



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

ELECTRICITY SUPPLY LICENSE

IS HEREBY GRANTED TO:

**“KOSOVO ELECTRICITY SUPPLY COMPANY”
(KESC) J.S.C**

Registration number: ZRRE/Tr_2014/Li_07/17

Pristina, 00 march 2017



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CHAPTER I: TERM OF THE LICENSE

1. **Energy Regulatory Office (hereinafter “ERO”)**, in conformity with the authority vested under Article 36 Law on Energy Regulator (Law No. 05/L-084), Article 18 of Law on Energy (Law no. 05/L-081), Law on Electricity (Law No. 05/L-085), and Rule on Licensing of Energy Activities in Kosovo, hereby modifies the Electricity Supply License transferred from “Kosovo Electricity Distribution and Supply Company JSC” –Supply Division (transfer number ZRRE/Tr_2014/Li_07/12) to **“Kosovo Electricity Supply Company” (KESCO JSC., hereinafter “electricity supply licensee”** with license registration number: **ZRRE/Tr_2014/Li_07/17** (hereinafter “the licensee”)
2. The territory covered by this license is the entire territory of the Republic of Kosovo.
3. The Licensee is entitled to:
 - 3.1. sell electricity to Final Customers, in accordance with this license;
 - 3.2. purchase electricity on the wholesale and retail electricity markets at unregulated prices in accordance with Article 33.5 of the Law on Electricity;
 - 3.3. re-sell at freely negotiated prices surplus capacities and electricity to other licensed electricity companies;
 - 3.4. import and export capacity and electricity in accordance with applicable rules;
 - 3.5. bill and collect revenue from its customers in accordance with applicable legislation;
4. The license is valid from **04 october 2006** and shall continue to be valid for a period of thirty (30) years, until **04 october 2006**, with the possibility of extension, in line the provisions of Rule on Licensing on Energy Activity in Kosovo.

In accordance with Article 36 of the Law of the Energy Regulator, this modified license now is with register number ZRRE/Tr_2014/Li_07/17 is granted to “Kosovo Electricity Supply Company” (KESC) JSC, for energy supply activity, and enter into force on date **00.00.2017.**

Stamped with the common stamp of the Energy Regulatory Office:_____.

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

Signed on: _____

CHAPTER II: GENERAL LICENSE CONDITIONS

Article 1: Definitions

1. Terms used in this License shall have the following meaning:

“Financial Year” is a period from 1 January to 31 December of the same calendar year

“Market Rules” the norms that regulate electricity trade between market participants and relations between parties of the electricity market, Market Operator and Transmission System Operator, with the purpose of maintaining the physical balance in the market.

“Balance Responsibility” has the same meaning as in the Market Rules approved by ERO.

“Final Customer” has the meaning set down in the Law on Electricity.

“Affiliated Person” has the meaning ascribed in Article 225.1 of the Law on Business Organizations 02/L-123.

“Legislation” means the Law on Energy (Law No. 05/L-081), the Law on Energy Regulator (Law No. 05/L-084), the Law on Electricity (Law No. 05/L 085) and any other primary or secondary legislation regulating the energy sector.

“Supplier of Last Resort” has the meaning ascribed in Article 3, paragraph 1.19 of the Law on Electricity.

“Universal Supply Customer” means any customer who enjoys the right of universal supply service in accordance with Article 3, paragraph 1.72 of the Law on Electricity.

2. Other terms used in this license shall have the same meaning as the terms used in applicable legislation.

Article 2: Separate Accounts for Licensed Activities

1. The Licensee shall prepare annual financial statements in accordance with Regulatory Accounting Guidelines issued by ERO and shall submit to ERO a copy of the audited financial statements within three (3) months after the end of the financial year. Internal accounts for the activities of the Licensee must be separate from internal accounts of other activities, as if these activities were carried out by another enterprise.



2. The Licensee shall submit to ERO Annual Financial Statements audited by an independent auditor in accordance with International Financial Reporting Standards and within the time prescribed by applicable laws for financial reporting.
3. In its internal accounting, the Licensee will maintain separate accounts for the supply of electricity to Universal Service Customers.
4. If required by ERO from time to time, the Licensee shall submit all accounts in the form and on the date specified by the ERO. Regulatory accounting shall be held in accordance with guidelines regarding ERO Regulatory reporting statements, and may, among others, specify:
 - 4.1. the form of regulatory accounting statements / records, including but not limited to the profit and loss accounts, balance sheets, recognized profit and loss statements, cash flow and statements of the amounts of annual revenues, costs, assets, debts, reserves or supplies, which are charged from any other activity or established by allocation or apportionment between the consolidated Licensee's licensed activities and any other activity;
 - 4.2. nature and content of regulatory accounting statements/records, including information on specified types of annual revenues, expenditure, assets or debts from specified activities;
 4. 3. regulatory accounting principles and policies (including the basis for allocation of expenditures).
- 5 With regards to regulatory accounting statements in respect of the financial year, the Licensee shall not, in terms of accounting statements related to the financial year, change the bases of charges, apportionment or allocation from those applied in previous financial years, unless ERO had previously issued appropriate guidance or written approval thereto.
6. The Licensee shall act in compliance with every instruction issued by ERO and with legislation in effect.

