



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

ELECTRICITY GENERATION LICENSE

GRANTED TO:

”Hidroenergji” LLC

License Number: ZRRE/Li_63/18

Pristina, 05 June 2019



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Article 1

Purpose

1. **Energy Regulatory Office**- ERO (hereinafter “the Regulator”), in line with the authority vested under Article 36 of the Law on Energy Regulator (Law No. 05/L-084), Article 18 of the Law on Energy (Law no. 05/L-081), the Law on Electricity (Law No. 05/L-085) and Rule on Licensing of Energy Activities in Kosovo (ERO/Rule/No. 07/2017) in its session held on 05 June 2019, issued to **Hidroenergji LLC**, the license for generation of electricity from renewable sources (RES) from the hydro power plant (HPP) “Lepenci 3”, with an installed capacity of **9.98 MW**, (with license number ZRRE/Li_63/18), **having its address at: St. Dëshmorët e Kombit, nn, Ferizaj (location of the hydro power plant: Sllatinë, Municipality of Kaçanik), Republic of Kosovo** (hereinafter “the licensee”)

Article 2

Definitions

1. Terms used in this licence shall have the following meaning:
 - a) **“Ancillary Services”** – all services necessary to operation transmission and distribution systems.
 - b) **“Financial Year”** – period from 1 January to 31 December of the same calendar year.
 - c) **“Generation unit”** – any plant or facility for generation of electricity.
 - d) **“Market Rules”** - rules adopted by the ERO to determine the functioning of the electricity market and the relationship between the Market Operator and market participants, as well as interactions between these parties and the Transmission System Operator.
 - e) **“Balancing Responsibility”**- obligation of market participant to balance generation, consumption, purchase and sale of electricity in accordance with the accepted schedules and to be financially responsible for settlement of imbalances;
 - f) **“Balancing Service”**- is the provision of the reserve contracted capacity and/or the balancing electricity, utilized by Transmission System Operator, to carry out the balancing;
 - g) **“Final Customer”**- electricity customer purchasing electricity for his own use;
 - h) **“Legislation”** – Law on Energy (Law No. 03 / L - 184), Law on Energy Regulator (Law No. 03 / L - 185), Law on Electricity (Law No. 03 / L - 201) and any other primary or secondary legislation regulating the energy sector.



- i) **"Codes"** - the technical rules developed by the Transmission System Operator and Distribution System Operator under the Law on Electricity and approved by the Regulator, in accordance with the Law on Energy.
 - j) **"Bilateral Contract"**- A contract for sale of electricity to purchasers, in accordance with Article 22, paragraph 2 of Law on Electricity.
2. Other terms used in this license shall have the same meaning prescribed to them as the terms used in applicable legislation.

Article 3 Rights and Obligations

1. Based on the applicable legal and regulatory framework for Renewable Energy Sources (RES), the licensee, for a period of 10 (ten) years, starting from the date of entry into commercial operation, will sell the whole electricity in accordance with Power Purchase Agreement (PPA), concluded between "Hydroenergji" LLC and Transmission System Operator and Market Operator(KOSTT) JSC.
2. Following the expiry of the term, in line with the PPA, set in paragraph 1 of this Article, the Licensee shall provide its capacity in a transparent, non-discriminatory and market-based manner to all customers in the wholesale and retail electricity markets, including the ones with Public Service Obligations, in accordance with Article 6 of Law on Electricity.
3. In accordance with the requirements of applicable legislation and this License, the Licensee shall manage the generation of electricity from HPP Lepenci 3 in an economical manner and also:
 - 3.1 shall use the generator for electricity generation in line with technical characteristics, environmental criteria and applicable legislation;
 - 3.2 shall connect the generator to the Transmission System or Distribution System under the conditions specified in the relevant codes and rules;
 - 3.3 shall inject energy to the Transmission or Distribution System, under the terms specified in the relevant codes and rules, in compliance with the directives of the relevant system operator;
 - 3.4 sell electricity in accordance with provisions of this law, other acts and especially Market Rules;
 - 3.5 purchase electricity for its own needs;
 - 3.6 invoice and collect payments in accordance with contracts signed for all electricity sales, capacities, ancillary services and other contracted services;
 - 3.7 shall realize proper payment in accordance with the contracts.



