

**DISTRIBUTION SYSTEM OPERATOR LICENSE
(WITH CONDITIONS)**

GRANTED TO:

KOSOVO ENERGY CORPORATION J.S.C

Distribution Division ("KEK")

Registration Number: ERO_Li_06/06

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PART I TERMS OF THE LICENCE

1. **The Energy Regulatory Office (hereinafter referred to as "ERO")**, in exercise of the powers granted by Articles 15.2 (a), Article 28.2 (h) and Article 37 of the Law on the Energy Regulator (Law 2004/9), Article 16.2 of the Law on Energy (Law 2004/8), Articles 17-19 of Chapter 5 of the Law on Electricity (Law 2004/10), hereby issues, to **Kosovo Energy Corporation J.S.C, Distribution Division ("KEK")**, (hereinafter referred to as the "**Licensee**") appointed by the Government of Kosovo, in accordance to Art. 17.1 of the Law on Electricity, a license to carry out the **distribution of electricity** during the period specified in paragraph 6, subject to the conditions set out in Part II.
2. The territory covered by this License is, according to the Article 32 para.2 of the Law on the Energy Regulator, is the whole territory of Kosovo.
3. The Licensee may not obtain a License for any other activity in electricity that is subject to licensing, in accordance with Article 32.5 of the Law on Energy Regulator.
4. The Licensee shall comply with the Articles and conditions stipulated in this license, and shall also comply with the requirements of Article 17 of Law on Electricity and all relevant legislation and, in doing so, shall endeavor, at all times, to comply with the following:
 - a) the efficient discharge of the obligations imposed upon it by this licence;
 - b) the efficient, economic and co-ordinated operation by the Licensee of the Licensee's Distribution System;
 - c) promoting effective competition in the generation and supply of electricity, and (so far as consistent therewith) promoting such competition in the sale and purchase of electricity;
 - d) promoting efficiency in the implementation and administration of the balancing and settlement arrangements provided by the Market Rules.
5. The Articles and conditions of this License are subject to modification or termination or withdrawal in accordance with their terms and with Articles 35, 36, 37 and 39 of the Rule on Licensing of Energy Activities in Kosovo.
- 6 This license shall come into force on 04 October 2006 and, unless withdrawn, shall remain valid for a period of thirty (30) years, until 04 October 2036 with possibility of extension in accordance to the Rule on Licensing of Energy Activities in Kosovo .

Stamped with the common stamp of the ERO on _____

Signature (on behalf of the Board of ERO) _____

PART II CONDITIONS OF THE LICENCE

Article 1: Definitions and Interpretation

1. For the purpose of this license, the terms and expressions listed below shall have the following meaning:

"Affiliate" means in relation directly or indirectly to the Licensee any Holding Company or Subsidiary of the Licensee or any Subsidiary of a Holding Company of the Licensee, in each case within the meaning of the legislation applicable in Kosovo.

"Ancillary services" has the meaning given in Article 3 of Law on Electricity and in the Grid Code;

"Compliance Program" means the program required to be prepared by the Licensee and approved by ERO pursuant to Article 17.3(d) of the Law on Electricity.

"Development Plan" means the development plan to be prepared by the Licensee pursuant to Article 8 of the Law on Energy;

"Distribution Code" means the set of technical rules issued by Distribution System Operator and approved by ERO, pursuant to Article 15.2 (i) of the Law on Energy Regulator.

"Distribution System" has a meaning as provided by Article 3 of the Law on Electricity.

"Distribution System Operator" has a meaning as provided by Article 3 of the Law on Electricity.

"Distribution System Security and Planning Standards" means the document that will be prepared by the Licensee in accordance with Article 11 of this License.

"Electricity enterprise" has a meaning as provided in Article 3 of the Law on Electricity.

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

"Grid Code" is the set of technical rules issued by the Transmission System Operator pursuant to Law on Electricity and approved by ERO pursuant to Article 15.2 (i) of the Law on the Energy Regulator.

"Holding company" means any company defined as such in accordance to the legislation applicable in Kosovo.

“Legislation” means Law on Energy (2004/8), Law on Energy Regulator (2004/9), Law on Electricity (2004/10) and other primary legislation, or secondary legislation to be issued in execution of primary legislation regulating energy sector.

“Market Operator” means a legal person responsible for the organization and administration of trade in electricity and payment settlements among generators, suppliers and customers.

