

Based on Article 113 paragraph (5) of the Energy Law ("Official Gazette of the Republic of Macedonia" no. 96/18 and "Official Gazette of the Republic of North Macedonia" 96/19 and 236/22) and Article 6 paragraph (1) from the Rulebook for Certification of Electricity Transmission System Operator and Natural Gas Transmission System Operator ("Official Gazette of the Republic of Macedonia" No. 146/18), and deciding upon the application for certification of the Natural Gas Transmission System Operator of the Republic of North Macedonia, Joint Stock Company for the performance of energy activity of natural gas transmission NOMAGAS Skopje in state ownership, Shoqëria Aksionare për ushtrimin e veprimtarisë energjetike përcimi i gazit natyror NOM AGAS Shkup në pronësi shtetërore, No. 01-4084 from September 29<sup>th</sup>, 2023, and filed in the archive of the Regulatory Commission for Energy, Water Services and Municipal Waste Management Services of the Republic of North Macedonia No. 11-2075/1 of October 2<sup>nd</sup>, 2023 and additional documentation no. 11-2075/4 of December 29<sup>th</sup>, 2023, the Regulatory Commission for Energy, Water Services and Municipal Waste Management Services of the Republic of North Macedonia on-----  
---- 2024 year adopted:

## DECISION

### **for certification and appointment of a natural gas transmission system operator of the Republic of North Macedonia**

1. The natural gas transmission system operator of the Republic of North Macedonia, Joint Stock Company for the performance of energy activity of natural gas transmission NOMAGAS Skopje, Shoqëria Aksionare për ushtrimin e veprimtarisë energjetike përcimi i gazit natyror NOM AGAS Shkup në pronësi shtetërore, with headquarters on bul. Sveti Kliment Ohridski no. 54 Skopje, with unique identification number: 7649401, which performs the energy activity of natural gas transmission, fulfills the conditions prescribed for certification as a natural gas transmission system operator and is appointed as a natural gas transmission system operator of the Republic of North Macedonia.
2. The appointed natural gas transmission system operator of the Republic of North Macedonia is required to report to the Regulatory Commission for, Water Services and Municipal Waste Management Services of the Republic of North Macedonia every six months on the course of proceedings before the Real Estate Cadastre Agency of the Republic of North Macedonia for the registration of the right of ownership of the real estate through which it carries out the activity.
3. This Decision enters into force on the day of its adoption, and will be published in the "Official Gazette of the Republic of North Macedonia", as well as on the website of the Regulatory Commission for Energy, Water Services and Municipal Waste Management Services of the Republic of North Macedonia where the opinion submitted by the Energy Community Secretariat is published as well.

## ***Explanatory note***

### **I. LEGAL BASIS**

I.1. According to Article 109 of the Energy Law, the natural gas transmission system operator of the Republic of North Macedonia is a company that should:

- 1) be the owner of the natural gas transmission system, which consists of line infrastructure – gas pipelines and accompanying facilities – plants, facilities, facilities and assets that are in the function of performing the energy activity of natural gas transmission,
- 2) not be part of a vertically integrated company,
- 3) be the holder of a license for performing the energy activity of natural gas transmission,
- 4) not perform and is independent from the performance of other energy activities, according to the Energy Law, and
- 5) has been certified and appointed as the natural gas transmission system operator by the Regulatory Commission for Energy, Water Services and Municipal Waste Management Services of the Republic of North Macedonia (hereinafter: Energy Regulatory Commission).

Furthermore, Article 109 paragraph (2) of the Energy Law establishes that in order to ensure the independence of the natural gas transmission system operator, the same person or persons do not have the right to at the same time:

- 1) directly or indirectly participate in the management and supervision of a company that performs any of the activities of production and/or supply of natural gas and directly or indirectly to manage or exercise another right within the natural gas transmission system operator,
- 2) directly or indirectly participate in the management and supervision of the natural gas transmission system operator and at the same time directly or indirectly manage or exercise another right in a company that performs any of the activities of production or supply of natural gas, and
- 3) appoint members of a supervisory body, a management body of the natural gas transmission system operator, and at the same time directly or indirectly manage or exercise another right in a company that performs any of the activities of production and/or supply of natural gas.

In Article 109 paragraph (3) of the Energy Law, it is prescribed that the above-mentioned restrictions apply in particular to:

- 1) exercise of voting right,
- 2) election and appointment of members of the supervisory body and the managing body of the company, or
- 3) holding of a majority share.

In Article 109, paragraph (4) of the Energy Law, it is prescribed that the company that holds a license for performing the activity of natural gas transmission cannot have licenses and cannot be involved in

performing the activities of production, organization and management of the market of natural gas, distribution, trade in natural gas or supply of natural gas.

Pursuant to Article 109 paragraph (5) of the Energy Law, if the natural gas transmission system operator was part of a vertically integrated natural gas company, the operator or his employees must not transfer the commercially sensitive information they possess to natural gas production companies and/or natural gas supply companies.

At the same time, in paragraph (6) of the same Article, it is determined that a company that performs any of the activities of production or supply is also considered a company that performs any of the activities of generation or supply of electricity.

I.2. Pursuant to Article 110, paragraph (1) of the Energy Law, the Ministry of Economy is the owner of the company that is the natural gas transmission system operator.

In paragraph (2) of Article 110, it is determined that the Ministry is independent when making decisions on the election of a supervisory body, that is a management body of the company and must not accept instructions or directions from the Government of the Republic of North Macedonia (hereinafter: Government) or other state authority. The members of the supervisory body, that is of the management body of the natural gas transmission system operator:

- 1) in a procedure for making decisions in accordance with the law, must not request nor accept instructions or directions from the Government or another state authority, except in the cases established in the Energy Law, and
- 2) must not be elected as members of a supervisory body, that is, of a management body of companies that produce or supply/trade natural gas or companies that have the possibility of direct or indirect influence on decision-making in those companies.

I.3. Pursuant to Article 113 paragraph (1) of the Energy Law, the performer of the natural gas transmission activity must be certified as the natural gas transmission system operator in the manner, procedure and within the period determined by the Energy Law.

I.4. Furthermore, the Rulebook for the Certification of an Electricity Transmission System Operator and a Natural Gas Transmission System Operator, which governs the procedure for determining compliance with the rules governing the separation and independence of the transmission system operator (hereinafter: Rulebook on Certification), the Energy Regulatory Commission adopted on August 1<sup>st</sup>, 2018 and entered into force on August 15<sup>th</sup>, 2018.

## **II. COURSE OF PROCEDURE**

II.1. Pursuant to Article 113 paragraph (2) point (1) of the Energy Law, the procedure for certification of the natural gas transmission system operator is carried out at the request of the natural gas transmission system operator who has been issued a license to perform the activity of transmission of natural gas.

According to Article 113 paragraph (3), if the natural gas transmission system operator is not certified, it is obliged to submit a request for certification accompanied by documents prescribed by the Rulebook on Certification.

Pursuant to Article 113 paragraph (4), within four months from the date of submission of an application for certification by the natural gas transmission system operator, the Energy Regulatory Commission adopts a proposal for a decision for the certification of the natural gas transmission system operator and immediately submits it to the Energy Community Secretariat, accompanied by all the information related to the proposal for a decision.

