



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

LICENCE FOR ELECTRICITY MARKET OPERATOR

ISSUED TO:

**TRANSMISSION SYSTEM OPERATOR AND
MARKET OPERATOR J.S.C.**

Registration number: ZRRE/Li_16/12



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CHAPTER I: LICENCE TERMS

1. **Energy Regulatory Office** (hereafter “ERO”), in conformity with the authority vested under the Law on Energy Regulator (Law No. 03/L-185), Article 15 of the Law on Energy (Law no. 03/L-184), the Law on Electricity (Law No. 03/L – 201) and Rule on Licensing of Energy Activities in Kosovo, **hereby modifies Market Operator Licence of KOSTT – TTRANSMISSION SYSTEM AND MARKET OPERATOR J.S.C** (hereafter "the Licensee") for economic management of the electricity system.
2. Territory covered by this license is the entire territory of the Republic of Kosovo.
3. The Licensee shall:
 - 3.1. sell, on exclusive basis, electricity to (regulated) tariff customers, in conformity with this licence
 - 3.2. purchase electricity from generators of electricity at regulated tariffs in accordance with Article 7 of Electricity Law and Article 41 of the Law on Energy Regulator;
 - 3.3. purchase capacity and energy from generators or other suppliers at unregulated rates, in accordance with applicable law;
 - 3.4. sell capacities and electricity to other licensed electricity companies in accordance with procedures specified by the ERO, in case requirements of its customers for electricity drop to the levels below the contracted level;
 - 3.5. import capacity and energy in accordance with Article 18 paragraph 2 of the Law on Electricity;
 - 3.6. export capacity and electricity in case the customer demands for electricity are lower than the contracted capacity;
 - 3.7. bill and collect revenue from its customers in accordance with Article 18, paragraph 8 of the Law on Electricity and Rules in effect;
 - 3.8. deals with complaints of its customers;
 - 3.9. supply electricity to eligible customers at unregulated rates when requested by eligible customers, in accordance with the requirements of this license, the Law on Electricity and 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 2036** with the possibility of renewal, in line with Rule on licensing of energy activities in Kosovo.
5. In accordance with Article 34 paragraph 1 subparagraph 1.2 of the Law on Energy, this licence modifies the license of the licensee for generation of electricity, license number ZRRE/Li_07/06, issued on October 4, 2006, by the Energy Regulatory Office, and shall enter into effect on **18.07.2012.**

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



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



CHAPTER II: LICENCE CONDITIONS

Article 1: Definitions

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

"Adherence Agreement" - document signed by all parties who agree to operate under the Market Rules as defined thereunder.

"Member" - direct or indirect relationship with the Licensee, any shareholders company or Subsidiary of the Licensee, or any Subsidiary of a shareholders company of the Licensee, established under legislation in effect.

"Financial Year" – period from 1 January to 31 December of the same calendar year.

"Generation Unit" – any plant or equipment for generation of electricity as defined under the Network Code.

"Shareholders Company" – any company defined as such in conformity with legislation applicable in Kosovo.

"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.

"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.

"Subsidiary" - any enterprise owned or controlled by another enterprise, as defined by the applicable law in Kosovo.

2. Terms used in this licence shall have the same meaning prescribed to them as the terms used in applicable legislation.



Article 2: Authorizations issued under this License

1. The Licensee in accordance with the Market Rules is authorized to conduct the following activities:
 - 1.1 accede to the Market Rules in the capacity of "owner";
 - 1.2 establish a process for adherence to Market Rules by all Trading Parties;
 - 1.3 administer the centralized electricity market;
 - 1.4 manage the customer transfer process;
 - 1.5 maintain accounts for the Market Operator, the Transmission System Operator and Commercial Parties;
 - 1.6 manage the process of final reconciliation;
 - 1.7 bill mutual financial obligations of the Transmission System Operator and Market Operator and Trading Parties;
 - 1.8 act as agent for the financial reconciliation for the Transmission System Operator;
 - 1.9 provide information on the electricity market, and
 - 1.10 perform other functions assigned by the Market Rules.
2. The Licensee shall not assign and / or transfer, nor shall it seek to assign or transfer any rights or obligations granted hereunder without prior approval of ERO.

Article 3: Separate accounts for Public Supplier 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 should be separate for generation activities and internal accounts for other activities, the same as if these activities were performed by another enterprise.
2. The Licensee shall submit to ERO 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 Transmission activity, as well as other activities. Regulatory accounting shall be in line with Regulatory Instructions on Accounting, which may, *inter alia*, specify:
 - 3.1 the form of regulatory accounting statements / records, including but not limited to the profit and loss accounts, balance sheets, recognized profit and loss statements, cash flow and statements of the amounts of annual revenues, costs, assets, liabilities, reserves or supplies, which are charged from any other business



- or established by allocation or apportionment between the consolidated Market Operator activities and any other activity;
- 3.2 nature and content of regulatory accounting statements/records, including information on specified types of annual revenues, expenditure, assets or debts, and information on annual revenues, expenditure, assets and liabilities attributable to specified activities;
 - 3.3 Regulatory accounting principles and policies (including the basis for allocation of costs).
4. In connection with the regulatory accounting statements regarding the financial year, the Licensee shall not change the tariff bases, apportionment or allocation from those used in previous financial year, unless ERO had previously issued appropriate guidance or written approval thereto.
5. The Licensee shall act in compliance with every instruction issued by ERO and legislation in effect.