“Market Rules” mean the set of rules approved by ERO governing transactions in electrical energy between the Market Operator and other electricity enterprises, including where appropriate the interaction between these parties and the Transmission System Operator for the purposes of maintaining the physical balance of the market This includes any transitional transaction arrangements that may be approved by ERO.

“Metering Code” means the set of technical rules issued by Transmission System Operator pursuant to Law on Electricity approved by ERO, pursuant to Article 15.2 (i) of the Law on Energy Regulator.

“Metering Equipment” means the equipment and installations in a Metering System as specified in the Metering Code that is sufficient to provide the Metering data required under the Market Rules.

“Metering System” means a registered aggregation of meters treated as a single reading for Settlement as prescribed in Metering Code

“Modification” includes addition, amendment and substitution, and cognate expressions shall be construed accordingly.

“Party” a signatory to the Market Rules Framework Agreement or an Accession Agreement.

“Settlement” means the processes used to determine usage of the System by each Party and the financial liabilities and subsequent payments derived from the Market Rules.

“Subsidiary” means any company owned or controlled by another company, defined in accordance to the legislation applicable in Kosovo.

“Transmission System” has a meaning as provided by Article 3 of the Law on Electricity;

“Transmission System Operator” has a meaning as provided by Article 3 of the Law on Electricity.

2. Terms used in this License shall have the same meanings as the terms used in the Legislation.

3. In reference to paragraph 2 any modification or re-enactment of legislation after the date when this License comes into force, shall apply.
4. Unless otherwise specified:
 - a) any reference to a numbered Article or to a numbered Annex is respectively a reference to the Article or the Annex bearing that number in this license;
 - b) any reference to a numbered paragraph is a reference to the paragraph bearing that number in the Article or Schedule in which the reference occurs;
5. The heading or title of any Part, Article, Annex or paragraph shall not affect the construction thereof.
6. Where an obligation is imposed to the Licensee with a specific deadline for performance, that obligation shall continue to be binding and enforceable after that time limit without prejudice to all rights and remedies that may be imposed against the Licensee if such Licensee fails to perform within the time limit.
7. The provisions of paragraph 6 shall apply in any case of document, direction or notice to be submitted or service to be performed pursuant to this license and directions issued by ERO.

Article 2: Separate Accounts for the Distribution Operation Businesses

Condition 1

In accordance with Article 49.2 of the Rule on Licensing of Energy Activities in Kosovo the Licensee shall fully comply with requirement of this Article within twelve (12) months from the date when this license is issued.

1. The Licensee shall prepare annual regulatory accounts in accordance with the Regulatory Accounting Guidelines issued by ERO and shall deliver to ERO a copy of the annual audited accounts so prepared as soon as reasonably practicable, and in any event no later than three (3) months after the end of the financial year to which the accounts relate.
2. The Licensee shall, in its internal accounting, keep a separate account for the Distribution System Operator's business as a whole which, when requested by ERO, must be delivered to ERO in the form and at the times specified by ERO. The accounts shall be kept in accordance with such Regulatory Accounting Guidelines as may be issued by ERO from time to time.
3. The Regulatory Accounting Guidelines or directions notified by ERO to the Licensee under paragraph 2 may, inter alia:
 - a) specify the form of the regulatory accounting statements/records, including but not limited to, profit and loss accounts, balance sheets, recognized gains and losses statements, cash flow statements and

statements of the amounts of any revenues, costs, assets, liabilities, reserves or provisions which have been either charged from or to any other business or determined by allocation or apportionment between the consolidated Transmission System Operator's business and any other business.

- b) specify the nature and content of the regulatory accounting statements/records, including information on specified types of revenue, cost, asset or liability and information on the revenues, costs, assets and liabilities attributable to specified activities and
 - c) specify the regulatory accounting principles (including the basis for the allocation of costs).
4. The Licensee shall not, in relation to the regulatory accounting statements in respect of a financial year, change the bases of charge, apportionment or allocation from those applied in respect of the previous financial year, unless ERO has previously issued directions for the purposes of this Article or ERO gives its prior written approval to the change in such bases.
 5. The Licensee shall fully comply with the provisions of Article 17.3 of Law on Electricity and take all necessary measures to comply with those requirements in order to ensure its independence
 6. The Licensee shall comply with any directions issued by ERO for the purpose of this Article.