Pursuant to Article 113 paragraph (5), within 60 days of receiving the opinion from the Energy Community Secretariat, the Energy Regulatory Commission adopts a decision regarding the application for certification. The Energy Regulatory Commission takes into account the opinion of the Energy Community Secretariat, and announces the reasons for possible derogations from the opinion.

According to article 113 paragraph (6), the Energy Regulatory Commission publishes the certification decision in the "Official Gazette of the Republic of North Macedonia" and on its website, where it also publishes the opinion issued by the Energy Community Secretariat.

II.2. On the basis of Article 113, paragraph (2) of the Energy Law and Article 3 of the Rulebook on Certification, the natural gas transmission system operator of Republic of North Macedonia, Joint Stock Company for performing energy activity of natural gas transmission NOMAGAS Skopje in state ownership, Shôqêria Aksionare për vëssinin e ekÿytÿsÿ energjetike pÿrçimi i gazit naturi NOMAGAS Shkup in state ownership, (hereinafter: AD NOMAGAS Skopje), submitted an application for certification of the natural gas transmission system operator, no. 11-2075/1 of October 2, 2023 (hereinafter: an application for certification) to the Energy Regulatory Commission on October 2<sup>nd</sup>, 2023.

The application for certification was submitted to the Energy Regulatory Commission under No. 11-2075 of October 2<sup>nd</sup>, in written and electronic form and contains data on AD NOMAGAS Skopje, as well as a statement that the initiation of the certification procedure is requested. The application for certification is submitted on the appropriate form contained in Appendix 1 of the Rulebook on Certification. The following documentation was also submitted with the application for certification, in accordance with Article 3 paragraph (3) of the Rulebook on Certification:

- 1) List of documents and other data submitted with the application for certification of a natural gas transmission system operator (attachment 1 to the application),
- 2) Current status issued by the Central Register of the Republic of North Macedonia No. 0805-50/150020230241983 dated 19.09.2023 (attachment 2 to the application),
- 3) Statute of the company and other acts that organize the work of the company and determine the competences of the Board of Directors of the applicant (attachment 3 to the application) namely:
  - Statute of the Joint Stock Company in state ownership for the performance of energy activity of natural gas transmission NOMAGAS Skopje with No. 01-2/3 dated 20.09.2023,
  - Decision on amending and supplementing the Statute of the Joint Stock Company for the performance of energy activity of natural gas transmission NOMAGAS Skopje in state ownership No. 15-3346/2 from 19.09.2023,

- Rules of procedure of the work of the Board of Directors of the Joint Stock Company for the performance of energy activity of natural gas transmission NOMAGAS Skopje in state ownership no. 01-2889/1 of 22.06.2023,
- 4) List of members of the Board of Directors of AD NOMAGAS-Skopje (attachment 4 to the application),
  - 5) Shareholder book and data on the number of shares and the number of votes of each shareholder, issued by the Central Depository for Securities on August 14, 2023 No. 01-3483/4 issued by the Central Depository for Securities, (attachment 5 to the application),
  - 6) List of state authorities that have control or some other right over AD NOMAGAS Skopje, as well as the explanation that it is not controlled by another state authority or a third-party No. 01-4084/4 of August 29, 2023, (attachment 6 to the application),
  - 7) Financial statements for the last three years with reports from an authorized auditor on the performed audit (attachment 7 to the application),
    - Financial statements for the year ending on 31.12.2020 and report of the independent auditors, no. 01-3833/1 of 28.12.2021 for NER AD Skopje, with attachments: Annual report and Annual account,
    - Financial statements for the year ending on 31.12.2020 with a report from the independent auditor no. 0504-332/1 of 11.03.2021 for GA-MA AD Skopje, with attachments: Legal obligation to prepare annual accounts and annual report on operations, Annual Account and Annual Report.
    - Financial statements for the year ending on 31.12.2021 and report of the independent auditors, no. 01-2382/1 of 29.07.2022 for NER AD Skopje, with attachments: Annual report and Annual account,
    - Financial statements for the year ending on 31.12.2021 with a report from the independent auditor no. 0504-890/1 of 18.04.2022 for GA-MA AD Skopje, with attachments: Legal obligation to prepare an annual account and an annual report on operations, Annual Account and Annual Report,
    - Annual account before merger for the period from 01.01.2022 to 30.06.2022, in accordance with the merger agreement no. 01-2123/1 of 01.07.2022, with attachments: Balance sheet, Income statement, Report on other comprehensive profit, explanatory notes, special data for state records and income structure by activities, for NER AD Skopje and GA-MA AD Skopje,
    - Financial statements for the period from 01.07.2022 to 31.12.2022, in accordance with the merger agreement no. 01-2123/1 of 01.07.2022, with attachments: Balance Sheet, Income Statement, Cash Flow Statement and Statement of Changes in capital, for a joint-stock company for the performance of energy activity natural gas transmission AD NOMAGAS Skopje in state ownership,
  - 8) List of companies that perform energy activities, which are connected to AD NOMAGAS Skopje in accordance with the provisions of the Company Law (attachment 8 to the application):
  - 9) Notification from the Ministry of Economy for not having licenses/or other authorizations for performing energy activities in the Republic of North Macedonia and/or in other countries, with number 12-3603/1 dated 09/28/2023 and archive no. at the operator no. 03-4079/1 dated September 29, 2023 (attachment 9 to the application),

10) Statements certified by a notary by the members of the Board of Directors that they are not members of a management body, that is of a supervisory body, that is employees of a company that generates electricity and/or produces natural gas, as well as is trade and supply of electricity and /or natural gas or in a company that has the possibility of direct or indirect influence on decision-making in that company (attachment 10 to the application):

- Statement given by Bajram Redzeqi, executive member of the Board of Directors, no. 02-3720/2 of 31.08.2023, certified by notary Ljubica Stefkova Nachevska from Skopje, no. UZP 2227/2023 of August 31, 2023,
- Statement given by Darko Bashoski, non-executive member of the Board of Directors, no. 02-3721/2 of 31.08.2023, certified by notary Ljubica Stefkova Nachevska from Skopje, no. UZP 2230/2023 of August 31, 2023,
- Statement given by Betiane Kitev, non-executive and independent member of the Board of Directors, no. 02-3722/2 of 31.08.2023, certified by notary Ljubica Stefkova Nachevska from Skopje, no. UZP 2232/2023 of August 31, 2023,
- Statement given by Risto Talevski, non-executive member of the Board of Directors, no. 02-3723/2 of 31.08.2023, certified by notary Ljubica Stefkova Nachevska from Skopje, no. UZP 2233/2023 of August 31, 2023,
- Statement given by Rafis Aljiti, non-executive member of the Board of Directors, no. 02-3775/2 of 05.09.2023, certified by notary Ljubica Stefkova Nachevska from Skopje, no. UZP 2284/2023 of September 4, 2023,

11) Statements certified by a notary by the members of the Board of Directors that in the procedure for making decisions in accordance with the law, they do not request or accept instructions or directions from the Government or another state authority, except in the cases established in the Energy Law, (attachment 11 to the application):