Article 3: Price for Supply and Prohibition of cross-subsidies

1. All electricity supply prices charged to Final Customers by the Licensee shall be freely set.
2. In carrying out its activities of supply with electricity, the Licensee shall ensure that supply prices will not be increased nor reduced as a consequence of receiving or granting any cross-subsidy (direct or indirect) from or on behalf of any other such activity of the Licensee or from any affiliated entity, corporation or any other legal or natural person.
3. The Licensee shall also ensure that its charged prices will not include any cross-subsidy (direct or indirect) between Universal Service Supply Customers and other Final



Customers, nor between any other of its individual customers or customer categories, except at the level approved by ERO.

Article 4: Prohibition of Discrimination

In setting prices that will be charged to customers for electricity supplied, the Licensee shall not have preferences for any customer or customer categories, will not exercise discrimination against any customer or customer categories, and will not set unfair supply conditions and which are onerous to be fulfilled.

Article 5: Prohibition on Abuse of Dominant Position

1. The Licensee is prohibited to abuse the dominant position as determined by Article 23 of the Law on Energy and other related legislation in effect.
2. If there is suspicion of abuse by the Licensee according to paragraph 1 of this Article, ERO will notify the Kosovo Competition Commission and may result in administrative fines and measures being levied on the Licensee as determined by Article 57 of the Law on Energy Regulator.

Article 6: Switching the Supplier

1. The Licensee shall take all the measures in training its employees regarding the application of Rules and procedures for switching the supplier and respecting the rights of customers to switch the supplier.
2. The Licensee shall cooperate fully with other licensed enterprises during the process of switching the supplier and it is prohibited for the Licensee to delay or obstruct this process without any reason.
3. Where a Final Customer who is not a Universal Service Supply Customer has already exercised his right to switch the supplier and has terminated his contract for supply with electricity from the Licensee, and has subsequently requested a new supply contract with the Licensee, the Licensee shall not deny such request unreasonably.
4. Where a Final Customer who is a Universal Service Supply Customer has already been disconnected and has terminated his contract for supply with the Licensee, and has subsequently requested a new supply contract with the Licensee, the Licensee shall not deny such request and shall deal with such request as promptly and fully as though it were a request from any other Universal Service Supply Customer.

Article 7: Compliance with Distribution Code, Grid Code, Metering Code and Rule on General Conditions of Energy Supply

1. The Licensee shall comply with the provisions of the Distribution Code, Grid Code, Metering Codes and the Rules on the General Conditions of Energy Supply.



2. The Licensee shall have Balance Responsibility and shall make all reasonable efforts to forecast its future demand accurately and to provide promptly, fully and accurately all information required to be submitted to any other electricity undertaking in accordance with the procedures approved by ERO.

Article 8: Obligations of the Licensee

1. ERO, with the purpose of protecting customers and energy market, has the right to impose on the Licensee an obligation to provide a Financial Guarantee, on temporary or permanent basis in line with Article 8 of the Rule on Licensing of Energy Activities in Kosovo.
2. The Licensee shall perform its licensed activities in an effective, economic and coordinated manner, in accordance with the legislation in force.
3. The Licensee shall undertake all the necessary actions to implement its obligations in accordance with applicable Legislation and with provisions of this License and agreements concluded with other parties, including any Power Purchase Agreement.

Article 9: Customer Protection

1. The Licensee shall ensure equal and non-discriminatory treatment for all customers regarding their rights and obligations with respect to electricity services.
2. The Licensee is responsible for the protection of its customers, by addressing the complains regarding every action, negligence or violation made by the supplier or system operator, and provide appropriate solutions to these complains, in accordance with the terms and conditions determined in the Rule on Resolution of Complaints and Disputes in Energy Sector.
3. The Licensee shall provide at least one employee during business hours to answer customer questions and requests.
4. Officials of the Licensee, responsible for receiving phone calls and receiving customers in the office, must be qualified and properly instructed, on appropriate and expedient way of handling issues of complains/disputes and requests for service or refer them to the relevant department.
5. The Licensee is obliged to respond to all customer complaints in an efficient and fair manner, in accordance with the Rule on Resolution of Complaints and Disputes in Energy Sector.
6. The Licensee shall inform its customers of the postal address, phone number, fax number and email address of the information service it established with the purpose of receiving their complaints or reporting any incident.



7. The Licensee is obliged to inform its customers at least fifteen (15) days prior to any change in their contracts on supply and price changes, and also inform them about their right to terminate the contract, if they do not accept the new conditions of supply.
8. The Licensee shall ensure an easy availability of different service packages to its Final Customer.
9. The Licensee is obliged to provide in its website a calculator for calculating the cost of electricity.
10. The Licensee shall send to the Final Customer the notice for supply contract expiration at least 60 calendar days before the expiration.
11. The Licensee is obliged to inform its customers about the process of changing supplier.

