



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

# **DISTRICT HEATING GENERATION LICENSE<sup>1</sup>**

**GRANTED TO:**

**PUBLICLY OWNED ENTERPRISE “TERMOKOS”  
J.S.C.**

**Registration Number: ZRRE/Li\_10/12**

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<sup>1</sup> Hereinafter in this License instead of the term “heat” shall be used the technically more appropriate term “district heating thermal energy”.



CONTENTS:

CHAPTER I: LICENSE TERMS.....	3
CHAPTER II: LICENSE CONDITIONS .....	4
Article 1: Definitions.....	4
Article 2: Separate Accounts for Generation Activity .....	5
Article 3: Prohibition of Cross-subsidies .....	6
Article 4: Prohibition of Discrimination.....	6
Article 5: Compliance with the Distribution Code, Metering Codes and the Rule on General Conditions of Energy Supply .....	6
Article 6: Security of fuel reserves .....	6
Article 7: Health and Safety.....	7
Article 8: Environment .....	7
Article 9: Labour .....	7
Article 10: Registration and Disposal of the Relevant Assets of the Licensee .....	7
Article 11: Insurance Obligation.....	8
Article 12: Change in Control of the Licensee .....	8
Article 13: Provision of Information to ERO .....	8
Article 14: Renewal, Modification, Suspension, Transfer and Termination of License .....	9
Article 15: Fees .....	9
Article 16: Administrative Measures and Fines .....	9
Article 17: Dispute Settlement .....	10



## CHAPTER I: LICENSE TERMS

1. **The Energy Regulatory Office (hereinafter "ERO")**, in accordance with the authority granted by the Law on Energy Regulator (Law no. 03/L-185), Article 15 of the Law on Energy (Law No. 03/L-184), Article 5 of the Law on Central Heating (Law No. 03/L-116) and the Rule on Licensing of Energy Activities in Kosovo, hereby **modifies to the Publicly Owned Enterprise "Termokos" J.S.C** (hereinafter "Licensee") the **District Heating Generation License**.
2. The territory covered by this license is the territory of the Municipality of Prishtina.
3. The Licensee shall comply with Articles and conditions set out in this license, the Law on Central Heating and other applicable legislation.
4. The Licensee shall operate as follows:
  - 4.1. use in the process of thermal energy production those primary energy sources it deems most suitable, provided that it complies with the technical characteristics, and environmental (ecological) criteria contained in their licenses and the legislation in force;
  - 4.2. connect its heat plant to the Distribution System under the conditions set in the Law on Central Heating, Codes and relevant rules;
  - 4.3. conclude contracts for the sale of heating thermal energy under the terms of the Law on Central Heating and the rules prescribed by ERO;
  - 4.4. transmit its thermal energy through the distribution network;
  - 4.5. receive the payments due to them under their contracts.
5. The Licensee that generates heating thermal energy with a capacity exceeding 1 MW is obliged to sell the generated thermal energy to the Public Supplier pursuant the provisions of Article 10 of Law on Central Heating.
6. The license shall be valid from **04 October 2006** and will continue to be valid, during the technical lifespan of the main parts of the current plant used to carry out the relevant activities, for a period of fifteen (15) years, until **04 October 2021** with possibility of renewal in accordance with the Rule on Licensing of Energy Activities in Kosovo.
7. In accordance with Article 34 paragraph 1 sub-paragraph 1.2 of the Law on Energy Regulator, this license modifies the District Heating Generation License with the License number ZRRE/Li\_10/06 issued on 04 October 2006 by the Energy Regulatory Office, and shall enter into force on **12.10.2012**.

Stamped with the common stamp of the Energy Regulatory Office on \_\_\_\_\_.

Signed by Enver Halimi (on behalf of the Board of ERO): \_\_\_\_\_.



## CHAPTER II: LICENSE CONDITIONS

### Article 1: Definitions

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

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

**"Reporting year"** – the period from 15 October of the current year until 14 October next year.

**"Central Heating"** – heating of premises and preparation of hot sanitary water from the centers of thermal energy sources.