- Statement given by Bajram Redzeqi, executive member of the Board of Directors, no. 02-3720/1 of 31.08.2023, certified by notary Ljubica Stefkova Nachevska from Skopje, no. UZP 2228/2023 of August 31, 2023,
- Statement given by Darko Bashoski, non-executive member of the Board of Directors, no. 02-3721/1 of 31.08.2023, certified by notary Ljubica Stefkova Nachevska from Skopje, no. UZP 2229/2023 of August 31, 2023,
- Statement given by Betiane Kitev, non-executive and independent member of the Board of Directors, no. 02-3722/1 of 31.08.2023, certified by notary Ljubica Stefkova Nachevska from Skopje, no. UZP 2231/2023 of August 31, 2023,
- Statement given by Risto Talevski, non-executive member of the Board of Directors, no. 02-3723/1 of 31.08.2023, certified by notary Ljubica Stefkova Nachevska from Skopje, no. UZP 2234/2023 of August 31, 2023
- Statement given by Rafis Aljiti, non-executive member of the Board of Directors, no. 02-3775/1 of 05.09.2023, certified by notary Ljubica Stefkova Nachevska from Skopje, no. UZP 2285/2023 of September 4, 2023,

12) Statement by Executive Director Bajram Redzeqi no. 01-4084/6 of 29.09.2023 that there are no employees from NOMAGAS AD Skopje who have been transferred to the applicant who have performed management functions or were members of management bodies, that is supervisory bodies in companies that performed energy activity, generation of electricity and/or production of natural gas, as

well as trade and supply of electricity and/or natural gas, for a period of two years before submitting the application, (attachment 12 to the application):

- 13) Notarized Statement, given by the Minister of Economy Kreshnik Bekteshi, that as a ministry they will not give directions and influence the decision-making of the natural gas transmission system operator,
- 14) Letter with the Compliance Program of NOMAGAS AD Skopje attached, submitted to the Energy Regulatory Commission No. 10-3705/2 dated August 31, 2023,
  - Decision approving the Compliance Program of NOMAGAS AD Skopje in relation to the obligations arising from the ownership unbundling, no. 02-11-1855/3 of 09.10.2023,
  - Decision approving the conditions governing the mandate or employment conditions of the compliance officer determined in the Rulebook on the conditions and manner of operation of the compliance officer of NOMAGAS AD Skopje, no. 02-11-1855/4 of 09.10.2023,
- 15) Rulebook on the type of documents and data that are considered trade secrets No. 03-3714/1 dated 31.08.2023,
- 16) Confirmation that no bankruptcy proceedings have been opened against the company, issued by the Central Register of the Republic of North Macedonia No. 0806-50/150020230231439 dated September 11, 2023,
- 17) Confirmation that no liquidation proceedings have been opened against the company, issued by the Central Register of the Republic of North Macedonia No. 0807-50/150020230231434 dated September 11, 2023,
- 18) Organization chart of the Joint Stock Company in state ownership for the performance of energy activity of transmission of natural gas NOMAGAS Skopje,
- 19) Organizational structure of the Joint Stock Company in state ownership for the performance of energy activity of transmission of natural gas NOMAGAS Skopje, no. 01-4084/7 dated 29.09.2023,
- 20) List of the fixed assets through which the activity is carried out and which are owned by the applicant company or which it uses on another legal basis - Data according to accounting records relating to: gas pipeline network, GMRS (gas metering and regulating station) and GMS (gas metering station) equipment, MRS (metering regulating station) cathodic stations, gas detectors, various instruments, buildings where the GMRS and GMS equipment is located, additional sources of electricity, a dispatch center with all computer and telecommunication equipment, office space and construction plots,
- 21) Proof of the right of ownership, that is the right to use part of the fixed assets through which the activity is carried out and/or proof that the procedure for registration of the right of ownership and/or registration of the real estate through which the activity is carried out has been started in the Agency for Real Estate Cadastre of the Republic of North Macedonia:
  - Title deed for infrastructure facilities no. 4188,
  - Title deed for infrastructure facilities no. 4157,
  - Title deed for infrastructure facilities no. 4158,
  - Title deed for infrastructure facilities no. 4108,
  - Title deed for infrastructure facilities no. 4118,
  - Title deed for infrastructure facilities no. 4131,
  - Title deed for infrastructure facilities No. 4132 and
- 22) Statement no. 01-4084/8 dated September 29, 2023, given by Bajram Redzeqi, Executive Director of NOMAGAS AD Skopje.

II.3. The Energy Regulatory Commission, acting upon the application for certification and the attached documentation, determined certain deficiencies, after which on December 7<sup>th</sup>, 2023, it adopted Decision No. 11-2075/1, which determined that the application for certification is incomplete and that additions and verification of the reliability of the submitted documentation is needed and with the same decision obliged AD NOMAGAS Skopje to submit the following documents, information and data:

- A refined list of fixed assets for carrying out the activity of natural gas transmission in accordance with the current Energy Law, and
- Additional accompanying documentation (projects, reports, etc.) as a confirmation of the delivered title deeds for infrastructure facilities.

The application for certification of the natural gas transmission system operator no. 11-2075/1 of 02.10.2023 of the Joint Stock Company in state ownership for carrying out energy activity of natural gas transmission NOMAGAS Skopje, was incomplete and required additions and verification of the reliability of the submitted documentation, which is why on December 6, 2023 the Energy Regulatory Commission with decision no. 11-2075/3 of December 6, 2023 obliged NOMAGAS AD Skopje to additionally submit a refined list of fixed assets for carrying out the activity of natural gas transmission in accordance with the applicable Energy Law and additional accompanying documentation (projects, reports and other) as confirmation of the submitted title deeds for infrastructure facilities.

II.4. NOMAGAS AD Skopje, acting upon the Decision adopted by the Energy Regulatory Commission with letter no. 01-4084/12 on 27.12.2023 submitted the following attachments:

- a list of the fixed assets through which the activity of transmission of natural gas is carried out, specifying the means by which the activity is carried out according to the application.
- addition to title deeds for real estate owned by NOMAGAS AD Skopje (administrative facilities, land where new industrial facilities are under construction for the needs of NOMAGAS AD Skopje):
  - title deed no. 419, CO Razanichino, Municipality of Petrovec (g.p.6.26)
  - title deed no. 1277, KO Razanichino, Municipality of Petrovec (g.p.6.26)
  - title deed 1546 KO Razanichino Municipality Petrovec (g.p.6.25)
  - title deed 1561 KO Razanichino Municipality Petrovec (g.p.6.27)
  - title deed 1563 KO Razanichino Municipality Petrovec (g.p.6.27)
  - title deed 41958 (business facility at bul. St. Kliment Ohridski)
- Decision to determine the legal status of an illegal facility archive no. 58 UP-879/2016 of 08.06.2023, with which the registration of the right of ownership and real estate records for the entire main gas pipeline, including the distribution gas pipelines towards the cities that are part of the natural gas transmission system, was carried out.

II.5. After receiving the additional documentation from section II.4. The Energy Regulatory Commission began the adoption of this proposal decision for certification.

