

Arrangements regarding energy

1. Both parties confirm their commitment to meeting all their obligations under the Energy Community Treaty, and to apply the EU energy *acquis*. These arrangements are fully compatible with both.
2. KOSTT and EMS will sign a bilateral operational agreement within 3 months, establishing and regulating relations between the two Transmission System Operators. In addition, the former Temporary Energy Exchange Agreement and Temporary Technical Agreement will be repealed.

KOSTT will be recognised as the Transmission System Operator for the territory of Kosovo for the purpose of participation in all relevant mechanisms (ITC, Congestion Management, etc.).

EMS will support KOSTT to become a member of ENTSO-E.

3. The energy regulatory authorities of both parties will open direct channels of communication to discuss subjects of mutual interest.

The regulatory authorities of both sides shall, upon application, without delay, and in line with the requirements of the existing licensing framework in their jurisdiction, issue licences covering trade (import, export, transit) and supply to KEK, KEDS and EPS, respectively.

4. Both parties will accelerate the process of market opening by July 1st 2014, in accordance with the timetable fixed by the Energy Community Treaty, therefore allowing a new electricity company to supply customers to be established. Both parties also agree that such a company will be established under the Kosovan legal and regulatory framework.

5. This new company will supply electricity and may provide distribution services (such as billing, collection, maintenance and physical connection of new customers) to customers in the four northern Serb majority municipalities, and will be able to buy and sell power on the open market. This new company, in order to operate as per point 4 will sign agreements with KOSTT in order to participate in the Kosovo power market and to become balance responsible party.

Immediately after the establishment of this new company, it will enter into discussions on all other issues of mutual interest with KEDS and KOSTT, including to ensure third party access.

The employees of JP Elektrokosmet will either be incorporated into this new company or might be offered employment with KEDS.

I. D.



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KOSTT will reconnect the 110 kV lines to Valac/q. The current operators at the Valac/q substation will respect instructions from the Kosovo dispatch centre.

6. Both parties agree to try to find a common settlement solution as regards KOSTT's claims and EMS claims. KOSTT considers that these claims are for unpaid transit and interconnection allocation revenue and EMS's claims for secondary regulation. EMS considers that these claims are for services for secondary and tertiary regulation. Should it not be possible to reach a common settlement within 6 months, both parties agree to submit these claims to international arbitration.

7. An implementation group will be formed in order to draft a full Action Plan for the implementation of the future Agreement. The full implementation process will commence upon receipt of written acceptance of Action plan.

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