Article 10: General and Minimum Compliance Standards

1. The Licensee shall comply with all standards of electricity supply and service quality as approved by ERO.
2. Whenever required by the ERO, or where the Licensee deems reasonable, the Licensee shall review the existing general and minimum performance standards, within the deadline specified by the ERO.
3. The Licensee shall implement the approved standards and shall propose for approval to the ERO the procedure on monitoring the fulfillment of standards of supply and service quality. The Licensee shall act in conformity with the approved procedures.
4. The Licensee shall provide ERO not later than 31 March of each calendar year a report on its activity regarding standards to be met. This report will include information and analysis regarding the implementation of standards under this Article.
5. The Licensee shall, on March 31 of each calendar year, publish statistics as requested by ERO, regarding compliance with performance standards established in this Article, or failure thereof.

Article 11: Market Rules

The Licensee shall act in conformity with the applicable Market Rules.

Article 12: Health and Safety

1. The Licensee shall take all necessary actions to protect persons and property from injuries that may be caused by the Licensee and while performing the activities of electricity supply will act in accordance with the applicable legislation.



2. The Licensee shall, in accordance with applicable law, perform technical and security checks (audits) on an annual basis, and shall submit the results of such inspection to the ERO, whenever required by the ERO.

Article 13: Labour

The Licensee shall, with respect to labour and safety at work, comply with the applicable legislation in Kosovo.

Article 14: Changes in Control of Licensee

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

Article 15: Public Service Obligation

The Licensee shall perform any public service obligation that may be determined by the ERO, in accordance with Article 51 of the Law on Energy Regulator. Such imposed obligations will become an integral part of this License.

Article 16: Purchase of electricity from renewable energy sources

The Licensee shall perform any obligation regarding the offtake of energy from Renewable Energy Sources (RES), which may be placed upon it as a result of drafting or approved by ERO.

Article 17: Supplier of Last Resort

The Licensee will perform any public service obligation that may be imposed on him by ERO, including the obligation of a supplier of last resort, in compliance with Article 51 of the Law on Energy Regulator and Article 40 of the Law on Electricity.

Article 18: Provision of Information to ERO

1. The Licensee shall submit to ERO information and reports in the manner and on time frames that ERO may deem appropriate.
2. If the Licensee, in accordance with Rule on Confidential Information, requires that any information should be treated as confidential, it is his duty to mark such information as confidential and justify its application to ERO. ERO will review the application in accordance with the Rule on Confidential Information.



3. ERO is entitled to ask of Licensee any confidential information, necessary for performance of its functions and duties in accordance with Article 12 of the Law on Energy Regulator.
4. The Licensee shall appoint a person to maintain the communication link with the Transmission System Operator and Market Operator as well as with the Distribution System Operator. Address, phone number, fax number or electronic mail address of such person shall be sent to the Transmission System Operator and Market Operator as well as Distribution System Operator.
5. The Licensee shall submit to ERO any copy of contracts signed in relation to supply, bilateral agreements for purchase of electricity.
6. The Licensee shall hand over to ERO details of any changes in information submitted in the course of application for this License.

In this Article:

“Information” – shall mean any material in any form and shall include, without limitation, any contract, book, document, record, accounting, calculation (statutory or other), assessment, return or report of any description or any explanation (verbal or written) with respect to these information that may be requested from ERO.

Article 19: Extension Modification, Suspension, Transfer and Termination of License

1. ERO may extend, modify, suspend, and terminate this License in accordance with the Law on Energy Regulator and the Rule on Licensing of Energy Activities in Kosovo.
2. ERO may transfer this License in accordance with the Law on Energy Regulator and Rule on Licensing Energy Activities in Kosovo, subject to requirement that the License obligations may be performed by another Licensee if the customers will not be detriment due to such a transfer.

Article 20: Fees

The Licensee shall pay every initial and annual fee to ERO as set under the Rule on Fees, issued by ERO.

Article 21: Administrative Measures and Fines

1. In case of violation of provisions of applicable legislation including the rules issued by ERO or Articles of this License or the instructions given to the Licensee by the ERO, ERO has the power to impose administrative measures and fines to the Licensee, in accordance with Article 57 of Law on Energy Regulator and the Rule on Administrative Measures and Fines.



2. Administrative measures and fines may be imposed to the enterprise as a legal entity as well as to responsible persons within the enterprise.
3. The amount of the fine shall be assessed in accordance with the Law on Energy Regulator and the Rule on the Administrative Measures and Fines.

Article 22: Dispute Resolution

1. Any dispute that may arise or is related to licensed activities shall be resolved in accordance with the Rule on Resolution of Complaints and Disputes in the Energy Sector, issued by ERO.
2. Decisions of ERO related to extension, modification, suspension, termination and transfer of License as well as decisions on fines as a consequence of License terms violations or violations of applicable legislation, may be challenged by the Licensee at the competent court, in conformity with the applicable legislation.

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