### **III. FINDINGS**

In the procedure for the certification of NOMAGAS AD Skopje, taking into account all the submitted documents, data and information, the Energy Regulatory Commission established the following facts:



### **III.1. NOMAGAS AD Skopje and other performers of energy activities in state ownership or over which the state exercises control**

With the ratification of the Agreement on the establishment of the Energy Community, the Republic of North Macedonia undertook the obligation to transpose the energy acquis of the European Union into the national legislation. In order to ensure a transparent and non-discriminatory performance of the natural gas transmission activity as well as the independence of the natural gas transmission system operator from the performance of other energy activities in the Energy Law ("Official Gazette of the Republic of Macedonia" no. 96/18 and "Official Gazette of the Republic of North Macedonia" 96/19 and 236/22) there is an established obligation for ownership unbundling of the operators of the transmission and distribution systems of electricity and natural gas, whereby the ownership unbundling of the natural gas transmission system operator is regulated in articles 109, 110, 111 and 112 in accordance with the provisions of the Directive 2009/73/EC of the European Parliament and of the Council of 13 July 2009 concerning common rules for the internal market in natural gas.

The ownership unbundling of the natural gas system operator did not follow the dynamics of the ownership of the electricity transmission system operator and the electricity distribution system operator due to the dispute between the Government of the Republic of North Macedonia and MAKPETROL AD Skopje regarding the ownership rights over GA-MA AD - Skopje. This dispute was resolved on December 28<sup>th</sup>, 2020, with the adoption of the Law on the settlement of the dispute between the Government of the Republic of North Macedonia and MAKPETROL AD Skopje by means of settlement ("Official Gazette of the Republic of North Macedonia" no. 317/2020) based on which an obligation for the Government to conclude an Agreement for the regulation of mutual relations was established, for which an agreement was reached between the Government of the Republic of North Macedonia and MAKPETROL AD SKOPJE before the Dispute Resolution and Negotiation Centre at the Secretariat of the Energy Community in Vienna on November 5<sup>th</sup>, 2019. In July 2021, MAKPETROL AD Skopje submitted an offer to the Government of the Republic of North Macedonia for the purchase of the shares in GA-MA AD Skopje, whereby at the end of August 2021 through block shares realized through the Macedonian Stock Exchange, and with the registration in the depository from 30.08.2021, the Government of the Republic of North Macedonia became the sole owner in GA-MA AD - Skopje.

Through NACIONALNI ENERGETSKI RESURSI (NER) AD Skopje, fully owned by the Government, gas pipelines throughout the country were built. In order to ensure their uninterrupted functioning, it was necessary to connect these gas pipelines to the natural gas system managed by GA-MA AD - Skopje, and to manage all gas pipelines as a whole system by one trading company - natural gas transmission system operator. For those reasons, it was necessary to carry out the merger of the two companies NER AD Skopje and GA-MA AD - Skopje into one company, through which the newly formed company will be fully owned by the Government.

The Government, at the Fortieth Session held on February 15<sup>th</sup>, 2022, adopted a Conclusion according to which the management bodies of NER AD Skopje and GA-MA AD Skopje are obliged to start a procedure for the merger of the two trading companies, the executive directors of NER AD Skopje and GA-MA AD Skopje were also obliged to make available all acts, documents and other data that are directly or indirectly needed for the merger of the two trading companies, as well as the resources needed for the implementation of all actions in this merger process.

In this direction, on 01.07.2023, the Agreement for merger between NER AD Skopje and GA-MA AD Skopje was concluded, in which the conditions under which the merger will be carried out, as well as the Draft Statute, which is an integral part of the Agreement, are harmonized, after which the rest of the actions prescribed in the Company Law were taken.

The Government, in its capacity as a Assembly of Shareholders of NER AD Skopje and in its capacity as a Assembly of Shareholders of GA-MA AD Skopje, at the session held on 14.12.2022, adopted the decisions to confirm the merger agreement in accordance with Article 528 of the Company Law, adopted the Statute of the new company - user NOMAGAS AD Skopje, which was created with the merger, as well as the necessary decisions, reports and statements in accordance with the provisions for the simultaneous establishment of a joint stock company, which include:

- Decision to confirm the Merger Agreement - merger of the Joint Stock Company for Energy Activities NER AD Skopje in state ownership with unique identification number 6664903 and GA-MA Joint Stock Company - Skopje with unique identification number 5135419;
- Decision on the adoption of the Statute of the Joint Stock Company for performing energy activity of transmission of natural gas NOMAGAS Skopje in state ownership;
- Statement under Article 29 of the Company Law for the establishment of the Joint Stock Company in state ownership for performing of energy activity NOMAGAS Skopje;
- Report on the establishment of the Joint Stock Company for the performance of energy activity of transmission of natural gas NOMAGAS Skopje (Establishment Report);

On 30.12.2022, the merger was registered in the trade register, after which the Joint Stock Company in state ownership for performing of energy activity of transmission of natural gas, NOMAGAS Skopje begins to operate.

According to Article 110 paragraph (1) of the Energy Law, the Ministry of Economy is the owner of the company that is the natural gas transmission system operator, and based on Article 238 paragraph (1) of the Law, the Government should transfer the shares to the owner of the company from Article 110 paragraph (1) of the Law, that is the Ministry of Economy.

Based on Article 238 paragraph (1), and in connection with Article 110 paragraph (1) of the Energy Law, the Government adopted a Decision on the transfer of ownership of the shares from the Government to the Ministry of Economy No. 41-5705/4 dated 01.08.2023, and the Central Securities Depository AD Skopje based on 238 paragraph (2) of the Energy Law on 10.08.2023 recorded the transfer of ownership of the shares, with which the Ministry of Economy became the sole shareholder in NOMAGAS AD Skopje.

The Ministry of Economy, in the capacity of an Assembly of Shareholders of NOMAGAS AD Skopje, adopted a Decision on amending and supplementing the Statute of NOMAGAS AD Skopje No. 15-3346/2 dated 19.09.2023, which harmonizes the provisions for a single shareholder and an Assembly of Shareholders, and also for the needs of the upcoming certification process, the Statute has been supplemented with provisions for a compliance officer that NOMAGAS AD Skopje as the natural gas transmission system operator should have according to the Energy Law. Pursuant to the aforementioned decision, a refined text of the Statute was adopted on September 20, 2023.

### **III.1.1. NOMAGAS AD Skopje**

#### ***III.1.1.1. Ownership structure***

NOMAGAS AD Skopje was founded with a merger of NER AD Skopje and GA-MA AD Skopje and entered in the trade register on 30.12.2022.

Based on the inspection of the Shareholder's Book (attachement 5 to the application) it was determined that the total nominal value of the capital of NOMAGAS AD Skopje amounts to EUR 61,667,800 divided into 616,678 ordinary shares with voting rights with a nominal value of EUR 100.00 per share. Each ordinary share gives its owner the right to vote on the issues voted on by the shareholders of NOMAGAS AD Skopje.

Pursuant to Article 278 of the Company Law, ordinary shares are shares that give their owners:

- right to vote at the assembly of the company;
- right to payment of part of the profit (dividend) and
- right to payment of a part of the remainder of the liquidation, that is bankruptcy, of the company.

The shares of NOMAGAS AD Skopje are owned by the Ministry of Economy and they were registered in the Central Securities Depository of the Republic of North Macedonia on August 10, 2023 based on Article 238 paragraphs (1) and (2) of the Energy Law. Pursuant to Article 110, paragraph (2) of the Energy Law, the Ministry of Economy, as the sole shareholder in the Assembly of Shareholders of NOMAGAS AD Skopje, is independent in making decisions on the election of the supervisory body, that is the management body of the company and must not accept instructions or directions from the Government or other state authority.

