notified to them.

4. Each supplier may supply the final customer only if the system operator in charge to which the facilities of the final customer are connected, establishes and confirms to the supplier that said customer complies with the conditions for secure supply natural gas.

5. Each supplier shall prepare and publish its action programme for:

5.1. providing assistance to final customers in relation to their fulfilment of due contracting obligations in order to prevent the suspension of supply;

5.2. supporting the supply of final customers in remote areas;

5.3. supporting the system for incentivising production of natural gas from renewable energy sources; and

5.4. promoting energy efficiency.

6. Each supplier shall regularly notify its final customers on measures for the improvement of energy efficiency in final energy consumption.

7. Each supplier pursuant to concluded contracts shall propose to its final customers that said supplier issues an invoice and collect payment for:

7.1. use of the transmission and/or distribution network;

7.2. provision of ancillary services; and

7.3. other fees prescribed by the legislation into force.

8. Each supplier shall charge the natural gas supplied and related services on the basis of an invoice which shall be clear and comprehensible.

9. Each supplier shall regularly inform its final customers about the supply of natural gas, including environmental issues. Information that each supplier shall provide to its final customers shall be in line with the requirements prescribed by the Regulator.

10. The Regulator shall take the necessary steps to ensure that the notifications provided by suppliers to their final customers are presented in a reliable, clear and comparable manner. The Regulator may decide to make elements of those notifications available to natural gas market participants, providing that commercially sensitive information on certain participants or transactions are not published.

11. Each supplier shall undertake necessary steps aimed at protecting the interests of its final customers as well as handling the complaints of its final customers in an efficient way including out-of-court dispute settlements. The Regulator shall supervise the way in which complaints are handled in accordance with this Law and other applicable legal acts.

Article 12

Building and operating of the transmission network and other obligations

1. Building and operating of new gas transmission and distribution network and direct pipelines shall be done in accordance with the Law on Private Public Partnerships and Law on Energy Regulator.

2. The Ministry, in line with the legislation in force, will assess the need to expand the existing gas network infrastructure, to enable the integration of gas from renewable energy sources.

Article 13

Regional cooperation of transmission system operator

1. Transmission system operator shall promote operational arrangements to ensure optimal management of the network and promote the development of energy exchange, sharing of coordinated cross-border capacity through non-discriminatory market-based solutions, paying special attention of auctions on short-term sharing and integration of balancing mechanisms.

2. The Ministry and the Regulator will cooperate with relevant institutions of the region, with the aim of integrating the national market at the regional level, as a first step towards the creation of a fully liberalized internal market. In particular, the Ministry and the Regulator shall promote and facilitate cooperation at the regional level of transmission system operators, including on cross-border issues, with the aim of creating a competitive internal market in natural gas, develop a legal, regulatory and technical framework and facilitate integration of natural gas systems.

3. The Regulator shall cooperate with the Regulatory Board of the Energy Community, regional regulatory authorities and transmission system operators to ensure compatibility of regulatory frameworks in the region, with the aim of creating competitive internal energy market.

4. The Regulator will cooperate with regional regulatory authorities, to provide the Regulatory Board of the Energy Community, as well as each other, the information necessary to meet their obligations arising from the applicable European and domestic legislation. Efforts will be made to ensure that the same level of confidentiality will be held during exchanges of information between parties.

5. The Regulator shall cooperate in the regional level in order to:

5.1. encourage the creation of operational arrangements to ensure optimal management of the network, promote joint energy exchanges and cross-border capacity allocation at the regional level, including new interconnections to enable the development of effective competition and improve services without discrimination supply to supply companies of the signatory parties of the Energy Community;

5.2. coordinate the development of all grid codes for transmission system operators and other market parties; and

5.3. coordinate the development of rules, which regulate congestion management.

6. The Regulator may sign cooperation agreements with regulatory authorities in the region with the aim of strengthening cooperation between regulators.

CHAPTER II TRANSMISSION SYSTEM OPERATOR

Article 14

Designation of transmission and storage systems

The Government of Republic of Kosovo shall select and designate, based on a competitive process, legal persons as candidates for transmission and storage system operators. The candidates shall apply for license to the Regulator within sixty (60) days from the day of selection by the Government.

Article 15

Unbundling of the transmission system and transmission system operator

1. The Transmission System Operator shall be organised as an independent legal person which is not part of a vertically integrated undertaking.

2. Activities of The Transmission System Operator, while carrying out its duties and fulfilling its tasks established by this law, shall be independent from generation and supply activities in natural gas, and related commercial interests.

3. Independence of the Transmission System Operator shall be considered as provided under

this law when:

3.1.the person or persons exercising control, directly or indirectly, over the company that performs the functions of production or supply do not exercise control or rights over the transmission system Operator, either directly or indirectly;

3.2.the person or persons who exercise control, directly or indirectly, over the transmission system Operator do not exercise direct or indirect control or rights over enterprises which perform generation or supply functions.

3.3.the same person or persons are not entitled to appoint members of the supervisory board, the administrative board or bodies legally representing the undertaking, of the transmission system operator or the transmission system, and directly or indirectly to exercise control or exercise any right over an undertaking performing any of the functions of production or supply;

3.4. the same person is not eligible to be a member of the Board of Directors, the administrative board or bodies legally representing the company performing functions of generation or supply and those of The Transmission System Operator.

4. The rights referred to in paragraph 2 of this Article shall include in particular:

4.1. the power to exercise voting rights;

4.2. the power to appoint members of the supervisory board, the administrative board or bodies legally representing the undertaking; or

4.3. the holding of a majority shares.

5. Enterprises performing functions of production or supply shall not be entitled to exercise any right over The Transmission System Operator and vice versa.

6. Where the person or persons referred to in paragraph 2 of this Article is a governmental or another public body, two separate public bodies that exercise control over the transmission system operator or over the Transmission System on the one hand, and over an undertaking that performs any of the functions of production or supply on the other, shall be deemed not to be the same person or persons.

7. Before an enterprise is designated as a Transmission System Operator, it shall be certified according to the procedures set forth according to this Article.

Article 16

Certification of Transmission System Operator

1. The Transmission System Operator shall be certified by the Regulator, in compliance with the Law on Energy Regulator and its Rule for Certification Procedure.

2. Enterprises which possess transmission systems and are certified by the Regulator, and which meet the criteria defined in Article 15 of this Law, shall be approved and designated as transmission system Operator by the Government of the Republic of Kosovo. Information on

the designation of the transmission system operators shall be sent to the Energy Community Secretariat.

Article 17

Certification in relation to third countries

Certification in relation to third countries is performed by the Regulator, in compliance with the Law on Energy Regulator and its Rule for Certification Procedure.