**"Heat Distribution Network"** – a piping system, transporting heating thermal energy from producer to customer.

**"Central Heating System"** - interconnected system of generation, distribution and supply of heating thermal energy.

**"Legislation"** – Law on Energy (Law No. 03 / L - 184), Law on Energy Regulator (Law No. 03 / L - 185), Law on Electricity (Law No. 03/L0-201), Law on Central Heating (Law No. 03/L-116) and any other primary or secondary legislation regulating the energy sector.

**"Metering Code"** – summary of rules and procedures that define the manner of reading of meters, calculation of the energy used, billing and collection in the central heating sector.

**"Metering Device"** – instrument registered in the register for certification of measuring devices, which are used in the production and supply process of the heating thermal energy.

**"Producer" or "Generator"** – legal or natural person producing (generating) thermal energy.

**"Separate activities"** – any other activity of the licensee, different from the activity of Thermal Energy Generation.

**"Supply"** – delivery, sale and resale of heating thermal energy to customers.

**"Generation of Heat"** – generation of heating thermal energy by an enterprise licensed for this activity.



**“Unused thermal energy”** - excessive amounts of heating thermal energy produced by factories, power plants, which is likely, by increasing the efficiency of processes, to be used for central heating.

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

## **Article 2: Separate Accounts for Generation Activity**

1. The Licensee shall prepare and submit to ERO the annual Financial Statements audited by an independent auditor in accordance with applicable local Laws and International Financial Reporting Standards, within the time limits prescribed by the laws in force for financial reporting.
2. The Licensee shall prepare annual Regulatory Statements in accordance with the Instruction for Regulatory Reporting of Central Heating Enterprises, issued by the ERO and will submit a copy of these statements to ERO within three (3) months after the end of the reporting year.
3. The Licensee in its internal accounting, shall keep separate accounting (accounts) for the Generation activity as a whole, separate from other activities and shall be submitted to ERO in the form and at the date specified by the ERO. The Regulatory accounting shall be maintained in accordance with the Instruction on Regulatory Reporting of Central Heating Enterprises, which among other things may specify:
  - 3.1 the form of regulatory accounting statements / declarations, including, but not limited to the Income Statement (profit / loss, balance sheet, statement of recognized profit and losses, cash flow, balance of thermal power (heat), and the statements on the amounts of annual revenues, costs, assets, liabilities, reserves or supplies that were billed by any other activity, or were determined by allocation or apportionment between the consolidated generation activity and other activity;
  - 3.2 the nature and content of the regulatory accounting statements / declarations, including information on specified types of annual revenues, costs, assets or liabilities and information on annual revenues, costs, assets and liabilities from specified activities;
  - 3.3 the principles and policies of regulatory accounting (including the basis for allocation of costs).
4. Regarding the regulatory accounting statements/declarations for the financial year, the Licensee shall not change the bases of tariffs, apportionment or allocation used in the previous financial year, unless if ERO has previously issued instruction for the purposes of this Article or if ERO gives in advance the written approval to change those bases.



5. The Licensee shall comply with any instruction issued by ERO and the legislation in force.

### **Article 3: Prohibition of Cross-subsidies**

The Licensee shall prevent or avoid any situation where the generation activity grants or receives any subsidy or cross-subsidy (direct or indirect) from any other activity of the Licensee or any Subsidiary (partner) or member or any other person.

### **Article 4: Prohibition of Discrimination**

1. The Licensee shall not sell or offer to sell heating thermal energy to any buyer or person, who wants to become a buyer with the price which is materially more or less favorable than the price at which the Licensee will sell or provide heating thermal energy to the comparable buyer.
2. The Licensee at any time shall report to ERO on the circumstances of sale of heating thermal energy to buyers / sellers, including (not limited to) volume, load factors (capacity), termination conditions, terms and duration of the relevant agreements.
3. The Licensee shall submit to ERO information about:
  - 3.1 the supply with heating thermal energy to any supplier; and
  - 3.2 the supply with heating thermal energy to any other customer.
4. Supply of heating thermal energy to any person shall include the provision of available capacity of any thermal energy generation unit.

### **Article 5: Compliance with the Distribution Code, Metering Codes and the Rule on General Conditions of Energy Supply**

1. The Licensee shall comply in accordance with the provisions of the Distribution Code, Metering Codes and the Rule on General Conditions of Energy Supply
2. The Licensee may seek derogation (postponement) in implementation of those provisions that are inapplicable under paragraph 1 of this Article. ERO, after reviewing the request by the licensee, may allow or refuse the derogation (postponement) of the implementation deadline.