The rights and obligations of the assembly of NOMAGAS AD Skopje are performed by the Ministry of Economy as the sole shareholder. The Assembly of Shareholders assembly exercises its rights and obligations in the manner determined by Article 383 of the Company Law and the Statute of NOMAGAS AD Skopje. On the basis of Article 47 of the Law on the Organization and Work of State Administration Bodies, it is established that the work of the Ministry is managed by a Minister, and according to Article 49 of this Law, the Minister represents the Ministry, according to what was stated, the Assembly of Shareholders is chaired by the Minister of Economy, and in case of his/her absence or inability, a person authorized by him/her with a power of attorney presides, in a manner and in a procedure provided for in accordance with Article 392 of the Company Law.

The Assembly of Shareholders convenes in the cases determined by the Company Law, as well as when the interest of NOMAGAS AD Skopje and the Ministry of Economy requires it.

The Assembly of Shareholders assembly decides only on issues expressly determined by the Company Law and the Statute of NOMAGAS AD Skopje (attachement 3 to the application), and in particular on:

- approving the annual account, the financial statements and the annual report on the company's work in the previous business year and deciding on the distribution of the profit;
- election and dismissal of the members of the Board of Directors;
- approving the work and management of the work of the company by members of the Board of Directors;

- the remuneration policy for the members of the Board of Directors, at the proposal of the Board of Directors;
- increase and decrease of the charter capital of the company;
- change of rights related to separate types and classes of shares
- termination of the company;
- issuing shares and other securities;
- appointing an authorized auditor to audit the annual account and financial statements
- transformation of the company into another form of company;
- merger and acquisition of the company;
- amendment of statute;
- approval of large deals and deals with an interested third party, in cases where according to the law and the statute, the approval is within the competence of the Assembly of Shareholders;
- giving consent to the act for determining the amount of the point for calculating the salaries of employees in the joint stock company;
- decides on other issues in accordance with the law and the statute.

On the other hand, the Assembly of shareholders cannot decide on issues from the field of management, that is, from the field of the company's operations that are under the authority of the management bodies.

### **III.1.1.2. Board of Directors**

The management of NOMAGAS AD Skopje is organized in a single-level system with a Board of Directors. The Board of Directors within the powers defined by law and the statute has the broadest powers in managing the company within the scope of the company's operations and in acting in all circumstances on behalf of the company with the exception of the special powers given to the non-executive members of the board. The members of the Board of Directors are elected by the Assembly of Shareholders of NOMAGAS AD Skopje. From the members elected to the Board of Directors, the Board of Directors appoints one executive member. The Board of Directors is composed of five members, of which one is an executive member and four are non-executive members. One of the non-executive members of the Board of Directors is an independent member. The Board of Directors elects a chairman of the board from among its non-executive members. The members of the Board of Directors are elected for a period of 6 (six) years.

Members of the Board of Directors of NOMAGAS AD Skopje are:

1. Risto Talevski – non-executive member and President of the Board of Directors;
2. Rafis Aljiti – non-executive member of the Board of Directors;
3. Betiane Kitev – non-executive independent member of the Board of Directors;
4. Darko Bashoski – non-executive member of the Board of Directors; and
5. Bajram Redzeqi – executive member of the Board of Directors.

*Risto Talevski* was elected president of the Board of Directors of NOMAGAS AD Skopje.

*Bajram Redzeqi* was elected as an executive member of the Board of Directors of NOMAGAS AD Skopje - he holds the title of Executive Director.

The chairman of the Board of Directors has the following powers:

- convenes the meetings of the Board of Directors
- determines the agenda and presides/leads the meeting of the Board of Directors,
- organizes and supervises the functioning of the Board of Directors and its committees,
- takes care of adequate and timely delivery of information and materials necessary for the work of the Board of Directors,
- takes care of the correct, efficient and timely exercise of the powers entrusted to the Company's Board of Directors by this Statute and the Company Law.

In case the president is unable to attend, the session is presided over by a member of the Board who has been temporarily authorized by the president of the Board.

The Board of Directors can make a decision without holding a meeting if all members of the Board of Directors consent to the decision that is to be made without holding a meeting.

The Board of Directors can preside and make decisions only if the majority of the board members attend the meeting, of which the number of non-executive members must be greater than the number of executive members present.

The Board of Directors makes decisions with a majority vote of the board members present.

According to Article 20 of the Statute of NOMAGAS AD Skopje (attachement 3 to the application), the Board of Directors performs the following tasks:

- determines and manages the company's business policy;
- adopts general and individual acts, the adoption of which is not within the competence of the Assembly;
- adopts all the acts that are provided by the energy regulations and refer to the performance of the company's energy activity;
- adopts the plans and work programs of the Company and gives guidelines for their implementation;
- decides on organizational changes;
- adopts acts for internal organization, systematization and valuation of jobs in the company, as well as for regulating issues in the field of labor relations;
- adopts regulations on trade secrets;
- decides on the establishment and termination of a subsidiary;
- decides on the acquisition or alienation of immovable property and real rights over them, which are not within the competence of the assembly;
- prepares quarterly reports on the company's work and material-financial operations, which it delivers to the sole shareholder;
- prepares an annual report on the company's operations, which it submits to the company's assembly;
- prepares a proposal for the distribution of the profit, which it submits to the assembly of the company;
- adopts the Rules of Procedure for the work of the Board of Directors;
- decides on the conclusion of loan agreements and the acceptance of a pledge, in accordance with the provisions of the law and this statute;

- organizing the work of the company, ensuring the management and custody of the company's property;
- prepares a proposal for increasing and decreasing the charter capital of the company;
- makes all decisions in which the subject of decision is worth more than 50,000 euros, if the majority of the total number of non-executive members of the Board of Directors voted for their adoption;
- gives consent for business trips abroad, in case more than three company employee travel.

The company is represented by the executive director. With the exception of the powers that are expressly determined by the law and this statute to be exercised by the Board of Directors, the executive member, in accordance with this statute, leads the operations of the company and has the broadest powers to perform all matters related to the management, implementation of the decisions of the Board of Directors and the performance of the current activities of the company and to act in all circumstances on behalf of the company.

The Board of Directors cannot transfer the powers to the executive member when deciding on:

- closure (termination) or transfer of an enterprise or its part that participates with more than 10% in the income of the company;
- reduction or expansion of the company's business;
- establishment of long-term cooperation with other companies of essential importance for the company or its termination;
- establishment and termination of a trading company that participates with more than one-tenth of the company's charter capital;
- essential internal organizational changes of the company that are determined by an act of the company;
- establishment and termination of subsidiaries of the company; and
- appointment of a compliance officer pursuant to the Energy Law.

### **III.1.1.3. Compliance Officer**

Pursuant to Article 112 paragraph (2) of the Energy Law and Article 31a of the Statute of NOMAGAS AD Skopje, the non-executive members of the Board of Directors in the capacity of a supervisory authority whose competences refer to the supervision of the management of the company appoint and dismiss a compliance officer after prior approval by the Energy Regulatory Commission in accordance with the Energy Law, if the majority of the total number of non-executive members of the Board of Directors voted for it.