Article 18

Tasks of transmission system operator and storage capacities

1. Each Transmission System Operator, natural gas storage system operator, in order to ensure an open market shall:

1.1. operate, maintain and develop under economic conditions secure, reliable and efficient transmission and natural gas storage, with due regard to the environment;

1.2. refrain from discriminating between system users or classes of system users, particularly in favour of its related undertakings;

1.3. provide any other transmission system operator, storage, and any Distribution System Operator, sufficient information to ensure that the transport and storage of natural gas may take place in accordance with the secure and efficient operation of the interconnected system ;

1.4. provide system users with the information they need for efficient access to the system.

2. Rules adopted by transmission system operators for balancing the gas transmission system shall be objective, transparent and non-discriminatory, including rules for charging the users of their networks for energy imbalance.

3. The Transmission System Operator shall build sufficient cross-border capacity to integrate the natural gas transmission system of Kosovo with such system of other Energy Community Parties accommodating all economically reasonable and technically feasible demands for capacity and taking into account security of gas supply.

4. Non-discriminatory terms and conditions, including cost-reflective tariffs, for the provision of such services by transmission and storage system operators shall be developed and proposed by The Transmission System Operator, or Storage system operator, respectively. Such rules shall be submitted to the Regulator for approval. Rules received by the Regulator and the ones not denied within ninety (90) days shall be deemed approved. Upon approval, the rules shall be published.

5. Transmission system operators shall procure the energy they use for carrying out their functions according to transparent, non-discriminatory and market based procedures.

6. The Transmission System Operator, in addition to the tasks listed of this Article, shall also have the following tasks:

- 6.1. adopt annual plans for the transmission system development for a minimum period of ten (10) years under Article 22 of this Law, in compliance with investment plans of other system operators;
- 6.2. adopt the compliance programme to ensure non-discriminatory behaviour and designate a person responsible for monitoring the compliance programme implementation and create annual reports under Article 21 of this Law;
- 6.3. ensure system balancing on the principles of minimum cost, transparency and non-discrimination;
- 6.4. take appropriate safety measures for using the transmission system and other associated facilities;
- 6.5. ensure the confidentiality of commercially sensitive information obtained from conducting business operations, and publish the information that may provide advantages in the market in a non-discriminatory manner;
- 6.6. collect and publish data and information necessary to meet the prescribed requirements related to transparency and monitoring of natural gas market in accordance with the applicable technical rules;
- 6.7. establish transparent and efficient procedures for non-discriminatory connection of storage facilities, distribution systems and industrial customers to the transmission system;
- 6.8. ensure the security of supply and provide the Regulator with the data needed for security of supply report under the Law on Energy Regulator;
- 6.9. take measures to increase energy efficiency and ensure environmental protection;
- 6.10. cooperate and promote operational arrangements and the development of energy exchanges with other system operators and relevant interested parties in order to establish a regional natural gas market and achieve its liberalization, paying due attention to the specific merits of implicit auctions for short-term allocations and the integration of balancing mechanisms.
- 6.11. submit to the Regulator the information and documents needed to enable the Regulator to exercise its duties;
- 6.12. perform all the other tasks important for transmission system operation.

Article 19

Independence of the staff and management of the Transmission System Operator

1. Decisions regarding the appointment and extension of contracts, working conditions including compensation, and termination of the mandate of the persons responsible for the management and/or members of administrative bodies of the transmission system operator shall be taken by the Supervisory Body of the Transmission System Operator, appointed in accordance with Article 20 on this Law.

2. Identity, terms defining the mandate, duration and termination of the mandate of the persons nominated by the Supervisory Body for appointment or extension of the contract of persons responsible for executive management and/or as members of administrative bodies of The Transmission System Operator, and the reasons for any proposed Decision to terminate such a mandate, shall be sent to notify the Regulator. Such conditions and decisions referred to in paragraph 1 of this Article shall take effect only if the Regulator has not filed an objection within twenty-one (21) days from the notification.

3. The Regulator may object the decisions stated in paragraph 1 of this Article in cases of:

3.1. there are suspicions regarding the professional independence of the person appointed as responsible for the management and/or as member of the administrative bodies; and

3.2. if in case of a premature termination of the mandate, there are doubts in relation to its reasoning for the premature termination.

4. Persons responsible for the management and/or members of administrative bodies, as well as workers of the transmission system operator shall not hold or receive interests over, or receive financial benefits, directly or indirectly, from any other party apart from the transmission system operator.

5. Effective rights of appeal to the Regulator shall be guaranteed to every complaint by persons responsible for the management and/or members of administrative bodies of the transmission system operator against premature termination of their mandates.

Article 20

Board of Directors

1. The Transmission System Operator should have a Supervisory Body, which shall have the power to make decisions which can have a significant impact on the value of the assets of the shareholders within the transmission system operator, especially decisions in relation to the approval of annual and multi-year financial debt level system of The Transmission System Operator and the amount of dividends distributed to shareholders. Decisions that fall under the scope of the Supervisory Body do not include daily activities of The Transmission System Operator and network management, or those related to activities necessary to prepare the ten (10) year network development plan, which is prepared on the basis of Article 22 of this Law.

2. When the Transmission System Operator is a public enterprise, the appointment and dismissal of members of the Board of Directors of the Enterprise shall be made pursuant to paragraphs 3 and 4 of this Article.

3. The candidate application process, organization and other criteria for the selection of members of the Board of Directors shall be held according to the Law on Publicly Owned Enterprises;

4. In addition to the duties and responsibilities of the members of the Board of Directors defined in the Law on Publicly Owned Enterprises, the Board of Directors shall apply the provisions of this law with respect to the obligations of the Regulator.

Article 21

Compliance Program and Compliance Officer

1. The Transmission System Operator must establish and implement a compliance program which establishes measures in order not to allow discriminatory behaviour and to ensure that adequate monitoring takes place. Compliance Program establishes specific obligations for employees of the Transmission System Operator to achieve the objective of the program. The Compliance Program shall be approved by the Regulator. Without prejudice to the powers of the Regulator, compliance through the compliance program shall be monitored independently by the Compliance Officer.

2. The Compliance Officer shall be appointed by the Supervisory Body, and approved by the Regulator. The Regulator may reject the approval of the compliance officer only on grounds of lack of independence or professional capacity. The Compliance Officer may be a natural person or legal person.

3. The Compliance Officer shall be responsible to:

3.1. monitor the implementation of the Compliance program;

3.2. prepare the Annual Report, including measures taken in order to implement the Compliance Program. The Annual Report shall be submitted to the Regulator;

3.3 report to the Supervisory Body and provide recommendations regarding the compliance program and its implementation;

3.4 inform the Regulator on any substantial violation related to the implementation of the Compliance Program, and

3.5 report to the Regulator on any economic and financial relations between the shareholders and the Transmission System Operator.