Article 3: Prohibition of Subsidies and Cross-subsidies

The Licensee shall ensure that the business licensed by this license does not give any subsidy or cross-subsidy (direct or indirect) to, nor receive any subsidy or cross-subsidy (direct or indirect) from, any other business of the Licensee and/or any Affiliate or related enterprise of the Licensee and/or any other person.

Article 4: Compliance with Distribution Code, the Grid Code, the Metering Code and the Rule on General Conditions of Energy Supply

Condition 2:

In accordance with Article 49.2 of the Rule on Licensing of Energy Activities in Kosovo, following consultation with the Licensee, Generators, and the Transmission System Operator, ERO may provide the Licensee with a specific time schedule of implementation of this Article. Such time schedule may apply to such parts in the Codes and to such extent, as specified in such schedule.

1. The Licensee shall comply with the provisions of the Distribution Code, the Grid code and the Metering Code insofar as applicable to them.
2. The Licensee shall comply with the Rule on General Conditions of Energy Supply issued by ERO.

Article 5: Operation of the Distribution System

1. The Licensee shall perform the efficient, economic and coordinated operation on the distribution system.
2. The provisions of Article 11 of the Law on Energy, the Rule on Principles of Calculation of Tariffs in the Electricity Sector and Tariff Methodology for the Electricity Sector, Articles 17, 18, 19, 25, 26, 30 and 31 of the Law on Electricity, the conditions of connection as provided in the Rule on the General Conditions of Energy Supply, and the Grid Code and Distribution Code shall apply to the Licensee.
3. The Licensee bears the obligation to offer terms for connection to and use of its system in accordance to the Rule on General Condition of Energy Supply, and for any dispute arising out of the connection to and use of the Distribution System to apply the Rule on Dispute Settlement Procedures in the Energy Sector issued by ERO.
4. The Licensee shall ensure the non-discriminatory access between system users or classes of system users, particularly in favor of any subsidiary or shareholder and provide the system users the information they need for efficient access to the system, in accordance with Article 18.1 of the Law on Electricity.
5. The Licensee shall publish and make available on the Licensee's web-site the statement of charges for connection to and use of the Distribution System approved by ERO under Article 18 of the Law on Energy and Articles 45 to 48 of the Law on the Energy Regulator.

Article 6: Development Plan

1. The Licensee shall prepare issue and make publicly available in accordance with Article 8 of the Law on Energy, Article 18.1 of the Law on Electricity and Article 24.3 of the Rule on Licensing of Energy Activities in Kosovo, the development plan of the Distribution System for the following three (3) years. The development plans have to be made available to the TSO, and be submitted to ERO for approval.
2. The Licensee shall revise the development plan annually to ensure that the information set out in the development plan shall continue to be accurate in all material respects and shall submit it to ERO for approval.

Article 7: Economic Purchasing of Assets, Services and Ancillary Services

1. The Licensee shall contract for or arrange for the provision of such assets and services, as may be necessary to enable the Licensee to discharge its obligations under the legislation relevant to procurement that is applicable in Kosovo, and under the Grid Code and the Distribution Code.

2. In contracting or arranging for the provision of assets and services pursuant to paragraph 1, the Licensee shall purchase or otherwise acquire such assets and services from the most economical sources available to it.
3. In considering the most economical sources available, the Licensee shall have regard to the quantity, nature, diversity, number and reliability of such assets and services available at that time for purchase or other acquisition, and to its requirements to enable it to discharge its obligations under the Legislation, the Distribution Code, and this license.

Article 8: Registration and Disposal of Relevant Assets

1. The Licensee shall prepare and maintain a register of all relevant assets and shall provide ERO with such a register annually not later than on 31 January of each year.
2. The Licensee shall not dispose of, or relinquish operational control over, any relevant asset if the disposal or relinquishment of control would affect its ability to discharge its obligations, or if the asset has a replacement value of more than Euro 100,000.
3. In cases where the Licensee requests to dispose of certain assets owned or used by it, or of other resources used to perform the licensed activity, the Licensee will be obliged to notify ERO in writing. The Licensee may only realize the disposal of any assets following ERO's written approval.
4. The same as set forth in paragraph 3 applies to the outsourcing of assets or other resources used to perform the licensed activity.
5. In this Article:

"Disposal" means any sale, assignment, gift, lease, licence, loan, transfer, mortgage, charge, restriction on use (whether physical or legal), or the grant of any other encumbrance or the permitting of any encumbrance or any other disposition to any other Business of the Licensee and/or a third party, and "dispose" shall be construed accordingly.