### **Article 6: Security of fuel reserves**

1. The Licensee shall prepare a plan for fuel reserves under the Article 11 of the Law on Central Heating and in accordance with the secondary legislation issued by the relevant Ministry.



2. The Licensee shall comply with any provision setting out the type and extent (quantity) of the minimum fuel reserves (reserve fuel or capacity) and the secondary legislation of the relevant Ministry and applicable Codes.

#### **Article 7: Health and Safety**

1. The Licensee shall take all necessary actions to protect persons from injury and damage that may be caused to them by the Licensee in conducting the Generation activity, in accordance with the legislation in force.
2. The Licensee pursuant to the legislation in force, shall undertake technical and safety control (audit) of the generation capacities annually, and the results of such a control shall be submitted to ERO, every time it is required by ERO.

#### **Article 8: Environment**

1. The Licensee shall submit to ERO copies of Ecological Permit for Environmental Protection and other documents issued by the relevant Ministry for environmental protection. The Licensee shall comply with the legislation in force for the protection of the environment in Kosovo.
2. The Licensee shall report to ERO annually on its environmental activity.

#### **Article 9: Labour**

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

#### **Article 10: Registration and Disposal of Relevant Assets of the Licensee**

1. The Licensee shall develop and maintain a register of all relevant assets and shall submit it to ERO, not later than 31 January of every year.
2. The Licensee shall not sell or relinquish from the operational control over any relevant asset, whether it would affect its ability to perform its obligations or if the asset has a replacement value of over one hundred thousand euro (€ 100,000.00).
3. In case the Licensee wishes to sell assets or other property used in the conduct of the licensed activity, where their value exceeds one hundred thousand euro (€ 100,000.00), the Licensee is obliged to notify the ERO in writing and requires the approval of the ERO. The Licensee may dispose any such asset only after written approval by the ERO.



4. The same as in paragraph 2 of this Article shall also apply to the grant of use of assets or other resources used to perform the licensed activity.

5. In this Article:

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

**“Relevant Asset”** - any equipment and any movable or immovable property used by the Licensee for the exercise of the activity of generation of heating thermal energy, including any legal or beneficial interest to any land or building, and any intellectual property.

#### **Article 11: Insurance Obligation**

1. The Licensee shall carry out the insurance of assets in compliance with the applicable legislation in Kosovo.
2. The Licensee shall enter into contracts for insurance of generation assets and for the equipments used for generation of heating thermal energy. Such contracts shall be submitted for review to ERO annually.

#### **Article 12: Change in Control of the Licensee**

1. The Licensee shall notify ERO of any changes expected in control of the Licensee at least sixty (60) days in advance. Changes 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 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 consider necessary
2. The Licensee shall submit to ERO quarterly and annual reports on the activities of generation and compliance with Articles and conditions of the License in accordance with the Energy Sector Reporting Manual, approved by ERO.
3. If the Licensee in accordance with the Rule on Confidential Information, requires that certain information to be considered as confidential, then it is his duty to mark such information as confidential and to justify his request to the ERO. ERO will review such a



request pursuant to Rule on Confidential Information.

4. ERO has the right to require from the licensee any confidential information, necessary for the performance of its functions and duties in accordance with Article 12 of the Law on Energy Regulator.
5. The Licensee shall submit to ERO details of any changes in the information submitted during the application for this license.

6. In this Article:

**"Information"** – 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 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, Law on Central Heating 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 and other legislation in force, subject to requirement that the license obligations may be performed by the other Licensee and if the customers will not be detriment (brought to a difficult position) due to such a transfer.

#### **Article 15: Fees**

The Licensee shall pay to ERO any initial and annual fee determined pursuant to the Rule on Fees, issued by the ERO.

#### **Article 16: 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 52 of the 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 17: Dispute Settlement**

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 renewal, modification, suspension, termination and transfer of license as well as decisions on fines as a consequence of violation of license conditions or violations of applicable legislation, may be challenged by the Licensee at the competent court, in conformity with the applicable legislation.