4. The Compliance Officer shall submit to the Regulator decisions proposed on the investment plan or individual investments in the network. This should be done no later than the time when the management or the competent administrative body of the Transmission System Operator submit them to the Supervisory Body.

5. In cases where the Supervisory Body has made a decision that has the effect of preventing or postponing a planned investment in the ten (10) year plan, to be implemented within the next three (3) years, the Compliance Officer shall report this to the Regulator, which then must act in accordance with Article 22 of this Law.

6. The Regulator shall approve the employment terms, including the term duration of the Compliance Officer. These conditions should be such as to ensure the Compliance Officer independence by providing, inter alia, all necessary resources to fulfil its duties. During its tenure, the Compliance Officer shall have no right to hold any other professional position, exercise responsibility or interests, directly or indirectly, over other energy enterprise or organizations, or government agencies.

7. The Compliance officer shall report regularly, either verbally or in writing, to the Regulator and shall have the right to report to the Supervisory Body of the Transmission System Operator.

8. The Compliance Officer may attend all meetings of the management or administrative bodies of the Transmission System Operator, and the Supervisory Body. The Compliance Officer shall attend all meetings that address the following issues:

8.1. conditions on access to the network, in particular with regard to fees, services of third party access, capacity allocation and congestion management, transparency, balancing and secondary markets;

8.2. projects undertaken for the purpose of the operation, maintenance and development of the transmission system, including investments in new transmission lines, expansion of capacities and optimizing existing capacities;

8.3. purchases or sales of energy necessary for the operation of the transmission system.

9. The Compliance Officer shall monitor the compliance of the Transmission System Operator regarding the confidentiality of information.

10. The Compliance Officer has access to all relevant data and offices of the Transmission System Operator and all information necessary for the performance of its duties.

11. The Supervisory Body may discharge the Compliance Officer after preliminary approval by the Regulator. The Compliance Officer shall be dismissed on grounds of lack of independence or professional capacity upon request of the Regulator.

12. The Compliance Officer shall have access to the offices of the Transmission System Operator without prior notice.

Article 22

Development of the network and competencies for investment decision-making

1. Every year, the transmission system operators shall submit to the Energy Regulator Office a ten (10) year network development plan, based on supply and demand forecast, after having consulted with all relevant stakeholders. The network development plan shall include effective measures to ensure suitability and safety of the supply system.

2. In particular, the ten (10) year network development plan shall:

2.1. inform market participants on the key transmission infrastructure to be developed or upgraded in the next ten (10) years;

2.2. include all investments in place and identify new investments to be executed in the next three (3) years; and

2.3. provide a time frame for all investment projects.

3. When reviewing the ten (10) year network development plan, the transmission system operator shall provide reasonable assumptions on the evolution of production, supply, consumption and exchanges with other countries, taking into account investment plans for regional and the Energy Community networks.

4. The Regulator shall consult with all actual or potential users on the ten (10) year network development plan in an open and transparent manner. Persons or companies claiming to be potential users of the network may be obliged to justify their claims. The Regulator shall publish the results of the consultation process, in particular possible investment needs.

5. The Regulator shall examine whether the ten (10) year network development plan covers all investment needs identified during the consultation process, and whether the plan is consistent with the Energy Community energy strategy (including a European perspective on the adequacy of supply). If there are doubts about compliance with the Energy Community's energy strategy, the Regulator shall consult with The Energy Community Regulatory Board. The Regulator may require the transmission system operator to amend and supplement its ten (10) year network development plan.

6. The Regulator shall monitor and assess the implementation of the ten (10) year network development plan.

7. If The Transmission System Operator, unless there are exceptional reasons beyond his control, does not execute an investment which according to the ten (10) year network development plan, had to be executed in the following three (3) years. The Regulator shall undertake at least one of the following measures to ensure that such investment is realized, or if such investment is still relevant, according to the most recent network development plan:

7.1. request the transmission system operator to execute the such investments;

7.2. organize an open bidding procedure for investors for the such investment; or

7.3. oblige The Transmission System Operator to accept a capital increase to finance the necessary investments and allow independent investors to participate in equity. If the Regulator has exercised its powers under paragraph 7.2 of this Article, it may oblige the transmission system operator to comply with one or more of the following points:

7.3.1. financing by any third party;

7.3.2. construction by any third party;

7.3.3. build the new assets itself;

7.3.4. operate the new assets itself.

8. The Transmission System Operator shall provide all required information to investors to realize investment, shall connect new assets to the transmission network, and shall generally make best efforts to ensure the implementation of the investment project. Relevant financial arrangements shall be subject to approval by the Regulator.

9. If the Regulator has exercised its powers under the first item of paragraph 7 of this Article the relevant tariff regulations shall cover the costs of such investments.

Article 23

Confidentiality for Transmission and Storage System Operator

1. Without prejudging Article 32 of this Law and Law on Energy Regulator or any other legal obligation to disclose information, each transmission and storage operator shall preserve the confidentiality of commercially sensitive information, obtained in the course of carrying out its business, and shall prevent information about its own activities which may be commercially advantageous from being disclosed in a discriminatory manner.

2. The Transmission or storage System Operators shall not, in the context of sales or purchases of natural gas abuse commercially sensitive information, obtained from third parties, in the context of providing or negotiating access to the system .

CHAPTER III

DISTRIBUTION SYSTEM OPERATOR

Article 24

Designation of Distribution System Operator

The Government of Republic of Kosovo shall select and designate, based on a competitive process, one (1) or more legal persons as candidates for Distribution System Operators. The candidates shall apply for license to the Regulator within sixty (60) days from the day of selection by the government.

Article 25

Tasks of Distribution System Operator

1. Each Distribution System Operators shall:

1.1. be responsible to ensure that the distribution system can cover the reasonable demands for gas distribution and to operate, maintain and develop under economic conditions secure, reliable and efficient system, with due regard to the environment

1.2. refrain from discrimination between system users or classes of system users, particularly in favour of its related undertakings;

1.3. provide for any other Distribution System Operator, transmission and/or storage, sufficient information to ensure that the transport and storage of natural gas may take place in a manner compatible with the secure and efficient operation of the interconnected system;

1.4. provide system users with the information they need for efficient access to the system.

2. Rules adopted by Distribution System Operators for balancing the gas distribution system shall be objective, transparent and non-discriminatory, including rules for charging the system users of their networks for energy imbalance.

3. Non-discriminatory terms and conditions, including cost-reflecting tariffs, for provision of such services by Distribution System Operators, shall be drafted and proposed by the system operator under Article 41 of this Law.