Pursuant to Article 112, paragraph (5) of the Energy Law, the Energy Regulatory Commission with Decision No. 11-1855/6 dated 09.10.2023 approved the conditions governing the conditions and criteria for the appointment, the mandate of the compliance officer, the scope of work, as well as all the necessary conditions for the exercise of his/her competences and the performance of his/her duties.

Pursuant to Article 112, paragraph (2) of the Energy Law, NOMAGAS AD Skopje, by letter No. 04-5485/5 dated 27.12.2023, submitted to the Energy Regulatory Commission a proposal for approval for the appointment of Darko Bundaleski as a compliance officer in NOMAGAS AD Skopje.

In addition to the letter, NOMAGAS AD Skopje submitted Decision No. 02-5629/17 of 28.12.2023 appointing Darko Bundaleski as compliance officer in NOMAGAS AD Skopje, which will produce a legal effect after the approval of the appointment by the Energy Regulatory Commission. Decision No. 02-5629/17 dated 28.12.2023 was adopted by the non-executive members of the Board of Directors of NOMAGAS AD Skopje after conducting a procedure with the publication of a public announcement for the appointment of a compliance officer published on 16.12.2023 in the daily newspapers "Nova Makedonija" and "Koha" and on the website of NOMAGAS AD Skopje. Also, in addition to the letter, NOMAGAS AD Skopje submitted a biography and the documentation submitted with the application by candidate Darko Bundaleski.

The Energy Regulatory Commission with Decision No. 11-2730/2 dated December 29, 2023 approved the appointment of Darko Bundaleski as compliance officer of NOMAGAS AD Skopje.

The compliance officer, within the framework of his competences established in accordance with the Energy Law, the Statute of NOMAGAS AD Skopje and the Rulebook on the conditions and manner of operation of the compliance officer, is obliged to:

1. to monitor the implementation of the Compliance Program and to prepare and submit to the Energy Regulatory Commission an annual report on taking measures for its implementation,
2. submit reports to the non-executive members of the Board of Directors in the capacity of a supervisory authority and make recommendations regarding the compliance program and its implementation,
3. notifies the Energy Regulatory Commission of significant violations in the implementation of the compliance program,
4. submits to the Energy Regulatory Commission the proposed investment plan or the proposed decisions for individual investments in the natural gas transmission system, at the same time when the management body of the natural gas transmission system operator submits those decisions to the non-executive members of the Board of Directors in the capacity of a supervisory authority,
5. to continuously monitor and evaluate the business activities of the Board of Directors of NOMAGAS AD Skopje for the purpose of assessing and determining their independence in their operation, as well as for the purpose of assessing the risk of possible non-compliance of their activities with the applicable legal and/or bylaws, the Compliance Program, the Statute and other acts of NOMAGAS AD Skopje,
6. to assess the exposure to the risk of any form of money laundering and/or corruption and to take prevention measures and prevention in accordance with the applicable legal regulations for the prevention of corruption and for the prevention of money laundering, while cooperating with the internal audit service and the corresponding professional services of NOMAGAS AD Skopje,
7. to inform the non-executive members of the Board of Directors of NOMAGAS AD Skopje about a potential or existing conflict of interest of the employees of NOMAGAS AD Skopje,
8. to provide consultations regarding the prevention and/or elimination of potential or existing conflicts of interest, as well as to propose preventive and/or corrective measures,
9. to educate, advise, train and inform the Board of Directors and employees of NOMAGAS AD Skopje in order to act in accordance with the principles of independence, transparency and impartiality in operations, prevention of any form of money laundering and/or corruption, as well as implementation and application of the Compliance Program,

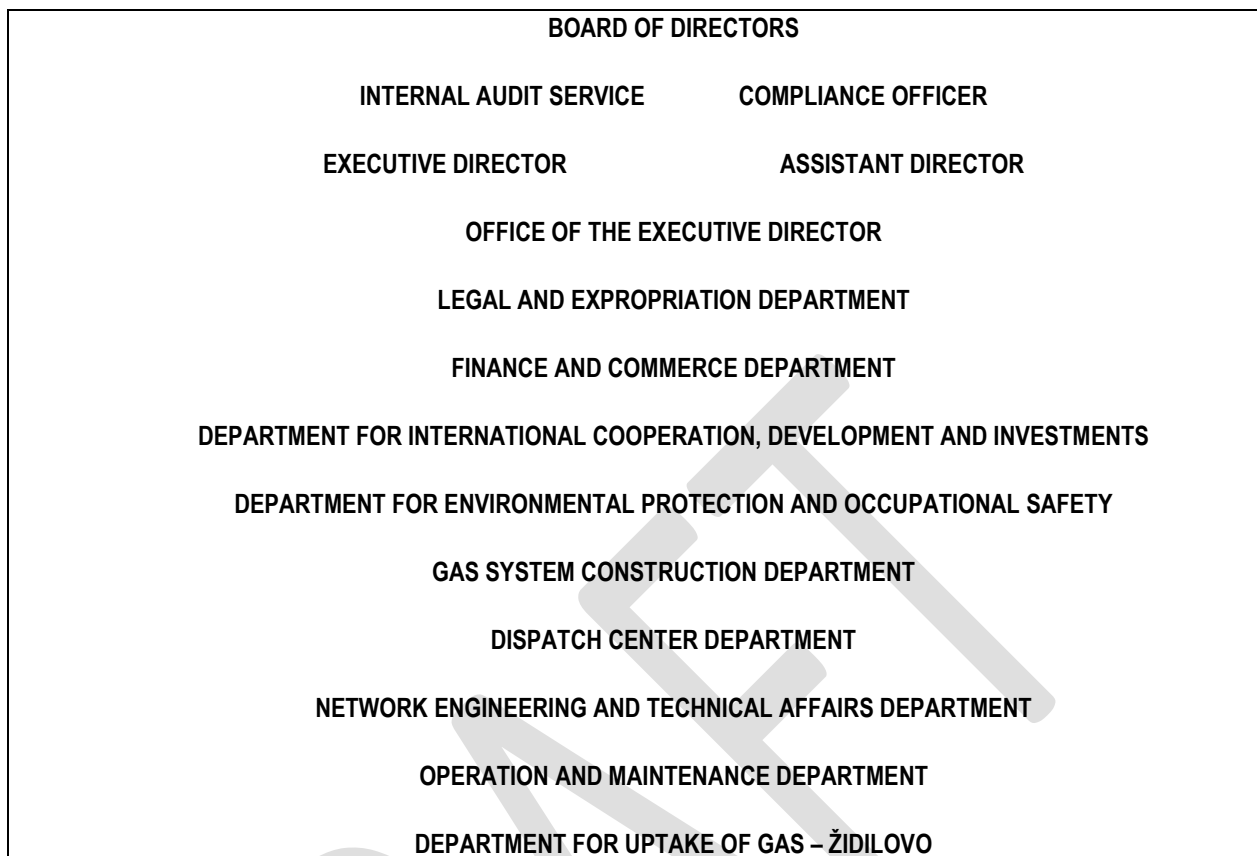
10. to attend the sessions of the Board of Directors of NOMAGAS AD Skopje if, according to the submitted agenda for that session, he estimates that the points included are within the scope of his obligations and competences, and especially at the sessions when deciding on:
  - the conditions related to the services for access and use of the natural gas transmission system, and in particular in relation to the fees for use, the allocation of the transmission capacity and the congestion management;
  - projects related to the management, maintenance and development of the natural gas transmission system, including investments in connections and interconnectors and
  - purchase or sale of natural gas necessary for the operation of the natural gas transmission system, including system balancing services.
11. to monitor the fulfillment of the obligations of the employees in relation to the implementation of the Compliance Program,
12. to ensure the confidentiality of business data and safe, responsible and appropriate data management, as well as for the protection of personal data in accordance with positive legal and by-law regulations,
13. to assess the need to amend and supplement the internal acts of NOMAGAS AD Skopje and to propose the adoption of new internal acts,
14. to cooperate with the departments/subsidiaries in NOMAGAS AD Skopje and their professional departments/services/units,
15. to monitor the compliance of the work process at NOMAGAS AD Skopje with the Energy Law and other positive legal framework and where necessary to undertake additional corrective measures and activities,
16. to perform other tasks in accordance with the Energy Law, the Statute of NOMAGAS AD Skopje and the Compliance Program.