"Relevant asset" means:

- a) any Distribution System equipment used by the Licensee in discharge of its functions under this License, or
- b) any legal or beneficial interest in land and/or premises upon which any of the foregoing is situated and/or used by the Licensee in discharge of its functions under this licence, or
- c) any relevant intellectual property right.

Article 9: Provision of Metering and Data Services

1. The Licensee shall provide the following services to customers, Suppliers and Transmission System Operator as may be required, in accordance with Articles 33 and 34, of the Law on Electricity and the Metering Code:

- a) the provision of Metering Devices;
 - b) the installation, metering, testing, repair and maintenance of Metering Devices ;
 - c) data collection services;
 - d) data transfer, data processing and data aggregation services;
2. The licensee shall use all reasonable endeavors to secure a meter reading at each of the premises specified or described in the last resort supply direction within fourteen (14) days of the direction taking effect.
 3. The Licensee may outsource meter reading to suppliers or another contractor. In the case of outsourcing, an entity contracted to perform meter reading, is obliged to ensure correct and regular reading of the meters, in accordance with the Metering Code.
 - 4 ERO may require the Licensee to collect and keep information, data and documents in accordance with Article 31 of the Rule on Licensing of Energy Activities in Kosova.
 - 5 In this Article:

“*Data services*” means the services of data collection, data processing, data aggregation and data provision.

“*Data transfer*” means the transfer of raw and processed metered data to Parties as required for settlement and billing purposes.

“*Data processing*” means services comprising of the processing, validation, estimation of meter reading data in respect of the consumption of electricity at premises which receive a metered supply, and the creation, processing and validation of data in respect of the consumption of electricity at premises which receive an un-metered supply.

“*Data aggregation*” means the collation and summation of meter readings data and the delivery of such data to the Market Operator.

Article 10: Detection and Prevention of Theft of Electricity, Damage and Meter Interference

1. The Licensee shall take all reasonable measures in order to detect and prevent the theft of electricity, damage of any electrical plant or electricity meter, and interference with any electricity meter.
2. The Licensee shall prepare and submit for approval by ERO proposals for the prevention measures it proposes to use for the protection of DSO revenue.
3. In this Article:

“*Theft of electricity*” means the dishonest use, waste or diversion of electricity.

Article 11: Distribution System Security and Planning Standards

1. The Licensee shall, no later than twelve (12) months after this License has come into force, establish Distribution System Security and Planning Standards, and submit to ERO for approval. ERO may approve an extension to this deadline in response to a justified request by the Licensee.
2. The Licensee shall be responsible for operating, ensuring the maintenance of and, if necessary, developing the Distribution System in accordance with the Distribution System Security and Planning Standards or such other standard of planning and operation as the Licensee may adopt from time to time, following approval of ERO.
3. The Licensee shall periodically review the Distribution System Security and Planning Standards and their implementation. Following any such review, the Licensee shall send to ERO for review and approval:
 - a) a report of the outcome of such review; and
 - b) revisions which it is proposed to make to the Distribution System Security and Planning Standards (having regard to the outcome of the review).
4. ERO may issue directions requiring the Licensee to revise the Distribution System Security and Planning Standards in such manner as may be specified in the directions and the Licensee shall comply with such directions.
5. The Licensee shall publish and make the Distribution System Security and Planning Standards available on its web-site.
6. The Licensee may seek a derogation relieving the Licensee of its obligations under paragraph 1 in respect of parts of the Distribution System Security and Planning Standards and ERO may issue directions relieving the Licensee of its obligations under paragraph 1 above in respect of such parts of the Distribution System Security and Planning Standards, to such extent as may be specified in this direction.

Article 12: Operating Security Standards

1. The Licensee shall, no later than twelve (12) months after this licence has come into force, establish Operating Security Standards for ensuring day to day operating security of the distribution system, and submit them to ERO for approval. ERO may approve extension to this deadline in response to a justified request by the Licensee.
2. The Licensee shall be responsible for operating the distribution system in accordance with the Operating Security Standards.