4. The rules referred to in paragraph 2 of this Article shall be submitted to the Regulator and shall be published upon their approval.

Article 26

Independence of Distribution System Operator

1. If Distribution System Operator is part of a vertically integrated undertaking, it shall be independent at least in terms of its legal form, organization and decision making from other activities not related to transmission. This requirement shall not include an obligation to separate the ownership of assets of the distribution system from the vertically integrated undertaking.

2. In order to ensure the independence of the Distribution System Operator referred to in paragraph 1 of this Article, the following minimum criteria shall apply:

2.1. persons responsible for the management of the Distribution System Operator may not participate in company structures of the integrated natural gas undertaking responsible, directly or indirectly, for the day-to-day operation of the production, transmission and supply of natural gas;

2.2. appropriate measures must be taken to ensure that the professional interests of persons responsible for the management of the Distribution System Operator are taken into account in a manner that ensures that they are capable of acting independently;

2.3. the Distribution System Operator shall have effective decision-making rights, independent from the integrated gas undertaking, with respect to assets necessary to operate, maintain or develop the network. This should not prevent the existence of appropriate coordination mechanisms to ensure that the economic and management supervision rights of the parent company in respect of return on assets regulated indirectly in accordance with Article 31 of this Law, in a subsidiary are protected. In order to fulfil those tasks, the distribution system operator shall have at its disposal the necessary resources including human, technical, financial and physical resources.

2.4. in particular, on the context of the sub-paragraph 2.3 of this Article shall enable the parent company to approve the annual financial plan, or any equivalent instrument, of the distribution system operator and to set global limits on the levels of indebtedness of its subsidiary. This shall not permit the parent company to give instructions regarding day-to-day operations, nor with respect to individual decisions concerning the construction or upgrading of distribution lines, that do not exceed the terms of the approved financial plan, or any equivalent instrument;

2.5. the Distribution System Operator shall establish a compliance program, which sets out measures taken to ensure that discriminatory conduct is excluded, and ensure that observance of it is adequately monitored. The program sets out the specific obligations which are fulfilled from employees. An annual report, setting out the measures taken, shall be submitted by the person or body responsible for monitoring the compliance program to the Regulator which shall be published. The Compliance Officer of the distribution system operator shall be fully independent and shall have access to all information of the distribution system operator and any related enterprise, as necessary

to perform its duties;

2.6. if the Distribution System Operator is part of a vertically integrated enterprise, it shall be monitored by the Regulator and the Kosovo Competition Authority in order not to use its vertical integration to distort competition. In particular, the Distribution System Operator shall not create confusion on the identity of the particular supplier as part of the vertically integrated enterprise.

Article 27

Confidentiality for the Distribution System Operator

1. Without prejudice to Article 22 of this Law or any other legal obligation to disclose information, each Distribution System Operator preserves the confidentiality of commercially sensitive information obtained in the course of carrying out its business, and prevents information about its own activities which may be commercially advantageous from being disclosed in a discriminatory manner.

2. Distribution System Operators shall not, in the context of sales or purchases of natural gas by related undertakings, abuse commercially sensitive information obtained from third parties in the context of providing or negotiating access to the system.

Article 28

Closed distribution systems

1. The Regulator shall adopt rules for conducting distribution activities within a closed system, taking into account that this system operates in isolation within a limited geographical locality where industrial and economic activities are developed in certain conditions which:

1.1. for specific technical or safety reasons, operations or the generation process fabrication of users of that system are integrated, or

1.2. the system distributes natural gas primarily for the needs of the owner of the system operator or the system operator itself or its related companies.

2. The Regulator may relieve The Operator of a Closed Distribution System from requirements of Article 34 of this Law so that tariffs, or methodologies that enable their calculation, are approved prior to entering into force in accordance with Article 48 of this Law.

3. If applicable exemptions are applied from the obligations as stipulated in paragraph 2 of this Article, the existing pricing or compensation methodology upon which the calculations are based, can be revoked and adjusted to the methodology and prices approved by the Regulator upon a request of the network user.

4. The use of closed network distribution systems by a small number of households, persons who are employed by the owner of a closed system or in any form or connected therein, does not preclude the approval of exemptions from obligations of the closed distribution system as defined in paragraph 2 of this Article.

Article 29

Unbundling of storage system operators

1. If Storage System Operator is part of a vertically integrated undertaking, it shall be independent at least in terms of its legal form, organization and decision making from other activities not related to transmission, distribution and storage.

2. In order to ensure the independence of the Storage System Operator referred to in paragraph 1 of this Article, the following minimum criteria shall apply:

2.1. persons responsible for the management of the Storage System Operator shall not participate in company structures of the integrated natural gas undertaking responsible, directly or indirectly, for the day-to-day operation of production and supply of natural gas;

2.2. appropriate measures shall be taken to ensure that the professional interests of persons responsible for the management of the Storage System Operator are taken into account in a manner that ensures that they are capable of acting independently;

2.3. the Storage System Operator shall have effective decision-making rights, independent from the integrated gas undertaking, with respect to assets necessary to operate, maintain or develop the network. This should not prevent the existence of appropriate coordination mechanisms to ensure that the economic and management supervision rights of the parent company in respect of return on assets regulated indirectly in accordance with Article 32 of this Law, in a subsidiary are protected. In particular, this shall enable the parent company to approve the annual financial plan, or any equivalent instrument, of the Storage system operator and to set global limits on the levels of indebtedness of its subsidiary. This shall not permit the parent company to give instructions regarding day-to-day operations, nor with respect to individual decisions concerning the construction or upgrading of storage facilities, that do not exceed the terms of the approved financial plan, or any equivalent instrument; and

2.4. the Storage System Operator shall establish a compliance program, which sets out measures taken to ensure that discriminatory conduct is excluded, and ensure that observance of it is adequately monitored. The compliance program sets out the specific obligations of employees to meet those objectives. An annual report, setting out the measures taken, shall be submitted by the person or body responsible for monitoring the compliance program to the Regulator and shall be published.

Article 30

Transparency of Energy Enterprises

1. The Regulator should ensure that the energy enterprises licensed for the activities of generation, distribution and supply shall separate their internal accounts for all of these activities as if the activities in question were carried out by separate enterprises, with a view to avoiding discrimination, cross subsidies, and distortion of competition.

2. All energy enterprises shall have separate accounts for their licensed energy activities and for all other activities, and shall ensure that such accounts are audited.

3. The public supplier will maintain separate accounts for the supply of eligible customers and

supply of non-eligible customers, as if they were carried out by separate enterprises, and shall ensure that such accounts are audited.