3.8 carry out other functions set forth by the applicable legislation and this license.

4. Nominal (installed) capacity of the Generator for generation of electricity from Renewable Energy Sources (respectively Water) from HPP “Lepenci 3” is 9.98 MW.

Article 4

Separate Accounts for Generation 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 generation activities must be separate from internal accounts of other activities, as if these activities were carried out by another enterprise. In the event that the licensee, due to objective reasons cannot prepare these statements within three (3) months, then no later than 15 March, the licensee shall require from the Regulator an extension of the deadline, but no later than 30 April of the actual year, for submission of these statements.

2. The Licensee shall submit to the Regulator Annual Financial Statements audited by independent auditor in accordance with International Financial Reporting Standards within the time prescribed by applicable laws for financial reporting.

3. In its internal accounting, the Licensee will maintain accounting for the overall activity of the Generation in general as well as for other activities. Regulatory accounting shall be in accordance with Regulatory Accounting Guidelines and may, *internal alia*, specify:

3.1 the form of regulatory accounting statements / records, including but not limited to the profit and loss accounts, balance sheets, recognized profit and loss statements, cash flow and statements of the amounts of annual revenues, costs, assets, debts, reserves or supplies, which are charged from any other business or established by allocation or apportionment between the consolidated generation activities and any other activity;

3.2 nature and content of regulatory accounting statements/records, including information on specified types of annual revenues, expenditure, assets or debts, and information on annual revenues, expenditure, assets and debts attributable to specified activities;

3.3 regulatory accounting principles and policies (including the basis for allocation of costs).

4. Regulatory Accounts should be prepared in accordance with the accounting principles and policies used to prepare the statutory accounts of the licensee, adapted to the differences in the cases where the accounting principles and policies used to prepare the statutory accounts of the licensee differ from the regulatory principles accounting included in this chapter.



5. Where licensees are part of an integrated entity and hold more than one license for a regulated activity, they must submit separate regulatory accounts for each of these licenses.

6. The licensees should separate the regulated activities and excluded services when preparing regulatory input data. Regulated activities are those activities provided by the licensee as part of its licensed activities, the costs of which are covered by the maximum allowed revenues according to the pricing rules.

5. The Licensee shall act in compliance with every instruction issued by the Regulator and legislation in effect.

Article 5

Production Sale and Prohibition of Cross-Subsidies

1. Following the expiry of the PPA term, set under Article 3, paragraph 2 of this License, the Licensee may sell its capacity and/or energy to purchasers under the terms and conditions, including the criteria for prices, set:

1.1 In bilateral agreements between the Licensee and Purchaser; or

1.2 In accordance with rules of any organized market where the licensee is a participant; except if it is subject to requirements of price limitation, in accordance with Public Service Obligation, set on the licensee, in line with Article 19 of this License.

2. In carrying out its activities, the Licensee shall ensure that his charges/prices have not increased or decreased as a result of granting or receiving any subsidy (direct or indirect) or on behalf of any other similar activity of the Licensee or any affiliated person, contract or any legal or natural person.

Article 6

Prohibition of Abuse of Dominant Position

1. The licensee is prohibited the abuse of his dominant position, as set forth in Article 23 of Law on Energy and applicable legislation.

2. If there is suspicion of abuse by the Licensee according to paragraph 1 of this Article, the Regulator 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 7

Compliance with Grid Code, Metering Code and Rule on General Conditions of Energy Supply

The Licensee shall comply with the provisions of the Grid Code, Metering Codes and applicable legislation.



