

The Energy Regulatory Commission of the Republic of Macedonia on the basis of Article 22, paragraph 1 and 16, related to Article 114, paragraph 2 of the Energy Law ("Official Gazette of the Republic of Macedonia" no:16/2011 and 136/2011) and Article 28 of the Regulation for Licenses for performing energy businesses ("Official Gazette of the Republic of Macedonia", no:143/11) proceeding upon the request of the Company for distribution of heat DISTRIBUTION OF HEAT BALKAN ENERGY DOOEL Skopje for issuing license for performing energy business activity Distribution of heat, at the meeting held on 31st December 2012 has adopted the following

**RESOLUTION
FOR ISSUING A LICENSE FOR PERFORMING ENERGY BUSINESS ACTIVITY
HEAT DISTRIBUTION**

1. The Company for distribution of heat DISTRIBUTION OF HEAT BALKAN ENERGY DOOEL Skopje shall be issued license for doing energy business activity Distribution of heat.
2. Rights and obligations of the license holder for doing energy business Distribution of heat by regulated producer shall be defined in the Annex 1, "License for doing energy business Distribution of heat" integral part hereof.
3. Any complaint raised against this Resolution shall not delay its effectuation.
4. This Resolution shall be published in the "Official Gazette of the Republic of Macedonia" and shall enter into force on the day of signing the Agreement for leasing the distribution heating network.

Legal advice: Against this Resolution an Appeal can be submitted to the Commission for addressing the appeals in the field of energy, through the Energy Regulatory Commission of the Republic Macedonia within 15 days from the date of publication of the Resolution in the "Official Gazette of Macedonia ", according to article 33 paragraph 1 of the Law on Energy.

UP1 no:11-292/12
31st December 2012

President,
Dimitar Petrov

Annex 1

LICENSE FOR PERFORMING ENERGY BUSINESS ACTIVITY HEAT DISTRIBUTION

- 1. Name and Registered Office of the License Holder**
Company for distribution of heat DISTRIBUTION OF HEAT BALKAN ENERGY DOOEL Skopje,
address:"515"str.no:8, 1000 Skopje, Republic of Macedonia.
- 2. Energy business for which the license is issued**
Distribution of heat
- 3. License Date of Issue**
31st December 2012.
- 4. License Validity Period**
35 years
- 5. License Expiry Date**
31st December 2047
- 6. Registered Number of the issued License**
TE-12.02.1/12
- 7. ID of the business entity: 6824471**
- 8. Tax Number: 4043012512126**
- 9. Type and scope of energy business effected**
This license shall define the manner and conditions for doing energy business distribution of heat as business of public interest, as well as the rights and obligations of the license holder.
As energy business the distribution of heat, in regard to this license, shall be taking over, distribution and delivery of heat to the consumers connected to the distribution network.
- 10. The area for doing energy business**
On the basis of the Law on Energy and provisions of this License hereof, the License Holder Company for distribution of heat DISTRIBUTION OF HEAT BALKAN ENERGY DOOEL Skopje, shall perform the energy business distribution of heat covering the area of Skopje city i.e. parts of the municipality areas as are: Aerodrom, part of Gazi Baba, Gjorce Petrov, Karposh, Kisela Voda, Center and Chair.
- 11. Buildings the heat distribution shall be performed thru**
The Holder of license shall perform distribution of heat thru distribution network starting at the point of receipt of heat produced from the Heating Plants, than thru main, secondary, linked pipelines and heating stations to the measuring point or to the point of delivery to the final consumers of heat connected to the heat distribution system.
Technical characteristics of the basic devices for distribution of heat shall be provided in Annex 1 integral part of this license.

12. Provide access, connection and use of distribution network

The Holder of the license shall be liable in accordance with the principles of objectivity, non-discrimination and transparency to provide access, connection and use of distribution network to third parties in accordance to the law, other rule and general act.