Article 31

Combined System Operator

Requirements for independence of the distribution system operator, as stipulated in Article 26 of this Law, shall not prevent the operation of a combined transmission, , storage and distribution system operator provided that operator complies with requirements for the unbundling and independence of the Transmission System Operator.

Article 32

Right of access to accounts

1. The Regulator, in accordance with Article 33 of this Law, has the right of access to the accounts of natural gas undertakings.
2. The Regulator preserves the confidentiality of commercially sensitive information, provided that the disclosure of such information may be made by the Regulator where this is necessary in order for it to carry out its functions.

Article 33

Unbundling of accounts

1. The Regulator ensures that the accounts of natural gas undertakings are kept in accordance with paragraphs 2 to 5 of this Article. Where undertakings benefit from derogation of this provision, on the basis of Article 51 of this Law, they shall at least keep their internal accounts in accordance with this Article.
2. Natural gas undertakings, whatever their system of ownership or legal form, shall draw up, submit to audit and publish their annual accounts in accordance with legislation in force concerning the annual accounts of limited liability companies. Undertakings which are not legally obliged to publish their annual accounts shall keep a copy of these at the disposal of the public at their head office.
3. Natural gas undertakings shall, in their internal accounting, keep separate accounts for each of their transmission, distribution, and storage activities as they would be required to do if such activities were carried out by separate undertakings, with a view to avoiding discrimination, cross-subsidization and distortion of competition. The Enterprises also keep accounts, which may be consolidated, for other gas activities not relating to transmission, distribution and storage.
4. Revenue from ownership of the transmission/distribution network shall be specified in the accounts. They shall keep separate accounts for activities for eligible customers and activities for non-eligible customers. Where appropriate, they shall keep consolidated accounts for other, non-gas activities. The internal accounts shall include a balance sheet and a profit and loss account for each activity.
5. The audit, referred to in paragraph 2 of this Article, shall, in particular, verify that the obligation to avoid discrimination and cross-subsidies referred to in paragraph 3 of this Article.

6. Undertakings shall specify in their internal accounting the rules for the allocation of assets and liabilities, expenditure and income as well as for depreciation, without prejudice applicable accounting rules, which they follow in drawing up the separate accounts referred to in paragraph 3 of this Article. These internal rules may be amended only in exceptional cases. Such amendments shall be mentioned and duly substantiated.

7. The annual accounts indicate in notes every transaction of a certain size conducted with related undertakings.

Article 34 **Third Party Access**

1. Transmission, storage and distribution system operators shall allow natural gas undertakings and eligible customers, including supply undertakings, to have non-discriminatory access to transmission, storage and distribution systems and to pipeline, pursuant to rules and tariffs approved and published by the Regulator. Tariffs shall be transparent and non-discriminatory.

2. The provisions of paragraph 1 of this Article shall not prevent the conclusion of long-term contracts so long as they are not in derogation of the intent of this Law to promote competition. Transmission system operators shall, if necessary for the purpose of carrying out their functions, including in relation to cross-border transmission, have access to the network of other transmission system operators.

3. Access for third parties similar to those specified in paragraph 1 of this Article, shall also be permitted to upstream pipeline networks, including facilities supplying technical services incidental to such access, except for the parts of such networks or facilities which are used for local production operations at the site of a field where the gas is produced. Transmission and distribution system operators shall offer non-discriminatory services for all users of the network.

4. The access referred to in paragraph 3 of this Article shall be provided for achieving a competitive market in natural gas taking into account security and regularity of supplies, capacity which is or can reasonably be made available and environmentally protected. In accordance with this paragraph should be taken into account:

4.1. the need to refuse access where there is incompatibility of technical specifications which cannot be reasonably overcome;

4.2. the need to avoid difficulties which cannot be reasonably overcome and could prejudice the efficient, current and planned future production of hydrocarbons, including that from fields of marginal economic viability;

4.3. the need to respect the duly substantiated reasonable needs of the owner or operator of the upstream pipeline network for the transport and processing of gas and the interests of all other users of the upstream pipeline network or relevant processing or handling facilities who may be affected; and

4.4. the need to apply their laws and administrative procedures, in conformity with the legislation in force, for the grant of authorization for production or upstream development.

5. The Regulator shall issue rules for settlement of the disputes related to access or refusal to allow access to every facility set forth in this Law. The Regulator publishes information on flow,

methodology and structure of tariffs.

6. Transmission System Operators shall make it public the detailed information related to services offered and conditions required for application together with necessary technical information for users of the network to have efficient access to the network. In order to provide transparent, objective and non-discriminatory tariffs and to facilitate the efficient use of gas network.

7. The party shall have the right to initiate administrative dispute before the competent Court in compliance with the Law on Administrative Conflicts against the final decision of the Regulator.

Article 35

Refusal of access

1. Transmission, Distribution or Storage System Operators may refuse access to the system on the basis of lack of capacity or where the access to the system would prevent them from carrying out the public service obligations, on the basis of serious economic and financial difficulties with take-or-pay contracts having regard to the criteria and procedures set out in Article 32 of this Law. Such refusal should be reasoned.

2. The Ministry may require from a natural gas undertaking which refuses to provide access to its facilities based upon a lack of capacity or a lack of connection for necessary investments to the extent that the same would be economically feasible to do so or when a potential customer is willing to pay for enlargement of the capacity.

Article 36

New infrastructure

1. Major new interconnectors between Kosovo and another country, and storage facilities, may, upon request, be exempted from the provisions of articles 34 and article 48 of this law under the following conditions;

1.1.the investment must enhance competition in gas supply and enhance security of supply;

1.2.the level of risk attached to the investment is such that the investment would not take place unless an exemption was granted;

1.3.the infrastructure must be owned by a natural or legal person which is separate at least in terms of its legal form from the system operators where that infrastructure will be built;

1.4.charges are levied on users of that infrastructure;

1.5.the exemption is not detrimental to competition or the effective functioning of the internal gas market, or the efficient functioning of the regulated system to which the infrastructure is connected.

2. Provisions of paragraph 1 of this Article shall apply also to significant increases of capacity in existing infrastructures and to modifications of such infrastructures which enable the development of new sources of gas supply.

3. The Regulator may, on a case by case basis, decide on the exemption referred to in paragraphs 1 and 2 of this Article subject to the criteria established in this Article.

4. Where the infrastructure is located in the territory of more than one Energy Community Party, is crossing the border between Kosovo and another Energy Community Party, the Energy Community Regulatory Board may submit an advisory opinion to the Regulator and the regulatory authority of another Energy Community Party concerned, which may be used as a basis for their decision on exemption, within two (2) months from the date on which the request for exemption was received by the last of those regulatory authorities.