Article 4: Legal and managerial independence

1. The Licensee shall not engage in the production of electricity, public supply and/or electricity supply.
2. The Licensee shall operate as follows:
 - 2.1. persons responsible for management of the Licensee, shall not participate in the structures of any company holding a license for generation, distribution or supply of electricity in Kosovo;
 - 2.2. The Licensee shall take appropriate measures to ensure that professional interests of the person responsible for the management of the Licensee are taken into account, in a manner that ensures that they are capable of acting independently;
3. The Licensee shall implement the Code of Conduct setting out necessary measures to ensure prohibition of discriminatory behavior and proper monitoring of compliance with these measures.
4. The Licensee shall publish the Code of Conduct on its official electronic.



Article 5: Prohibition of subsidies and cross-subsidies

The Licensee shall prevent or avoid any situation where activities of the Market Operator awards or receives any subsidy or cross-subsidy (direct or indirect) from any other activity of the Licensee and / or any Subsidiary (partner) or any member and / or from any other person other.

Article 6: Prohibition of discrimination

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

Article 7: Market Rules

1. The Licensee shall act in conformity with the Market Rules.
2. Market Rules issued in accordance with applicable legislation and this license can not be changed without written approval of ERO.
3. The Licensee shall be responsible for managing any modification of the Market Rules, under the relevant provisions of the Market Rules and to submit any proposals for modification to the ERO for approval, after appropriate consultation with the parties that will be affected by this modification. When so instructed by ERO, the Licensee shall take action for modification of the Market Rules in accordance with the instructions issued by ERO.
4. The Licensee may seek derogation (postponement) in implementation of certain provisions of the Market Rules. ERO after reviewing the request can allow or deny the derogation (postponement) of the application deadline.

Article 8: Adherence to Market Rules

1. The Licensee shall enter into agreements for accession by all persons who wish to sign such an agreement and to become parties to the Market Rules, and who are licensed for



the activities they wish to undertake. The Licensee shall notify the ERO of all applications received from persons wishing to enter the Accession Agreement, in accordance with the provisions of the Market Rules.

2. The Licensee is required to monitor compliance by the Parties Trade Agreements on Accession, and in accordance with the Market Rules.
3. The Licensee may terminate this Agreement for Accession in accordance with the provisions of the Market Rules.
4. The Licensee shall establish parties involved in trading charges applicable (Obligations of Market Operator), and any amount necessary to provide the market, as defined in the Market Rules.

Article 9: Operational Communications

1. The Licensee, for the purpose of managing the final reconciliation shall provide computers, other suitable equipment, software, and shall develop and publish standards required for communication with this software, applying international standards, in accordance with Market Rules.
2. The Licensee shall ensure that the software for the final reconciliation is controlled by an appropriate, independent and qualified audit company to determine compliance with the Market Rules.
3. The Licensee shall maintain complete and accurate records of all data for final reconciliation presented by the Trading Parties or maintained by the Licensee. The format for maintaining these records shall be determined by the Licensee.

For purposes of this Article:

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

Article 10: Restrictions in Use of Certain Information

1. The Licensee shall not disclose confidential information on any other activity of the Licensee or any Affiliate or any other enterprise, directly or indirectly, unless the Market Rules provide for publication of such information.



2. The Licensee shall, where necessary for the performance of licensed activities, disclose any information other than confidential information, which are kept and / or obtained in the course of performance of its functions as Market Operator. Notwithstanding, the Licensee shall disclose information, including confidential information if:
 - 2.1 the information is required by the ERO in order to carry out obligations prescribed by the legislation in effect; or
 - 2.2 such information is requested by the Transmission System Operator, Distribution System Operator or any other System or Market Operator, the disclosure of which is necessary for performing obligations of the Licensee prescribed by the legislation or this Licence.
3. The Licensee shall ensure that any documents containing confidential information, must clearly identify the information as confidential (mark it as confidential information).
4. The Licensee shall take prescribed measures to prevent disclosure of confidential information from any person and such information may not be used or disclosed for any purpose other than as provided under the relevant provisions of applicable laws.
5. For the purposes of this Article, “confidential information” shall have the same meaning as defined under Law on Energy Regulator.

Article 11: Labour

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

Article 12: Changes in control of Licensee

1. The Licensee shall notify ERO of any changes expected in control at least sixty (60) days in advance. Changes in control shall not take effect unless 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 13: Provision of information to ERO

1. The Licensee shall submit to ERO information and reports in the manner and on timeframes that ERO may deem appropriate.



2. The Licensee shall to ERO quarterly and annual reports on Market Operator activities and on compliance with license articles and conditions in line with Reporting Manual for Energy Sector, as approved by ERO.
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 record such information as confidential and justify its request to ERO. ERO will review the application in accordance with the Rule on Confidential Information.
4. Energy Regulatory Office 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.
5. The Licensee shall hand over to ERO details of any changes in information submitted in the course of application for this license.

For the purposes of this Article:

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

Article 14: Renewal, modification, suspension, transfer and termination of license

1. ERO 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. ERO may transfer this license in accordance with the Law on Energy Regulator Licensing and Rule on Licensing Energy Activities in Kosovo, subject to requirement that the license obligations shall be performed by another Licensee or that the transfer may not be to the detriment of customers.

Article 15: Administrative measures and fines

1. In case of violation of provisions of applicable legislation including the rules issued by ERO or Articles and conditions of this License or the instructions given to the Licensee by the ERO, ERO has the power to cite administrative measures and penalties to Licensee, in accordance with Article 52 of Law on Energy Regulator and the Rule on Administrative Action and Fines.
2. Administrative measures and fines may be cited to the enterprise as a legal entity as well as to responsible persons within the enterprise.



3. The amount of the fine shall be assessed in accordance with the Law on Energy Regulator and the Rule on the Administrative Measures and Fines.

Article 16: Dispute Resolution

1. Any dispute that may arise on or is related to licensed activities shall be resolved in accordance with the Rules on Resolution of Disputes and Appeals in the Energy Sector, issued by ERO.
2. Decisions of ERO 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 with the competent court, in conformity with the applicable legislation.