13. Obligation of the holder of license

The Holder of the license shall be liable to:

- observe the laws, other rules and general acts, as well as regulations and other rules prescribed and approved by the Energy Regulatory Commission of the Republic of Macedonia in compliance with the law;
- safe and secure operation and handling with the heat distribution system in accordance with the network rules for heat distribution and conditions defined in the license;
- maintenance, development and when economically payable, extension of the distribution system in accordance with network rules for heat distribution and system development plans, complied with the energy development plans and programs for the units of local government the heating system is located at;
- access and/or connection of the consumers of the distribution system in accordance with the heat distribution network rules and by application of prices and tariffs approved and previously published by the Energy Regulatory Commission;
- heat for covering the losses within the distribution network and system services by the regulated producer;
- purchase, set up and maintenance of measuring devices at the exit of the production facilities and in the heating sub-stations to which the buildings of the consumers are connected and measuring the heat taken or delivered from the heating system, in accordance with heat distribution network rules;
- take all prescribed safety measures during the use of the heat distribution system as well as measures for environmental protection;
- transmission of heat to the points of the link of the production facilities to the points of linking the consumers of the system (heating sub-station), in accordance with the network rules for distribution and conditions defined in the license;
- quality delivery of the heat thru the distribution system;
- compliance of plant handlings in the system with the producers for effecting smooth heat distribution;
- supervision and testing of the heat distribution system;
- monitor the technical and operational readiness of the heat distribution building; -heat demand long-term forecast;

14. Planning, maintenance and development of distribution network

For reason of safe and efficient operation of the distribution network, the Holder of license shall be liable to maintain, renew and develop the same in a manner that will allow secure, safe and efficient use of distribution network.

The Holder of license shall be liable each year not later than 10th March to submit to the Regulatory Committee a Plan for development of the distribution network for a period of five (5) years as well as an Annual Program for realization of the plan.

The Plan for development of distribution network should involve especially:

- description of the existing condition of the distribution network;
- future assessments of the capacity and operability of the distribution network
- locations planned to renew and/or develop the distribution network; and
- financial resources for plan realization;

15. Obligation for separate accounting records

The Holder of the license shall be liable:

- in its internal statements to keep separate accounting records for each individual energy business for which it holds license for doing energy business;
- in compliance with the accounting standards stipulating the accounting operation of the company to prepare financial statements that will provide information for the assets, liabilities, capital, income and expenditure involving the operational results as well as cash flows of the company in regard to the business distribution of the heat and
- to provide consolidated financial statements;

16. Information Confidentiality

The Holder of the license shall be liable in accordance with the law to provide and guarantee confidentiality of the business data and information obtained from the holders of distribution network when performing the business distribution of heat.

17. Obligation to submit the Annual Account for financial and business operation

The Holder of the license shall be liable to submit to the Energy Regulatory Commission latest by 10th March the annual report for the scope of its operation, including the Report for the financial and business operation for the preceding year. The Annual Account including all Annexes compulsory shall be submitted electronically as well.

The Annual Report should involve the following details:

1. The scope of distribution of heat during the preceding year (total quantity of distributed heat);
2. Financial Statement for the energy business production of the heat comprised by:
 - balance Sheet and Profit and Loss Account,
 - report for the changes of the guarantee capital,
 - cash flow report,
 - accounting policies applied and
 - other explanatory notes prepared in accordance with the International Accounting Standards (IAS)
3. Measures taken during the preceding year
 - protection of buildings and equipment from external impacts and average losses, and insurance of buildings and content for doing energy business,
 - protection during the work
 - training and professional improvement of employees for reason of safe, secure and quality performance of energy business,
 - environmental, life and health protection of the people,
 - carrying out monitoring on their own operation,
 - provide conditions for secure, continuous and quality performance of energy business and
 - provide energy efficiency
 - perform energy business in conditions of crisis situation, change of conditions on the world market as well as in warlike and extraordinary situation;
4. Achievement of the annual program for realization of the Plan for development and extension of distribution network in the preceding year;
5. Performance of the program for overhauls during the preceding year;
6. Position of the staffing for performing individual tasks when performing energy business distribution of heat,
7. Effected inspection supervisions and controls by authorized inspection and other governmental bodies including copies enclosed from the minutes, reports and decisions resulting from the effected supervisions and controls,

8. Business plan for the current year and estimate for realization of the business plan during the preceding year;
9. Realization of obligation for informing the consumers and measures taken to improve the service quality.