5. Where all the regulatory authorities concerned agree on the request for exemption within six (6) months of the date on which it was received by the last of the regulatory authorities, they shall inform the Energy Community Regulatory Board of their decision.

6. The Energy Community Regulatory Board shall exercise the tasks conferred on the regulatory authorities of the Energy Community Parties concerned by this Article:

6.1. where all regulatory authorities concerned have not been able to reach an agreement within a period of six (6) months from the date on which the request for exemption was received by the last of those regulatory authorities; or

6.2. upon a joint request from the regulatory authorities concerned.

7. All regulatory authorities concerned may, jointly, request that the period referred to in subparagraph 1 of paragraph 6 of this Article is extended by up to three (3) months.

8. Before taking a decision, the Regulator will consult the relevant regulatory authorities and the applicants.

9. The exemption may cover all or parts of, respectively, the new infrastructure, the existing infrastructure with significantly increased capacity or the modification of the existing infrastructure.

10. In deciding to grant an exemption consideration shall be given, on a case by case basis, to the need to impose conditions regarding the duration of the exemption and non-discriminatory access to the infrastructure. When deciding on the conditions in this subparagraph account shall be considered, in particular, the duration of contracts, additional capacity to be built or the modification of existing capacity, the time horizon of the project and national circumstances.

11. When granting an exemption the Regulator shall decide upon the rules and mechanisms for management and allocation of capacity. The rules shall require that all potential users of the infrastructure are invited to indicate their interest in contracting capacity before capacity allocation in the new infrastructure, including for own use, takes place. The Regulator shall require congestion management rules to include the obligation to offer unused capacity on the market, and shall require users of the infrastructure to be entitled to trade their contracted capacities on the secondary market. In its assessment of the criteria referred to in subparagraphs 1.1, 1.2 and 1.4 of this Article, the Regulator shall take into account the results of that capacity allocation procedure.

12. The exemption decision, including any conditions referred to in this paragraph, shall be duly reasoned and published. Without revealing sensitive commercial information, the decision shall contain:

12.1. the detailed reasons on the basis of which the Regulator granted or refused the exemption together with a reference to paragraph 1 of this Article including the relevant provisions on which such decision is based, including the financial information justifying the need for the exemption;

12.2. the analysis undertaken of the effect on competition and the effective functioning of the internal gas market resulting from the grant of the exemption;

12.3. the reasons for the time period and the share of the total capacity of the gas infrastructure in question for which the exemption is granted;

12.4. in case the exemption relates to an interconnector, the result of the consultation with the countries or regulatory authorities concerned; and

12.5. the contribution of the infrastructure to the diversification of gas supply.

13. Notwithstanding paragraph 3 of this Article, the Regulator may apply to the Energy Community Regulatory Board to submit, its opinion on the request for an exemption. That opinion shall be published together with the decision.

14. The Regulator shall transmit to the Energy Community Secretariat, without delay, a copy of every request for exemption as of its receipt. The decision shall be notified, without delay, by the Regulator to the Energy Community Secretariat, together with all the relevant information with respect to the decision. That information may be submitted to the Energy Community Secretariat in aggregate form, enabling the Energy Community Secretariat to reach a well-founded decision.

15. Within a period of two (2) months from the day following the receipt of a notification, the Energy Community Secretariat may issue an opinion inviting the Regulator to amend or withdraw the decision to grant an exemption. That two (2) month period may be extended by an additional period of two (2) months where further information is sought by the Energy Community Secretariat. That additional period shall begin on the day following the receipt of the complete information. The initial two (2) month period may also be extended with the consent of both the Energy Community Secretariat and the Regulator.

16. Where the requested information is not provided within the period set out in the request, the notification shall be deemed to be withdrawn unless, before the expiry of that period, either the period has been extended with the consent of both the Energy Community Secretariat and the Regulator, or the Regulator, in a duly reasoned statement, has informed the Energy Community Secretariat that it considers the notification to be complete.

17. The Regulator shall take the utmost account of an opinion of the Energy Community Secretariat that recommends amending or withdrawing the exemption decision. Where the final decision diverges from the Energy Community Secretariat's opinion, the Regulator shall provide and publish, together with that decision, the reasoning underlying such decision.

18. The Energy Community Secretariat's opinion of an exemption decision shall lose its effect two (2) years from its adoption in the event that construction of the infrastructure has not yet started, and five (5) years from its adoption in the event that the infrastructure has not been set to work unless the Energy Community Secretariat decides that any delay is due to major obstacles beyond control of the person to whom the exemption has been granted.

Article 37

Third party access to transmission system

1. In addition to provisions on third party access stipulated in Article 34 of this Law the Transmission System Operator shall provide an access to the transmission system in line with the terms and conditions laid down in the Transmission Grid rules. In this regard, the Transmission System Operator shall:

1.1. ensure that it offers its services on a non-discriminatory bases to all system users;

1.2. provide both firm and interruptible third-party access services. The price of interruptible capacity shall reflect the probability of interruption;

1.3. offer to system users both long and short-term services.

2. In regard to sub-paragraph 1.1 of this Article, where the Transmission System Operator offers the same service to different customers, it shall do so under equivalent contractual terms and conditions, either using harmonised transport contracts and/or pursuant to the Transmission Grid rules approved by the Regulator.

3. Where appropriate, third-party access services may be granted subject to appropriate guarantees from system users with respect to the credit worthiness of such users. Such guarantees shall not constitute undue market-entry barriers and shall be non-discriminatory, transparent and proportionate.

4. Transport contracts signed with non-standard start dates or with a shorter duration than a standard annual transport contract shall not result in arbitrarily higher or lower tariffs that do not reflect the market value of the service, in accordance with the principles laid down in the Law on Energy Regulator.

Article 38

Transmission Grid Rules

1. The Transmission Grid rules shall be proposed by the Transmission System Operator after consultation with natural gas sector participants, and shall be approved by Regulator in accordance with Article 18 of this Law.

2. The Transmission Grid rules shall contain, as a minimum, the following provisions:

2.1. the terms, conditions, technical details and minimum operating specifications for the access of users to the transmission system, including but without limitation third-party access services provided by the Transmission System Operator;

2.2. obligation to publish the data necessary to access the system;

2.3. the definition of all relevant points and the information which shall be published at all relevant points, including the time schedule of such publication;

2.4. planning the development of the transmission system and monitoring of its

implementation;

2.5. technical conditions for connection to the transmission system;

2.6. conditions for reliable and secure transmission system operation;

2.7. rules on measurement including the defined measuring equipment;

2.8. rules on data exchange on planned and delivered quantities in cases where daily measurements are not possible;

2.9. virtual point in the system;

2.10. range of quality, chemical contents and other characteristics of natural gas taken into the system and delivered from the system;

2.11. capacity-allocation mechanisms and congestion-management procedures in accordance with Article 39 of this Law;

2.12. data exchange with other system operators;

2.13. type and manner of submission of data which market players are obligated to submit to the system operator;

2.14. rules of procedure in case of system disturbances and in case of compromised security of natural gas supply;

2.15. procedures for settlements of disputes arising from transport agreements;

2.16. other issues relevant for transmission system operation.

