



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

# DISTRICT HEATING DISTRIBUTION SYSTEM OPERATOR LICENSE<sup>1</sup>

GRANTED TO :

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

**Registration Number: ZRRE/Li\_11/12**

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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”.



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## 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 Distribution System Operator 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 effectively perform the obligations set out in this license;
  - 4.2 operate in an efficient, economic and coordinated manner with central heating distribution system;
  - 4.3 promote effective competition in generation, supply, purchase and sale of thermal energy.
5. The Licensee shall provide the following services for the defined territory covered by the distribution network:
  - 5.1 manage the distribution network;
  - 5.2 maintain the network and facilities in accordance with the technical requirements;
  - 5.3 harmonize its projects with the economic development projects;
  - 5.4 forecast the demand in the territory covered by it;
  - 5.5 transmit continuously and safely the heating through the distribution network;
  - 5.6 inform network users with the necessary information for efficient access to network;
  - 5.7 other relevant services.
6. The license shall be valid from **04 October 2006** and will continue to be valid, subject to the lifespan of the assets 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 Distribution License with the License number ZRRE/Li\_11/06 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.

**“Supply Point”** - thermal substation from which the transmission fluid of thermal energy possibly sanitary hot water, is carried to the end user, and where heat is measured with proper metering devices.

**“Direct heat pipe”** – region (segment) of the supply network connecting directly the producer premises (buildings) with a customer;

**“Final customer”** - a customer of heating for his or her own use;

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

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

**“Heat enterprises”** an entity performing one or more of the activities of generation, distribution and supply of heating thermal energy, on the grounds of a granted license as well as heating thermal energy producers connected to a Heat System, exempted from License, as specified in the Law on Energy Regulator;

**“Legislation”** – Law on Energy (Law No. 03 / L - 184), Law on Energy Regulator (Law No. 03 / L - 185), 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.



**“Supplier”** – energy enterprise licensed to carry out the activity of supply with heating thermal energy.

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

**“Subsidiary”** - any enterprise owned or controlled by another enterprise, defined by the legislation in force in Kosovo.

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

## **Article 2: Separate Accounts for the Distribution Operator 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.
1. The Licensee in its internal accounting, shall keep separate accounting (accounts) for the activity of the Distribution System Operator 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 statement and 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 activity of the Distribution System Operator 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).

3. 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.
4. 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 distribution 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: 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 5: Obligation of the Licensee Relating to Metering Devices**

1. The Licensee shall comply with the Law on Central Heating and Metering Codes.
2. The Licensee shall installation, operate, maintain, etc. the metering devices, in accordance with the Law on Central Heating and Metering Codes.

### **Article 6: Operation of the Distribution System**

1. The Licensee shall perform efficient, economic and coordinated operation of the distribution system, in accordance with applicable legislation.
2. The Licensee is obliged to provide the conditions and procedures for connection and use of its system, in accordance with applicable law and the Rule on General Conditions of Energy Supply. For any dispute arising from the connection or use of the distribution



system, it will implement the Rule on Resolution of Complaints and Disputes in the Energy Sector, issued by ERO.

3. The licensee shall allow the connection of customers to the Heat Distribution System users under the conditions for connection and procedures prescribed in the Law on Central Heating, Rules and other applicable Codes.
4. The Licensee shall give priority to connection of thermal power generators in the Distribution System and connection of any thermal power producer generating from renewable energy sources and cogeneration, in accordance with the Law on Central Heating.
5. The Licensee shall publish on its official website the Tariff Methodology for the use of Distribution System and the Tariff Methodology for connection, approved by ERO.

#### **Article 7: Access and Use of the Distribution System**

1. The Licensee shall allow producers, suppliers and eligible customers to have access and use of the Distribution Network based on the Law on Central Heating and rules adopted by the ERO.
2. The Licensee may refuse access to the Distribution Network in accordance with Article 28 of the Law on Central Heating.
3. If no access to the Distribution Network is allowed to eligible customers or producers, who wish to conclude contracts with Eligible Customers, then they may submit a request (apply) at ERO to allow construction of direct heat pipe, in accordance with Article 29 of the Law on Central Heating.

#### **Article 8: Development Plan**

1. In accordance with Article 15 of the Law on Central Heating, the Licensee shall develop and publish short and long term Development Plans for the development of the distribution network and coordinate such plans with the relevant Ministry and the relevant municipal institutions. The Licensee will make available to the heat thermal energy generating enterprises and supplier(s) its plans of study analysis.
2. In accordance with Article 7 of the Law on Energy, Article 15 of the Law on Central Heating and Article 14 of the Regulation on Licensing of Energy Activities in Kosovo, the Licensee shall prepare the short-term (3 years) and the long-term (10 years old) Development Plan of the Distribution System, and submit it to the ERO for approval.
3. The Licensee shall review the development plan every year, so that the information provided in the development plan, continues to be accurate in all material respects.



Possible proposals to supplement or amend the Development Plan shall be submitted to the ERO for approval.

4. The Licensee shall be responsible for the management and maintenance of the distribution network as well as maintenance of equipments and their location in accordance with the technical requirements specified in the applicable Codes and in accordance with the Law on Central Heating.
5. The Licensee shall be responsible for the expansion and reconstruction of the distribution network of heating thermal energy from the supply point to the heating thermal energy generator, pursuant the Law on Central Heating.

#### **Article 9: Economic Purchasing of Assets and Services**

1. The Licensee shall contract and provide assets and services, necessary to enable the Licensee to perform its obligations pursuant to the applicable Codes. Such contracting shall be made in accordance with the Law on Public Procurement in Kosovo and other relevant applicable legislation.
2. In contracting for the provision of assets and services pursuant to paragraph 1 of this Article, the Licensee shall purchase or otherwise acquire such assets and services from the most economical sources available to it.
3. 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 as per its needs to enable it to perform its obligations under the this License, the Distribution Code, and other Legislation in force.