Article 8 Efficiency Measures

1. Within six (6) months following the entry into force of this License, the Licensee shall submit to the Regulator for information purposes, a programme of the proposed measures which shall be undertaken to increase generation efficiency from its generating units, in line with Article 7, paragraph 3 of Law on Electricity and secondary legislation, or instructions issued by the Regulator or any other competent body.
2. The programme of measures specified in paragraph 1 of this Article shall be accompanied by an analysis of costs and benefits of proposed measures, and factors taken into account by the licensee.
3. For as long as the Regulator requires, the licensee shall report to the Regulator by 31 December of each year at the latest, in relation with:
 - 3.1 the progress towards implementation of proposed measures, in accordance with criteria of paragraph 1 of this Article, and
 - 3.2 benefits of efficiency which resulted from the implemented measures.

Article 9 Central Dispatch

1. The Licensee shall present all generation units available to the Central Dispatch of the Transmission System Operator, when the Central Dispatch is required under the Grid Code and Market Rules.
2. The Licensee shall provide the Transmission System Operator with all information required to enable them to operate the Central Dispatch system, at any time and in the manner provided by the Grid Code.

In this Article:

“Available” - means the generation unit that is available in accordance with the Grid Code.

“Central Dispatch” - the process of scheduling and issuing direct instructions for the dispatch of available generation units from the Transmission System Operator.

Article 10 Ancillary and Balancing Services



1. Following the expiry of the PPA, set in Article 3, paragraph 2 of this License, the Licensee shall offer the Ancillary Services and Balancing Services from its generation units to any system operator who requires such services, in accordance with the provisions of applicable codes.
2. When conditions offered by the Licensee are acceptable to the Transmission System Operator, then they can enter into an agreement.
3. If the System Operator challenges the conditions offered by the Licensee under paragraph 2 of this Article, the Regulator will determine any condition of the agreement that is inconsistent under the Rule on Resolution of Complaints and Disputes in Energy Sector.
4. If the System Operator proceeds under conditions specified by the Regulator, the Licensee shall make an agreement for Ancillary Services or Balancing Services and will implement it in accordance with its terms.
5. The Licensee shall, upon request of the Regulator, submit to the Regulator a report containing the following details:
 - 5.1 prices offered for the provision of Ancillary Services and/or Balancing Services by each generation unit of the Licensee; and
 - 5.2 details regarding the cost of the Licensee for the provision of Ancillary Services and/or Balancing Services.

Article 11 **Appointment of Operator**

1. The Licensee shall appoint a qualified person with relevant experience to be responsible for the operation of each generating unit included in the License. In relation to such the appointment of such a person, the Licensee must notify the Regulator in writing.
2. If the person is not competent to exercise that function, the Regulator, by written notice given to the Licensee, may require replacement of that person.
3. The Regulator shall, pursuant to paragraph 2 of this Article, determine what criteria will be considered in reviewing the competence, in accordance with criteria relating to knowledge and professional skills, experience, and criteria relating to the request for protection and security of production.

Article 12 **Market Rules**

1. The licensee shall act in accordance with Market Rules.
2. The licensee shall have balancing responsibility and shall carry out all his obligations in an efficient and precise manner, in accordance with applicable legislation, codes and rules.



Article 13 Health and Safety

1. The Licensee shall take all actions necessary to protect persons from injuries and damages that may be caused by the Licensee while performing the activities of Generation, pursuant with applicable legislation.
2. The Licensee shall, in accordance with applicable law, perform technical and security checks (audits) of Generation capacities on an annual basis, and shall submit the results of such inspection to the Regulator, whenever required by the Regulator.

Article 14 Environment

1. The Licensee shall submit to the Regulator a copy of Ecological Permit on environmental protection and other documents issued by the relevant Ministry of Environment. The Licensee shall comply with the applicable legislation for the protection of the environment.
- 2 The Licensee shall report annually to the Regulator on its environmental activity.