Article 39

Principles of capacity-allocation mechanisms and congestion-management procedures concerning the Transmission System Operator

1. The maximum capacity at all relevant points, including entry and exit points, shall be made available to market participants, taking into account system integrity and efficient network operation.

2. The Transmission System Operator shall implement and publish non-discriminatory and transparent capacity-allocation mechanisms, which shall:

2.1. provide appropriate economic signals for the efficient and maximum use of technical capacity, facilitate investment in new infrastructure and facilitate cross-border exchanges in natural gas;

2.2. be compatible with the market mechanisms including spot markets and trading hubs, while being flexible and capable of adapting to evolving market circumstances; and

2.3. be compatible with the network access systems of other Energy Community Parties.

3. The Transmission System Operator shall implement and publish non-discriminatory and transparent congestion-management procedures which facilitate cross-border exchanges in natural gas on a non-discriminatory basis and which shall be based on the following principles:

3.1. in the event of contractual congestion, the Transmission System Operator shall offer unused capacity on the primary market at least on a day-ahead and interruptible basis; and

3.2. system users who wish to re-sell or sublet their unused contracted capacity on the secondary market shall be entitled to do so, following notification of the transmission system operator to be provided by such system users under the terms and conditions stipulated in the Transmission Grid rules.

4. In the event that physical congestion exists, non-discriminatory, transparent capacity-allocation mechanisms shall be applied by the Transmission System Operator or, as appropriate, by the Regulator.

5. The Transmission System Operator shall regularly assess market demand for new investment. When planning new investments, the transmission system operator shall assess market demand and take into account security of supply.

Article 40

Balancing rules

1 Balancing rules shall be designed in a fair, non-discriminatory and transparent manner and shall be based on objective criteria. Balancing rules shall reflect genuine system needs taking into account the resources available to the Transmission System Operator. Balancing rules shall be market-based.

2. Imbalance charges shall be cost-reflective to the extent possible, while providing appropriate balancing incentives to balance input and off-take of gas, and shall avoid cross-subsidies between system users or entry barriers to new system users.

3. The Transmission System Operator shall publish sufficient, well-timed, and reliable on-line information on the balancing status of system users that is necessary to enable system users to take timely corrective actions. The level of information provided shall reflect the level of information available to the transmission system operator. No charge shall be made for the provision of information under this paragraph.

4. The Transmission System Operator shall publish tariffs for the provision of balancing services.

5. The Transmission System Operator shall cooperate with transmission system operators of other Energy Community Parties with an aim to endeavour to harmonise balancing regimes and streamline structures and levels of imbalance charges in order to facilitate gas trade.

6. The balancing rules shall be part of a Transmission Grid rules under Article 38 of this Law.

Article 41
Distribution Grid Rules

1. The Distribution Grid rules referred to in paragraph 3 of Article 25 of this Law shall be proposed by the Distribution System Operator, after consultation with other sector participants, and shall be approved by the Regulator.

2. The Distribution Grid Code shall regulate, as minimum, the following:

- 2.1. distribution system development and maintenance;
- 2.2. technical conditions for the connection to the distribution system;
- 2.3. access to the distribution system;
- 2.4. rules on measurement including the defined measuring equipment;
- 2.5. procedures in case of disturbances in the distribution system operation;
- 2.6. type and scope of data exchanged with other energy undertakings and system users, procedures and the exchange dynamics;
- 2.7. obligations of the distribution system users;
- 2.8. other issues necessary for the distribution system operation.

CHAPTER IV
NATURAL GAS MARKET

Article 42
Scope of the natural gas market

1. The natural gas market shall include the retail and wholesale natural gas market.
2. Transactions between final customers and their suppliers shall take place on the retail natural gas market.
3. The wholesale natural gas market shall include:
 - 3.1. bilateral natural gas market;
 - 3.2. day-ahead natural gas market; and
 - 3.3. balancing natural gas market.
4. Purchase and sale on the wholesale natural gas market shall be contracted with bilateral

agreements, as well as on organised natural gas markets, *i.e.* day-ahead natural gas market and balancing natural gas market.

5. The Transmission System Operator shall procure balancing services from the balancing service providers in the balancing market in line with the Balancing Rules stipulated in the Transmission Grid rules, approved by the Regulator. The Balancing Rules shall define the terms and conditions related to balancing, including rules for: balancing service providers, procurement of balancing services, determination of quantities to be settled with balance service providers and financial settlement with balance service providers.

6. The Transmission System Operator shall cooperate with other transmission system operators on facilitating balancing market at a regional level in order to ensure operational security and efficient functioning of balancing market based on the effective competition, non-discrimination and transparency.

Article 43

Organisation of the natural gas market

1. The Regulator shall adopt the Natural Gas Market Rules in advance of the first supply of gas to Kosovo.

2. The natural gas market operator shall be responsible for the organisation of the natural gas market of the Regulator, as well as for its connecting with other organised natural gas markets, in accordance to the Market Rules.

3. The natural gas market operator shall be a company owned by the transmission system operator. The Transmission System Operator shall ensure its functional independence from the natural Gas Market operator and shall include respective measures preventing the discriminatory conduct in its compliance programme.

4. The natural gas market operator shall perform its activities on the basis of a license issued by the Regulator. The natural gas market operator shall perform its duties respecting the principles of transparency, objectivity and non-discrimination, under the supervision of the Regulator.

5. The natural gas market operator shall apply the fee for organisation of the natural gas market set by the Regulator in accordance with the annual operational plan and financial plan of the natural gas market operator.

6. The natural gas market operator shall keep a separate account for the transactions involving purchase and sale of natural gas.

Article 44

Measures to promote market opening

1. The Regulator, in cooperation with the Kosovo Competition Authority, shall conduct inquiry of the natural gas market functioning at least every two (2) years starting from the first year after a licence has been granted to the transmission system operator.

2. If necessary, the Regulator shall, within the scope of its competence and regulatory powers, establish all required and proportionate measures for the promotion of efficient market

competition and thus ensure regular functioning of the natural gas market. The Regulator, upon its own initiative or following the request of the Energy Community Secretariat, shall take such measures whenever deemed necessary.

3. The measures referred to in paragraph 2 of this Article shall be proportionate, non-discriminatory and transparent. Those measures may be put into effect only following the notification to the Energy Community Secretariat based on its respective opinion.