18. Liability for submitting other reports, information and data in regard to performing energy business

The Holder of the license shall be liable to submit to the Energy Regulatory Commission the following:

- monthly and quarterly reports, in writing and electronically, for the quantity of the distributed heat, total or per type of consumers, for the number and duration of the planned and not planned breaks during the delivery;
- Information for all circumstances, events and changes that impact or may impact the performance of energy business distribution of heat.
- agreements related to performance of energy business distribution of heat made with other holders of licenses for performing energy business and contracts for connecting consumers in the distribution network;

19. Protection of the content and buildings against external impact and averages.

The Holder of the license shall be liable within 6(six) months following the day of entering into force of this license to approve the Plan for protection of the buildings and devices for heat distribution and the same to submit it to the Energy Regulatory Commission.

20. Liability for providing access to the buildings and installations and direct view into the documentation

The Holder of the license shall be liable upon request of the Energy Regulatory Commission to provide direct view into the overall documentation as well as access to the buildings, business premises, spaces, installation and assets and equipment required for doing energy business, in accordance with the Regulation on the licenses for doing energy businesses.

21. Quality of Distribution of Heat

The Holder of the license shall be liable to provide permanent quality of the service distribution of heat according to the prescribed conditions for supply of heat and other rules as well as to perform permanent monitoring of the distribution of heat.

22. The Price for doing energy business distribution of heat

The Holder of the license shall be liable the price for doing energy business distribution of heat to establish in accordance with the Regulation of the manner and conditions for regulating the prices of the heat for heating.

The Holder of the license shall be liable the prices for doing energy business distribution of heat to publish at its website.

23. Amendment and Addition to the License

Amendment and Addition of this license shall be made explicitly in accordance with the provisions of the Regulation for doing energy businesses.

24. Measures in case of failure to meet the obligations by the Holder of the License

In case the Holder of the license shall fail to meet the obligations contained in this license, the Energy Regulatory Commission shall take measures according to the Regulation for licenses for doing energy businesses.

Attachment 1

Technical characteristics of the basic resources for performing energy business activity Distribution of heat

1. Technical characteristics of the network for the Distribution of heat in the City of Skopje or parts of the areas of the municipalities of Aerodrom, part of Gazi Baba, Gorce Petrov, Karpos, Kisela Voda, Centar and Cair.

No.	Dimensions of canals (mm)	Dimensions of pipes (mm)	Length (m)
1.	400/300	NO 32	12.491,5
2.	500/400	NO 40	13.200,3
3.	700/400	NO 50	22236,6
4.	700/400	NO 65	28.778,6
5.	800/500	NO 80	15.584,1
6.	800/500	NO 100	16.630,6
7.	900/600	NO 125	13.253,6
8.	900/600	NO 150	14.963,7
10.	1300/800	NO 200	10.501,4
12.	1300/800	NO 250	6.881,4
13.	1600/900	NO 300	4.413,7
14.	1600/900	NO 350	6.548,2
15.	1800/1000	NO 400	1.964,9
16.	1800/1000	NO 450	5.435,8
17.	2100/1200	NO 500	3.306,6
18.	2300/1300	NO 600	2.675
19.	2600/1600	NO 700	3.436,2
		Total:	182284,2

2. Characteristics of measurement devices

No.	Dimension	Quantity
1.	NO 15	513
2.	NO 20	1125
3.	NO 25	629
4.	NO 32	67
5.	NO 40	585
6.	NO 50	154
7.	NO 65	36
8.	NO 80	21
9.	NO 100	9
	Total:	3.039

3. Number of Thermal stations

No.	Dimension	Quantity
1.	NO 15	1537
2.	NO 20	11
3.	NO 25	246
4.	NO 30	3
5.	NO 32	230
6.	NO 40	419
7.	NO 50	428
8.	NO 65	199
9.	NO 80	94
10.	NO 100	46
11.	NO 125	6
12.	NO 150	1
	Total:	3.250

4. Pump stations in distributive networks

No.	Production	Type	Location	Quantity
1.	WILO	IL 100/170-2/4	Zagrebachka	1
2.	GRUNFOS	CLM 150/271- 18.5	G.Mihajlovski	1
3.	WILO	IL 80/140-7.5/2	P.Zoografski	1
4.	MZT – SKOPJE	KCP 182	HP Vodno	1
5.	IMP	CL 1001-4	K.J.Pitu	1