Pursuant to Article 112 paragraph (4) of the Energy Law, the non-executive members of the Board of Directors in the capacity of a supervisory authority whose powers refer to the supervision of the management of the company may, after prior approval by the Energy Regulatory Commission, dismiss the compliance officer. At the request of the Energy Regulatory Commission, the non-executive members of the Board of Directors shall remove the compliance officer for failure to meet the independence or expertise requirements.

#### ***III.1.1.4. Organizational structure***

According to the Regulations for the organization and systematization of the workplaces in NOMAGAS AD Skopje, the workplaces are grouped into organizational units based on the type, kinship and connection of work duties. Organizational units in the Company are an internal audit service, a compliance officer, department, units in their composition and an office of the executive director, with an appropriate structure of managerial, professional and technical-administrative personnel. According to the organizational structure (attachement 18 to the application), the following organizational forms have been determined in the internal organization of the company:





1) Human resources

As of December 31, 2023, the total number of employees in NOMAGAS AD Skopje, in separate sectors, is 86 people, of which:

- 1 CEO with (higher education);
- 1 Assistant Director with (higher education);
- 1 Compliance Officer (Higher Education);
- 1 employee in the Internal Audit Service with (higher education);
- 6 employees in the Office of the Executive Director (5 employees with a higher education, 1 employee with a high school professional degree);
- 16 employees in the Legal Affairs and Expropriation Department (8 employees with higher education, 7 employees with secondary vocational education and 1 employee with elementary education);
- 8 employees in the Finance and Commerce Department 8 employees with higher education);
- 2 employees in the Department for International Cooperation, Development and Investments (1 employee with a higher education, 1 employee with a secondary vocational education);
- 3 employees in the Department for Environmental Protection and Safety at Work (3 employees with higher education):

- 4 employed in the Gas System Construction Department (4 employees with higher education):
- 11 employees in the Dispatch Center Department (5 employees with higher education, 6 employees with secondary vocational education):
- 3 employees in the Network Engineering and Technical Affairs Department (3 employees with higher education):
- 17 employees in the Operation and Maintenance Department (6 employees with higher education, 11 employees with secondary vocational education):
- 12 employees in the Department for Gas Receiving – Zhidilovo (5 employees with higher education, 7 employees with secondary vocational education):

The structure of employees in NOMAGAS AD Skopje by type and degree of education is as follows:

- 4 electrical engineers,
- 15 mechanical engineers,
- 2 civil engineers,
- 7 lawyers,
- 11 economists,
- 22 employees with another type of higher education, and
- 35 employees with secondary vocational education.

The members of the Board of Directors have the following education: 1 IT engineer, 1 lawyer and 2 political scientists and 1 economist.

In Article 3 paragraph (3) point 12) of the Rulebook on Certification, it is prescribed that the employees who transferred to NOMAGAS AD Skopje and performed management functions or were members of management bodies, that is supervisory bodies in companies that performed energy activity generation of electricity and/or production of natural gas, as well as trade and supply of electricity and/or natural gas, in the period of two years before submitting the application for certification, should submit a statement that they will not transfer commercially sensitive information to companies that generate electricity and/or produce natural gas, as well as trade and supply of electricity and/or natural gas. With the attachments to the application for certification (attachement 12 to the application) it is stated that according to the available data, there are no employees in NOMAGAS AD Skopje who transferred to the applicant that performed management functions or were members of management bodies, that is supervisory bodies in companies that performed energy activity of generation of electricity and/or production of natural gas, as well as trade and supply of electricity and/or natural gas, in the period of two years before submitting the application.

#### **III.1.1.5. Licenses**

NOMAGAS AD Skopje is the holder of licenses for performing the energy activity of natural gas transmission with record number: PG-OPS-02-2005, ("Official Gazette of the Republic of North Macedonia" no. 90/05, 135/06, 45/17 and 4/23), which is valid until October 25<sup>th</sup>, 2040.

Pursuant to Article 109 paragraph (4) of the Energy Law, the Company that holds a license for carrying out the activity of natural gas transmission cannot have licenses and cannot be involved in carrying out the activities of production, organization and management of the natural gas market, distribution, trading of natural gas or supply of natural gas. But also, in accordance with the previous provision in Article 238 paragraph (5), the natural gas transmission system operator performs the function of natural gas market operator, until the appointment of a company that will be granted a license for natural gas market operator. In this case, NOMAGAS AD Skopje will perform the function of market operator, until the appointment of a company that will be granted a license for natural gas market operator.

#### ***III.1.1.6. Obligations of AD NOMAGAS Skopje as a natural gas transmission system operator***

A natural gas transmission system operator maintains, upgrades, and expands the natural gas transmission network, operates the natural gas transmission system, and provides connections to other systems including natural gas transmission systems of other states.

The natural gas transmission system operator, in accordance with the Energy Law and the regulations and rules adopted on the basis of this Energy Law, has the obligation:

- to contribute to the security of natural gas supply, by ensuring reliable, safe, economically cost-effective and quality transmission and dispatch of natural gas through the transmission system,
- to ensure reliable and secure functioning of the natural gas transmission system and to improve the operation,
- to have available at all times the material, technical and human resources, together with the financial resources needed to fulfil its obligations with regard to the development, upgrading and maintenance of the natural gas transmission system;
- to provide the users of the natural gas transmission system with all the information needed to access and use the natural gas transmission system and to provide them access to the natural gas transmission system,
- to approve users' requests for connection to the transmission system in accordance with the Grid Code on natural gas transmission, if it is economically justified,
- to publish on its website the transmission tariffs, previously approved by the Energy Regulatory Commission,
- to build new and upgrade existing interconnection capacities with neighboring countries, taking into account the efficient use of existing interconnection capacities and the balance between investment costs and benefits for consumers,
- to ensure the cross-border flows of natural gas through its transmission network within the available transmission capacity,
- to prepare an annual plan for the maintenance of the transmission system and, after its approval by the Energy Regulatory Commission, publish it on its website,
- to prepare a final daily schedule for transmission and load on the natural gas transmission system and to record and store the data obtained in the process of preparing the final daily schedule,