3. The Licensee shall periodically review the Operating Security Standards and their implementation. Following any such review, the Licensee shall send to ERO:
 - a) a report of the outcome of such review; and
 - b) amendment which it is proposed to make to the Operating Security Standards (having regard to the outcome of the review).
4. ERO may issue directions requiring the Licensee to revise the Operating Security Standards in such manner as may be specified in such directions, and the Licensee shall comply with such directions.
5. The Licensee shall publish the Operating Security Standards available on its web-site.

Article 13: Overall and Minimum Standards of Performance of Distribution Operator Business

1. The Licensee shall conduct the distribution operation businesses in the manner appropriate to achieve the overall and minimum standards of performance proposed by it and approved by ERO from time to time.
2. Within six (6) months after this license is issued, the Licensee shall prepare and submit to ERO for its approval a proposal for standards of performance, which shall:
 - a) identify the standards of overall performance to which it shall be obliged to adhere;
 - b) state the minimum standards of performance and service quality in relation to specific matters to which it shall be obliged to adhere from time to time and
 - c) specify the financial compensation that will be payable to customers in the event that the minimum standards of performance referred to in subparagraph b) are not complied with.
3. ERO may approve an extension to the deadline set forth in paragraph 2 in response to a justified request by the Licensee.
4. The Licensee shall implement the approved standards and shall propose to ERO for its approval, procedures for monitoring compliance with the same. The Licensee shall comply with the approved procedures.
5. The Licensee shall review and, if appropriate, propose amendments to the approved standards and/or procedures developed in accordance with this Article as directed by ERO.
6. The Licensee shall provide to ERO not later than 31 March each year a report on the performance of the business against the performance standards. The report will include such information and analysis as ERO may require from time to time

for the purposes of establishing whether or not the Licensee's overall performance meets, the performance standards established pursuant to this Article.

7. The Licensee shall by 31 March each year publish in such a manner as ERO may direct statistics, identifying the extent to which its performance meets, or fails to meet, the performance standards established pursuant to this Article.
8. The Licensee in discharging its functions shall take into account the target of being objective and non-discriminatory according to Article 18.1 of the Law on Electricity.

Article 14: Access to Land and/or Premises

1. The Licensee shall, no later than three (3) months after this License comes into force, prepare and submit to ERO for its approval a Code of Practice setting out the principles and procedures that the Licensee will follow in respect of any person acting on behalf of the Licensee that requires access to land and/or premises in connection with the licensed business.
2. The Code of Practice shall include procedures calculated to ensure that persons requiring access on land and/or premises on behalf of the Licensee:
 - a) possess the skills necessary to perform the required duties;
 - b) can be identified by the public; and
 - c) are appropriate persons to visit and enter land or premises.
3. The Licensee shall periodically review this Code of Practice and any revision of such Code of Practice shall be subject to the approval of ERO.
4. The Licensee shall ensure that it complies with such a Code or any revisions to such a code as approved by ERO from time to time.

Article 15: Restriction on Use of Certain Information

1. The Licensee may disclose any information other than the confidential held and/or obtained by it in the discharge of its functions as Distribution System Operator, except that this restriction shall not prevent the Licensee disclosing to ERO any information that ERO may require to carry out its obligations under the Legislation and under Article 25 of this License.
2. The Licensee shall procure that any document containing confidential information shall clearly identify the confidential information as confidential.
3. The Licensee shall take measures designed to prevent any person who is or ceases to be employed by the Licensee from disclosing confidential information.
4. The Licensee shall take all reasonable steps to ensure that confidential information is not used or disclosed for any purpose other than that for which

it was provided pursuant to the relevant provisions of Rule on Confidentiality of Information.

5. In this Article:

"confidential information" means any commercial or other information held and/or obtained by the Licensee in the discharge of its duties under the Legislation, that is to be regarded as confidential under the Rule on Confidentiality of Information and under this license.

Article 16: Provision of Information to the Transmission System Operator and other Distribution System Operators

1. In order to ensure the secure and efficient operation, coordinated development and interoperability of the interconnected systems the Licensee shall submit to the TSO and other Distribution System Operators, any necessary information in such manner and at such times as may be reasonably required by the Transmission System Operator.
2. For the purposes of this Article, in case of any dispute between the Licensee and any other party, the Licensee shall apply the Rule on Dispute Settlement Procedure in the Energy Sector issued by ERO.

