



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

ELECTRICITY AND THERMAL ENERGY COGENERATION LICENSE

GRANTED TO:

ENERGY CORPORATION OF KOSOVO JSC

Generation Division, TPP "Kosova B"

Registration Number: ZRRE/Libp_05/12_B



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CHAPTER I: TERMS OF THE LICENSE

1. **Energy Regulatory Office (hereinafter “ERO”)**, in conformity with the authority vested by the Law on Energy Regulator (Law No. 03/L-185), Article 15 of the Law on Energy (Law no. 03/L-184), Article 4 of the Law on Electricity (Law no. 03/L – 201) and the Rule on Licensing of Energy Activities in Kosovo, hereby modifies the electricity generation license of the Kosovo Energy Corporation ("KEK") JSC - Generation Division (hereinafter "the Licensee") into Electricity and Thermal Energy Cogeneration License, in the generating plant Kosova B.
2. Total nominal (installed) generation capacity of the cogeneration units of the TPP Kosova B is: B1- 339 MW, B2- 339 MW;
3. Total available generation capacity of the cogeneration units of the TPP Kosova B currently is: B1 - 264 MW, B2- 264 MW, which may vary. This capacity shall be used for generation of electricity and thermal energy in accordance with the Thermal Energy Supply Agreement concluded between KEK and DH Termokos.
4. Nominal (installed) thermal energy generation capacity of the TPP Kosova B is: Unit B1- 70 MW_{TH}; Unit B2- 70 MW_{TH}
5. Territory covered by this license is the entire territory of the Republic of Kosovo.
6. The Licensee shall comply with the Articles and conditions set forth in this License, the Law on Electricity, Law on Central Heating and other applicable legislation.
7. The Licensee is required to provide electricity to public electricity supplier, at regulated price, generated by its power plants for cogeneration of electricity and thermal energy, in accordance with Article 7 of the Law on Electricity.
8. Following the fulfillment of the public supplier obligations, specified herein, the Licensee may sell the electricity generated by it from its electricity and thermal energy cogeneration power plants at negotiated prices, as follows:
 - 7.1. to eligible customers if the Generator holds a Wholesale Electricity Supply License (import and export), issued by the ERO;
 - 7.2. customers outside the territory of the Republic of Kosovo;
 - 7.3. local or regional power exchange market; and
 - 7.4. other suppliers.
9. The Licensee will sell thermal energy generated in its power plant at the price and under the conditions set out in the Thermal Energy Supply Agreement, in accordance with the relevant agreements and decisions, and applicable legislation.



10. In accordance with the requirements of applicable law and this License, the Licensee will manage the electricity and thermal energy cogeneration power plant in an economical way, as follows:
 - 10.1. shall use in its power plants those primary energy sources, as it considers appropriate, having regard to the design of units, provided they comply with technical characteristics, and environmental conditions contained in the Licenses and applicable legislation;
 - 10.2. shall connect the power plant to the Electricity Transmission or Distribution System under the conditions specified in the relevant codes and rules;
 - 10.3. shall transmit the electricity through the Transmission and Distribution System;
 - 10.4. shall connect its power plant, namely the steam extracting equipment to the thermal energy extracting station and further to the thermal energy transportation network;
 - 10.5. shall transport thermal energy through thermal energy transportation network;
 - 10.6. shall make proper payment in accordance with the contracts.
11. The License is valid from **04 October 2006** and will continue to be valid for the technical duration of the main parts of the existing plant used to carry out the relevant activities, until **04 October 2026**.
12. In case of change in the capacity of cogeneration units of Kosova "B", the Licensee shall immediately notify the ERO.
13. Pursuant to Article 34 paragraph 1, subparagraph 1.2 of the Law on Energy Regulator, the present license shall modify the electricity generation license, number ZRRE_Li_05/06_B, issued on 04 October 2006, and modified on 18 July 2012, by the Energy Regulatory Office, and shall enter into force on **23 December 2014**.

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

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



CHAPTER II: LICENSE CONDITIONS

Article 1: Definitions

1..Terms used in this license 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 force.

"Ancillary Services" – all services necessary to operation transmission and distribution systems.

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

"Cogeneration unit" – any plant or facility for cogeneration of electricity and thermal energy.

"Joint Stock Company" - a company defined as such in accordance with applicable law 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), Law on Central Heating, 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.

"Codes" - the technical rules developed by the Transmission System Operator and Distribution System Operator under the Law on Electricity and approved by the ERO, in accordance with the Law on Energy.

"Power Purchase Agreement" – an agreement for purchase of electricity with the producer of energy in accordance with Article 18 on of the Law on Electricity.