#### **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: Distribution System Safety and Planning Standards**

1. The Licensee shall, within twelve (12) months from the date of approval of the modification of this license, develop the Distribution System Safety and Planning Standards and will submit to ERO for approval.

2. The Licensee shall be responsible for operating, ensuring the maintenance of Distribution System and if necessary, its development in accordance with Distribution System Safety and Planning Standards and other planning and operating standards that the Licensee may implement, after the approval by the ERO.

3. The Licensee shall review from time to time the implementation of Distribution System Safety and Planning Standards and will submit to ERO:

3.1. a report of the results of this review; and

3.2. proposal for possible amendment of Distribution System Safety and Planning Standards.

4. ERO may issue instructions requiring the Licensee to revise the Distribution System Safety and Planning Standards, in the manner specified in the instructions.

5. The Licensee shall publish on its official website the Distribution System Safety and Planning Standards.

6. The Licensee may seek derogation (postponement) in implementation of those of the Distribution System Safety and Planning Standards. ERO, after reviewing the request by the Licensee, may allow or refuse the derogation of the implementation deadline.



## **Article 12: General and Minimum Standards of Performance of Distribution Operator Activities**

1. The Licensee shall comply with all general and minimum standards of performance (Central Heating Supply and Service Standards) approved by ERO from time to time.
2. Such performance standards shall:
  - 2.1. identify general performance standards that will be required to fulfill;
  - 2.2. present minimum standards and the quality of services in relation to specific matters which will be obliged to fulfill from time to time; and
  - 2.3. specify the financial compensation payable to customers in the event that the minimal standards are not in accordance with sub-paragraph 2.2 of this Article.
3. The Licensee shall implement the approved standards and will propose to the ERO for approval the procedures for monitoring the fulfillment of quality, supply and service standards. The Licensee shall comply in accordance with the approved procedures.
4. The Licensee shall review and if necessary, shall propose amendments to the approved standards.
5. The Licensee shall provide ERO no later than March 31 of each calendar year a report on the performance of activities related to the standards to be fulfilled. This report shall include information and analysis on the fulfillment of standards under this Article.
6. The Licensee until March 31 of each calendar year will publish statistics as ERO requires relating to fulfillment or not fulfillment of the standards set out under this Article.

## **Article 13: Access to Land and / or Buildings**

1. The Licensee shall implement the Code on Access to Land and Building which sets out principles and procedures to follow in relation to any person acting on behalf of the Licensee and that requires access to land and / or buildings associated with the licensed activities.
2. The Code on Access to Land and Building shall include procedures to ensure that the person seeking access to land and / or building, on behalf of the Licensee:
  - 2.1. has the necessary competence to perform the required tasks;
  - 2.2. may be identified by the public; and
  - 2.3. are persons authorized to visit and access lands or buildings.
3. The Licensee shall periodically review the Code on Access to Land and Building and any change to this Code shall be subject to ERO approval.



#### **Article 14: Restrictions in Use of Certain Information**

1. 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 Distribution System Operator. Notwithstanding, the Licensee shall provide any information that ERO may ask with respect to performance of the duties vested by the legislation in force, and Article 22 of this License.
2. The Licensee shall ensure that any document containing confidential (secret) information, must clearly identify the information as confidential (mark it as confidential information).
3. 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 that provided under the relevant provisions of applicable laws.

#### **Article 15: Provision of Information to other Users of Distribution System**

1. In order to ensure efficient operation and coordinated development of the central heating system, the Licensee shall submit any necessary information to the other users (operators) of the Distribution System in a manner and times that may reasonably be required by these operators.
2. In case of any dispute between the Licensee and any other party, the Licensee shall proceed in accordance with Rule on Resolution of Disputes and Appeals in the Energy Sector, issued by ERO.

#### **Article 16: Code of Conduct and Ethics of the Distribution Operator System**

1. Code of Conduct and Ethics of the Distribution System Operator, approved by ERO shall apply to all employees of the Licensee. This Code will cover obligations relating to confidentiality of information, conflicts of interest and other obligations
2. The Licensee shall publish the Code of Conduct and Ethics on its official website.

#### **Article 17: Customer Information**

1. The Licensee shall keep its customers informed for the amount of energy that is registered as used by that customer, according to the meter through which the customers is supplied.



1. The Licensee shall keep its customers informed on the procedure on Resolution of Complaints and Disputes in the Energy Sector, and the role of ERO in settling such disputes.
2. The Licensee shall perform the obligations under paragraphs 1 and 2 of this Article by providing relevant information for each invoice or statement given to the customer regarding the obligations to supply with heating thermal energy.

#### **Article 18: Health and Safety**

1. The Licensee shall take all necessary actions to protect persons from injury that may be caused to them by the Licensee in conducting the activity of the Distribution System Operator, 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 distribution system, and the results of such a control shall be submitted to ERO, every time it is required by ERO.

#### **Article 19: Labour**

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

#### **Article 20: 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 21: Public Service Obligations**

The Licensee shall perform any public service obligations which can be determined by the ERO, in accordance with Article 47 of the Law on Energy Regulator



## **Article 22: 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, informing on the activities of the Distribution System Operator 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.

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 23: 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 due to such a transfer.

## **Article 24: Fees**

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



#### **Article 25: 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 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 26: Dispute Settlement**

1. Any dispute that may arise or is related to licensed activities shall be resolved in accordance with the Rules on Settlement 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 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.