Article 17: Other information Given to Customers

1. The Licensee shall keep each customer (save insofar as the customer receives an un-metered supply) informed of the amount of electricity which its records show as having been consumed by that customer according to the meter through which the customer is supplied.
2. The Licensee shall inform its customers:
 - a) that ERO can assist in resolving complaints which the Licensee has not resolved to the final customer's satisfaction; and
 - b) of how ERO can be contacted.
3. The Licensee may discharge its duties under paragraphs 1 and 2 by providing the relevant information on or with each bill or statement given to a customer in respect of charges for the supply of electricity, and annually to each customer to whom no such bills or statements are rendered.

Article 18: Code of Conduct of the Distribution System Operator

1. The Licensee shall prepare a Code of Conduct, and submit it for approval by ERO within six (6) months from the date of issuance of this license.
2. The Code of Conduct shall apply to all staff members of the Licensee.
3. The Code of Conduct of the Distribution System Operator shall cover obligations of confidentiality, conflicts of interest and other related obligations.

4. The Licensee shall publish the Code of Conduct on its web site.

Article 19: Market Rules

1. The Licensee shall comply with the Market Rules or insofar applicable to it.
2. ERO may issue directions relieving of its obligation under paragraph 1 above in respect of such parts of the Market Rules and to such extent as may be specified in those directions.

Article 20: Health and Safety

1. The Licensee shall take all reasonable steps to protect persons and property from injury and damage that may be caused by the Licensee when carrying out the Distribution System Operator business.
2. The Licensee shall ensure that an independent expert whose appointment is approved by ERO undertakes a technical and safety audit of the distribution system on an annual basis
3. The Licensee shall provide the results of such audits carried out in a timely manner to ERO.

Article 21: Labour

The Licensee shall comply with all legislation applicable to labour conditions and work safety whether in force at the date hereof or in the future.

Article 22: Insurance obligation

Condition 3:

The Licensee shall comply with requirement set forth in Paragraph 1 within twelve (12) months from the date of issuance of this license. Such contracts shall be annually submitted to ERO for review.

1. The Licensee shall conclude and keep in force insurance contracts relating to the distribution assets and related equipment used for distribution. Such contracts shall be annually submitted to ERO for review.

Article 23: Change in Control of the Licensee

The Licensee shall notify ERO of any intended change in control of the Licensee at least sixty (60) days in advance of such a change. Change in control may not take place unless ERO has approved it.

Article 24 : Public Services Obligation

The Licensee shall carry out any public service obligation which may be imposed by ERO pursuant to Article 51 of the Law on the Energy Regulator.

Article 25: Provision of Information to ERO

1. The Licensee shall submit to ERO, in manner and at such times as ERO may require, such information and such reports as ERO may consider necessary in the light of any Article or Condition of this license or for the purpose of performing the functions assigned or transferred to it under Article 29 of the Rule on Licensing of Energy Activities in Kosovo or other applicable Legislation.
2. The information shall be prepared to a level of audit as may be required by ERO from time to time.
3. The power of ERO to require information under paragraph 1 is without prejudice to the power of ERO to require even information that are considered confidential under or pursuant to any other Article or Condition of this license or under or pursuant to the applicable Legislation.
4. If the Licensee requests that certain information shall be considered as confidential it is its obligation to mark such information as confidential and justify to ERO such request.
5. The Licensee shall deliver to ERO a quarterly and annual reports informing about its Distribution System operation business and compliance with the Licenses conditions in accordance to the Reporting Manual issued by ERO.
6. The Licensee shall submit to ERO details of any change in information submitted with application for this license.
7. The information contained in this annual report on the status of main equipment and calculation of continuity of supply shall include (without limitation):
 - a) incremental and decremental prices;
 - b) constraint payments;
 - c) demand forecasts;
 - d) consumption details;
 - e) system Demand profiles.

8. In this Article:

“Information” means material in any form and includes, without limitation, any books, documents, records, contracts, accounts (statutory or otherwise), estimates, returns or reports of any description and any explanations (oral or written) in relation to such information as may be requested by ERO.