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

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



Article 2: Separate Accounts for Generation Activities

1. The Licensee shall prepare annual financial statements in accordance with Regulatory Accounting Guidelines issued by ERO and shall submit to ERO a copy of the audited financial statements within three (3) months after the end of the financial year. Internal accounts for generation activities must be separate from internal accounts of other activities, as if these activities were carried out by another enterprise.
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 activity of the Generation in general as well as for other activities. Regulatory accounting shall be in accordance with Regulatory Accounting Guidelines and may, internal alia, specify:
 - 3.1 the form of regulatory accounting statements / records, including but not limited to the profit and loss accounts, balance sheets, recognized profit and loss statements, cash flow and statements of the amounts of annual revenues, costs, assets, debts, reserves or supplies, which are charged from any other business or established by allocation or apportionment between the consolidated generation activities and any other activity;
 - 3.2 nature and content of regulatory accounting statements/records, including information on specified types of annual revenues, expenditure, assets or debts, and information on annual revenues, expenditure, assets and debts attributable to specified activities;
 - 3.3 regulatory accounting principles and policies (including the basis for allocation of costs).
4. 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 3: Prohibition of Cross-Subsidies

The Licensee shall prevent or avoid any situation where generation activities award or obtain 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 4: Prohibition of Discrimination

1. The Licensee shall, at any time, report to ERO on the circumstance of sales to purchasers, including (but not limited to) volume, charging factors, termination conditions, terms and duration of respective agreements.
2. The Licensee shall submit to ERO information about:
 - 2.1. the supply of electricity to any public supplier; and
 - 2.2. the supply of electricity to any other customer; and
 - 2.3. supply of thermal energy for DH Termokos as Public Heating Supplier, in accordance with the thermal energy supply agreement.
3. Supply of electricity to any customer shall include the provision of available capacity of any generation unit.

Article 5: Compliance with Grid Code, Metering Code and Rule on General Conditions of Energy Supply

- 1..The Licensee shall comply with the provisions of the Grid Code, Metering Codes and 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 may, after reviewing the application by the Licensee, allow or reject the derogation (postponement) of the implementation deadline.

Article 6: Provision of fuel reserves

1. The Licensee shall prepare the plan for fuel reserves, in accordance with Article 10 of the Law on Electricity and secondary legislation issued by the relevant Ministry.
2. The Licensee shall comply with any provision that determines the type and quantity of the minimum fuel reserve and secondary legislation of the relevant Ministry and applicable codes.



Article 7: Central Dispatch

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

In this Article:

“Available” - in relation to any generation unit means the generation unit that is available in accordance with the Grid Code, and

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

Article 8: Ancillary Services

1. The Licensee shall offer the conditions for provision of Ancillary Services from any generation units, if requested by the Transmission System Operator, in accordance with the Grid Code.
- 2..When conditions offered by the Licensee are acceptable to the Transmission System Operator, then they can enter into an agreement.
- 3..If the Transmission System Operator challenges the conditions offered by the Licensee under paragraph 1 of this Article, ERO will determine any condition of the agreement that is inconsistent under the Rule for Resolution of Disputes and Appeals in the Energy Sector.
- 4..If the Transmission System Operator proceeds under conditions specified by the ERO, the Licensee shall make an agreement for Ancillary Services and will implement it in accordance with its terms.
- 5..The Licensee shall, in accordance with paragraph 1 of this Article, upon request of ERO, submit to ERO a report containing the following details:
 - 5.1. prices offered for the provision of Ancillary Services by each cogeneration unit of the Licensee; and
 - 5.2. details regarding the cost of the Licensee for the provision of Ancillary Services.



Article 9: Appointment of Operator

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

Article 10: Market Rules

1. The Licensee shall act in conformity with the Market Rules.
2. The Licensee may seek derogation (postponement) in implementation of certain provisions of the Market Rules. ERO shall, after reviewing the application by the Licensee, may allow or refuse the derogation (postponement) of the implementation deadline.

Article 11: Health and Safety

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

Article 12: Environment

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



Article 13: Labour

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

Article 14: Alienation and Removal of Relevant Assets of the Licensee

- 1..The Licensee shall not sell or waive operational control over any relevant asset, if that would affect its ability to perform its obligations, or if the value of replacing is in excess of hundred thousand Euros (100,000.00 €).
- 2..If the Licensee wishes to alienate any asset or other property used in exercising the Licensed activity, the Licensee is obliged to notify ERO in written. The Licensee may alienate any such assets only upon written approval by the ERO.

In this Article:

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

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

Article 15: Obligation of Insurance

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

Article 16: Changes in Control of Licensee

- 1..The Licensee shall notify ERO of any changes expected in control at least sixty (60) days in advance. Change in control shall not take effect until it is approved by 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 17: Public Service Obligations

The Licensee shall perform any public service obligation that may be determined by the ERO, in accordance with Article 47 of the Law on Energy Regulator.

Article 18: 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 submit to ERO quarterly and annual reports on generation activities and compliance with the Articles and conditions set forth in the License 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 mark such information as confidential and justify its application to ERO. ERO will review the application in accordance with the Rule on Confidential Information.
- 4..ERO 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 appoint a person to maintain the communication link with the Transmission System Operator and Market Operator. Address, phone number, fax number or electronic mail address of such person shall be sent to the Transmission System Operator and Market Operator.
- 6..The Licensee shall, whenever required, submit to ERO any copy of contracts signed in relation to the cross-border trade of electricity, supply contracts, power purchase agreements and any contract signed pursuant to Power Purchase Agreement.
- 7..The Licensee shall hand over to ERO details of any changes in information submitted in the course of application for this License.

In this Article:

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



Article 19: 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 and Rule on Licensing Energy Activities in Kosovo, subject to requirement that the License obligations may be performed by another Licensee if the customers will not be detriment due to such a transfer.

Article 20: Taxes

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

Article 21: 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 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 22: Dispute Resolution

1. Any dispute that may arise on 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 License terms violations or violations of applicable legislation, may be challenged by the Licensee at the competent court, in conformity with the applicable legislation.