Article 15 Labour

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

Article 16 Alienation and Removal of Relevant Assets of the Licensee

1. The licensee shall develop and maintain a register of all relevant assets and shall submit it to the Regulator, along with any changes in the register, no later than 31 January of each year.
2. The Licensee shall not sell or relinquish operational control over any relevant asset, if that would affect its ability to perform its obligations, or if the value of replacing is in excess of one hundred thousand Euros (100,000.00 €).
3. In cases when the Licensee wishes to alienate any asset or other property used in exercising the Licensed activity, the Licensee is obliged to notify the Regulator in writing. The Licensee may alienate any such assets only upon written approval by the the Regulator.

In this Article:

“Alienation” – shall mean any sale, transfer, donation, rent, lease, mortgage, assignment, restrictions of use (physical or legal) or any other assignment, as well as allowing any assignment towards any other activity of the Licensee or any third party.



“Relevant Asset” - is considered to be any property or equipment used by the Licensee to perform its activities granted herein, including any legal or profitable interest on any land or facilities, and any intellectual property.

Article 17

Obligation of Insurance

1. The Licensee shall insure all assets in accordance with the applicable legislation in Kosovo.
2. The Licensee shall enter into contracts for insurance of generation assets and for equipment used for generation of electricity. Such contracts shall be submitted to the Regulator for review on annual basis.

Article 18

Changes in Control of Licensee

1. The Licensee shall notify the Regulator of any changes expected in control at least sixty (60) days in advance. Change in control shall not take effect until it is approved by the Regulator.
2. The Licensee shall notify the Regulator of any change in the organizational structure of the Licensee. Such notice shall be given to the Regulator no later than three (3) days from the date of any such change.

Article 19

Public Service Obligations

The Licensee shall perform any public service obligation that may be determined by the Regulator, in accordance with Article 51 of the Law on Energy Regulator.

Article 20

Provision of information to the Regulator

1. The Licensee shall submit to the Regulator information and reports in the manner and on timeframes that the Regulator may deem appropriate.
2. The licensee shall submit to the Regulator, the reports on the activity of electricity generation, as well as compliance with the terms of the license, in accordance with the Reporting Manual for Energy Sector, approved by the Regulator, as well as requirements of the Regulator.
3. If the Licensee, in accordance with Rule on Confidential Information, requires that any specific information should be treated as confidential, it is his duty to mark such information as confidential and justify its application to the Regulator. The Regulator will review the application in accordance with the Rule on Confidential Information.



4. The licensee shall report to the Regulator at any time related to circumstances of sale to purchasers, including (without limitation) the volumes, load factors, criteria of termination, terms and duration of the relevant agreements.
5. The Licensee shall appoint a person to maintain the communication link with the Transmission System Operator and Market Operator. Address, phone number, fax number or electronic mail address of such person shall be sent to the Transmission System Operator and Market Operator.
6. The Licensee shall hand over to the Regulator 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 the Regulator.

Article 21

Renewal, Modification, Suspension, Transfer and Termination of License

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

Article 22

Taxes

The Licensee shall pay to the Regulator any initial and annual tax, set under the Rule on Taxes, issued by the Regulator .

Article 23

Administrative Measures and Fines

1. In case of violation of provisions of applicable legislation including the rules issued by the Regulator or Articles of this License or the instructions given to the Licensee by the Regulator, the Regulator 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 24 Dispute Resolution

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

Article 25 Entry into force

1. In line with Article 5, paragraph 6 of the Rule on Licensing of Energy Activities in Kosovo, this license (with license number ZRRE/Li_63_18) is issued to the enterprise **"Hidroenergji" LLC**, for the activity of generating electricity from renewable sources (water), **for a temporary period of twelve (12) months**, and shall be valid from **05.06.2019 until 04.06.2020**.
2. The term of this license, stipulated under paragraph 1 of this Article, shall be reviewed and amended by the Board of Energy Regulatory Office, in line with Article 32, paragraph 2.1 of the Law on Energy Regulator, after the licensee obtains **the Integrated Environmental Permit**, issued by the Ministry of Environment and Spatial Planning and its submission to the Regulator.

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

Signed (on behalf of the Regulator's Board) Arsim Janova, Acting Chairman:

Signed on: _____

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