Article 26: Reasons for License Termination, Withdrawal and Modification

1. ERO may terminate this license in accordance to Article 39 of the Rule on

Licensing of Energy Activities in Kosova provided that the obligations of the Licensee shall be carried out by another Licensee or that customers are not at a disadvantage by such termination. Such termination may take place in case of:

- a) expiration of the term of the Licence;
 - b) a request received from the licensed energy enterprise in respect of its own license;
 - c) dissolution of the legal person holding the License;
 - d) upon decision of a court declaring the insolvency of the Licensee or court decision to terminate the energy activity due to the licensee's declaration of liquidation;
 - e) where the licensed energy activity has not been conducted for more than six months, except where the suspension of activity is at the approval of the ERO;
 - f) where provisions of Article 44 of the Rule on Licensing of Energy Activities in Kosovo are met; and
 - g) if any amount payable in respect of a fee for this licence is unpaid thirty (30) days after it has become due and remains unpaid for a period of another thirty (30) days after ERO has given the Licensee notice in writing that the payment is overdue, provided that, no such notice shall be given earlier than the day following the "day" the amount payable was due.
2. ERO may withdraw this License in the following cases, stipulated in Article 44.5 of the Rule on Licensing of Energy Activities in Kosovo, provided that the obligations of the Licensee shall be carried out by another Licensee or that customers are not disadvantage by such withdrawal:
- a) the Licensee defaults or violates material conditions or obligations in the license and such defaults and violations have not been remedied within the deadline given by ERO or seriously damage the quality, safety and reliability of the service that the Licensee was obliged to provide;
 - b) license monitoring by ERO finds failure to fulfil administrative requirements and such failure has not been remedied within the deadline provided by ERO;
 - c) the Licensee presented materially false information upon which the License grant was based.
3. In accordance with Article 35 of the Rule on Licensing of Energy Activities in Kosovo, ERO may modify this license in the following cases:
- a) at the request of the Licensee;
 - b) where required to protect the energy system in Kosovo, in connection with security of supply, security of life and health of citizens or protection of environment;
 - c) in order to adhere to new requirements set forth in international agreements and national laws, regulations and other applicable legislation;
 - d) as a sanction for violation of license terms and conditions, pursuant to Article 44 of the Rule on Licensing of Energy Activities in Kosovo.

Article 27: Administrative Measures and Fines

1. In case of violation of any provision of the legislation, of any Article or condition of this Licence and of any ERO's instruction to the Licensee, ERO shall have the power, pursuant to Article 56.2 of the Law on Energy Regulator and Rule on Administrative Measures and Fines, either to prevent the Licensee from repeating the illegal action or, if the action has stopped, to issue a regulatory decision requiring that a particular action has to be taken or to impose an administrative fine to the Licensee and/or the members of its Board of Directors and/or its executives.
2. Prior to issuance of a fine, ERO shall issue a notice of license violation to the Licensee and shall provide the Licensee with an opportunity to respond to ERO, in writing, within fourteen (14) days of notification, and to remedy the violation.
3. A fine shall be imposed on the Licensee in accordance to Article 57 of the Law on Energy Regulator and Rule on Administrative Fines and Measures in the event that the Licensee violates the requirements of that Article insofar as they are applicable to the Licensee.
4. The amount of the fine will be evaluated in accordance to the Rule on Administrative Measures and Fines. In any case, if the fine mentioned in paragraph 3 is imposed on the Licensee, it must not exceed 15% of the Licensee's gross revenues from the business conducted under this Licence in the previous financial year.
5. If the fine mentioned in paragraph 3 is imposed on a member of Board of Directors or an executive of the Licensee, it must not exceed 300% of the monthly remuneration received by that person from the Licensee.
6. In the case of repeat violations, the fine imposed may be three (3) times greater than the amount authorized in paragraph 4 or 5.
7. When imposing a fine, in accordance to this Article, ERO shall take into account the degree of social harm of the action, the prior behavior of the Licensee or person concerned, and the financial standing of the Licensee or person.
8. If a fine imposed by ERO is not paid, ERO shall initiate court proceedings for the collection of the fine as a civil debt.

Article 28: Settlement of Disputes

1. Any dispute arising out or in connection with the licensed activity shall be settled in accordance with the Rule on Dispute Settlement Procedure in the Energy Sector adopted by ERO.
2. Decisions of ERO regarding the modification, withdrawal or termination of the license, as well as those regarding any fines resulting from breaches of the license

or of the applicable legislation, may be appealed by the Licensee to the court of competent jurisdiction.