4. The Energy Community Secretariat shall act on the notification referred to in paragraph 3 of this Article within 2 (two) months of the receipt of the notification. That period begins on the day following receipt of the complete information. In the event that the Energy Community Secretariat does not act within that two (2) month period, it is deemed not to have raised objections to the notified measures.

Article 45

Monitoring and supervision of the natural gas market

1. The Regulator shall carry out the monitoring and supervision of the natural gas market under the terms and conditions stipulated in this Law and in the Market Rules.

2. The Regulator, in close cooperation with the Kosovo Competition Authority, shall also pursue that conditions for effective competition in the natural gas market and its development are established.

3. By 31 March of each year the Regulator shall prepare and publish the report on the natural market which at least shall include a detailed review of the organisation and functioning of the natural gas market in Kosovo, analysis of the activities of the natural gas market participants, and indicated trends of any developments in the natural gas market.

4. The natural gas market operator and the transmission system operator, within their respective competences, shall analyse the organisation of the natural gas market and propose to the Regulator measures for its improvement, and shall inform the Regulator on any indicated or potential infringements of requirements for activities in the natural gas market.

Article 46

Retail markets

1. To facilitate the development of functional and transparent markets in the Energy Community, Kosovo shall ensure that the roles and responsibilities of transmission system operators, distribution system operators, supply undertakings and customers and other parties in the market as necessary, are defined in relation to the contractual arrangements, commitment to customers, data exchange and dispute settlement rules, data ownership and metering responsibilities.

2. Such rules shall be made public and developed in order to facilitate the access of customers and suppliers in the network and shall be subject to review by the Regulator or other relevant state authorities.

Article 47

Direct Lines

1. The Regulator enables any eligible customer to be supplied through a direct line by natural gas undertakings, wherever this is technically and economically feasible.
2. The Regulator shall establish rules prescribing the criteria for the grant of authorization for the construction or operation of direct lines. In establishing such rules the Regulator shall take into consideration matters of safety, efficiency, the integrity of transmission and distribution systems. Such rules shall be objective, transparent, and non-discriminatory in application.

Article 48

Duties and obligations of the Regulator

1. The Regulator shall be the competent authority to monitor and regulate the natural gas industry in Kosovo and it shall be responsible for ensuring a non-discriminatory, effectively competitive and efficiently functioning natural gas market in Kosovo, in line with the provisions defined in the Law on the Energy Regulator.
2. The Regulator may impose in the license public service obligation on the licensees in the natural gas sector.

Article 49

Record-keeping

1. Enterprises shall make available to state institutions, including the Regulator and Competition Authority of Kosovo and the Energy Community Secretariat, for the fulfilment of their duties, for at least five (5) years, the relevant data relating to all transactions in gas supply contracts and gas derivatives related to wholesale customers and transmission system operators.
2. The data should include details on the characteristics of the relevant transactions, such as duration, delivery and placement of rules, quantity, dates and times of execution and transaction prices and means of identifying wholesale customers, as well as details specified in all outstanding contracts for gas supply.
3. The Regulator may decide to make available to all market players elements of such information, provided that commercially sensitive information on individual market actors are not disclosed.

Article 50

Derogations in relation to take-or-pay commitments

1. If a natural gas undertaking encounters or considers it would encounter, serious economic and financial difficulties because of its take-or-pay commitments in one or more gas-purchase contracts, it may apply for a temporary derogation from the duty to provide access the Regulator.
2. Applications shall be presented on a case-by-case basis, either before or after refusal of access to the system, at the choice of the natural gas undertaking. Where a natural gas undertaking has refused access, the application shall be presented without delay. The applications shall be accompanied by all relevant information on the nature and extent of the problem and on the efforts undertaken by the natural gas undertaking to solve the problem.

3. With respect to the situation described in paragraph 1 of this Article, if alternative solutions are not reasonably available, the Regulator may decide to grant derogation. The Regulator shall notify the Energy Community Secretariat without delay of its decision to grant derogation, together with all the relevant information with respect to the derogation. That information may be submitted to the Energy Community Secretariat in an aggregated form, enabling the Energy Community Secretariat to reach a well-founded decision. Within eight (8) weeks of receipt of that notification, the Energy Community Secretariat shall issue an opinion, inviting, as the case may be, the Regulator to amend or withdraw the decision to grant a derogation.

4. In making its decision of whether or not to grant a temporary derogation, the Regulator shall consider, in particular, the following criteria:

4.1. the objective of achieving a non-discriminatory, transparent and competitive gas market;

4.2. the need to fulfil public service obligations and to ensure security of supply;

4.3. the position of the natural gas undertaking in the gas market and the actual state of competition in this market;

4.4. the seriousness of the economic and financial difficulties encountered by natural gas undertakings and transmission undertakings or eligible customers;

4.5. the dates of signature and terms of the contract or such contracts, including the extent to which they allow for market changes;

4.6. the efforts made to find a solution to the problem;

4.7. the extent to which, when accepting the take-or-pay commitments, the undertaking could reasonably have foreseen, having regard to the provisions of this law, that serious difficulties were likely to arise;

4.8. the level of connection of the system with other systems and the degree of interoperability of these systems; and

4.9. the effects that the granting of a derogation would have on the correct application of the relevant Directive and the Law as regards to the smooth functioning of the internal natural gas.

5. Natural gas undertakings which have not been granted a derogation as referred to in paragraph 1 of this Article shall not refuse, or shall no longer refuse, access to the system because of take-or-pay commitments accepted in a gas purchase contract. In this regard, the Regulator shall ensure that relevant provisions of this law regulating the third-party access and gas supply contracts are fully applied and properly implemented.

6. Any derogation granted by the Regulator shall be published and duly substantiated.

Article 51
Transitional Provisions

Articles 12, 14, 15, 16, 17, 18, 19, 20, 24, 26, 29, 33, 34, 37, 47 of this Law shall be implemented before first physical natural gas inflow in the system of Kosovo.

Article 52
Sub-legal acts

The Ministry shall, for the implementation of this Law, issue sub-legal acts, within nine (9) months from the date of the entry into force of this Law.

Article 53
Repeal provisions

1. This Law shall repeal:

1.1. The Law No.03/133 on Natural Gas.

1.2. Administrative Instruction No.01/2010 on security of supply in the natural gas sector.

Article 54
Entry into force

This Law shall enter into force fifteen (15) days after its publication in the Official Gazette of the Republic of Kosovo.

Law No.05/L - 082
16 June 2016

Promulgated by Decree No.DL-024-2016, dated 01.07.2016, President of the Republic of Kosovo Hashim Thaçi.