- to provide daily dispatching and real-time management of the flow of natural gas taking into account internal and cross-border transactions through the natural gas transmission system, based on the final daily schedule,
- to ensure synchronized operation of the natural gas transmission system with the transmission systems to which it is directly connected, as well as to cooperate and exchange data with the operators of other natural gas transmission systems,
- to publish data and promptly provide information from the operators of neighboring natural gas transmission systems on the available transmission capacities of interconnectors or transnational gas pipelines, in order to ensure efficient, non-discriminatory, objective and transparent access and use of the natural gas transmission system,
- to ensure the installation and maintenance of metering devices and to measure the flow of natural gas at all metering points at the points of reception and delivery in the transmission system and to deliver the measurement data to users of the system and to the natural gas market operator,
- to provide access to the users of the natural gas transmission system to the metering devices in its possession,
- to procure auxiliary services for balancing the natural gas transmission system, in accordance with the rules for balancing the natural gas transmission system,
- to establish and maintain a register of balancing service providers and a register of balancing responsible parties,
- to prepare rules for natural gas procurement to cover losses in the natural gas transmission system and submit them to the Energy Regulatory Commission for approval,
- to procure natural gas to cover losses in the natural gas transmission system in order to ensure reliable and secure functioning of the natural gas transmission system under market conditions in a transparent, non-discriminatory and competitive manner,
- to solve the overloads in the transmission network for natural gas, in accordance with the Natural Gas Transmission Grid Code,
- to ensure balancing of the natural gas transmission system and settlement of deviations and balancing services, in relation to providers and users of balancing services, as well as to ensure the calculation, invoicing and payment of balancing services,
- to keep records and schedules of physical transactions and determine the necessary changes in the schedule of natural gas dispatching in the event of threats to the supply of natural gas, breakdowns or major deviations of the consumption of natural gas from the determined quantities within the technical capabilities of the system for the transmission of natural gas, whereby the costs of purchasing natural gas, by applying the balancing mechanism, are reimbursed by the participants in the natural gas market who caused the deviation,
- to ensure confidentiality of the business data of the users of the natural gas transmission system,
- to participate in the work of regional and international organizations, and
- to promptly provide information to the transmission and distribution systems operators of natural gas with which it is connected in order to ensure secure and efficient functioning of the systems and gas interconnectors.

The natural gas transmission system operator makes available to the participants in the natural gas market, at all entry and exit points, the overall capacity of the system, taking into account the integrity of the system and the efficient functioning of the network.

The natural gas transmission system operator is obliged to keep a dispatch book, records on the reliability of the transmission system, data from the supervision and management system and measurement data and to keep those books, records and data for at least ten years,

The natural gas transmission system operator is obliged to keep records of the operation of the transmission system in a manner determined by the Natural Gas Transmission Grid Code and to report this to the Energy Regulatory Commission, upon its request.

The natural gas transmission system operator can temporarily cease the delivery of natural gas from the transmission network it manages during planned inspections, tests, control measurements, repairs, maintenance, reconstructions and expansions of facilities, devices and installations, connection of new users, as well as in the case of the need to prevent risks of disruption in the natural gas transmission system. The method, procedure and notifications for such interruptions are carried out by the transmission system operator in accordance with the Natural Gas Transmission Grid Code.

For the purposes of supervision, control and maintenance the natural gas transmission system operator has the right of access to the installations and metering and regulation stations that are an integral part of the transmission network that it manages, and which are located on the properties of the consumers, in the manner and under the conditions established in the Natural Gas Transmission Grid Code.

The natural gas transmission system operator is obliged to prepare annually a plan for the development of the natural gas transmission system for a period of the next ten years. The content of the plan is governed by the Natural Gas Transmission Grid Code and contains all the necessary information for the expansion and upgrading of the natural gas transmission system, including the priorities for the construction of new interconnection, agreed with the operators of the natural gas transmission systems operators in the region. The natural gas transmission system operator submits the approval plan to the Energy Regulatory Commission no later than October 31<sup>st</sup> of the calendar year, and after the approval is received, the plan is adopted and published on its website.

The natural gas transmission system operator prepares and submits one-year, five-year and ten-year forecasts for the demand of natural gas in the Republic of North Macedonia to the Ministry of Economy and to the Energy Regulatory Commission no later than October 31<sup>st</sup> of each calendar year.

For each regulated period the natural gas transmission system operator prepares and submits for approval to the Energy Regulatory Commission plans for investment in the transmission system, which should especially show the expected increase in the efficiency of the system's work as a result of the planned investments.

Provide services for continuous or disruptive access to a third party and ensure that the price for the capacity subject to interruptions reflects the probability of interruptions,

It offers system users long-term and short-term services.

The natural gas transmission system operator is obliged to offer natural gas transmission services to users of the system by applying equal contractual conditions, previously approved by the Energy Regulatory Commission and published on its website.

Tariffs applied by the natural gas transmission system operator for transmission contracts with non-standard transmission start dates or a shorter duration than the standard annual contracts for the transmission of natural gas are determined according to the tariff system for the transmission of natural gas, applying the principles established by Article 29 paragraph (4) of the Energy Law.

The natural gas transmission system operator grants access to a third party if the applicant that is requesting access provides guarantees for the payment of the service, which are determined on the basis of the principles of non-discrimination, transparency and proportionality and do not represent an obstacle to entering the natural gas market.

#### ***III.1.1.7. Participation in regional and international associations and companies that perform energy activities***

NOMAGAS AD Skopje is a member (with an observer status) of the European Network of Natural Gas Transmission Operators (hereinafter: ENTSOG). ENTSOG has 43 transmission system operators as members with the right to vote, 1 associative partner and 9 observer members without the right to vote, among which NOMAGAS AD Skopje. This association is unique at the European level, replacing all previous associations of transmission system operators that manage state or national natural gas systems.

The membership agreement of the national natural gas transmission system operator was signed in Brussels in 2012. ENTSOG's main goal is to meet the challenges of changing natural gas systems while ensuring security of supply.

### **III.1.1.8. Revenue generation from the performance of regulated energy activity, transmission of natural gas**

Pursuant to the Energy Law, NOMAGAS AD Skopje as the natural gas transmission system operator generates revenues from:

- performing the activity of natural gas transmission,
- compensation for guaranteed capacity at the entry and exit points in the natural gas transmission system,
- revenues and expenses realized on the basis of balancing services and auxiliary services,
- income earned on other basis in accordance with law.

The Energy Regulatory Commission, regulates the method of calculation, approval and control of the regulated maximum income for performing the energy activity of natural gas transmission with the regulations and methodologies for the formation of tariffs.

The regulated maximum income is determined in such a manner that during one calendar year the upper limit of the income, which is allowed to be realized by NOMAGAS AD Skopje, is determined.

The regulated maximum income is determined at a level that enables the regulated company to achieve:

- covering the justified operational costs, the depreciation of the assets for carrying out the regulated activity of natural gas transmission as well as the technical losses,
- provision of a certain rate of return on capital, which includes investments, which will enable the development of the natural gas transmission system, its sustainable development and the availability of services provided to all natural gas consumers in the territory of the Republic of North Macedonia.

In accordance with the established regulated maximum income (RMI) and the established regulated tariff for carrying out the regulated energy activity of natural gas transmission, NOMAGAS AD Skopje, as the performer of the energy activity of natural gas transmission, invoices the fee for using the transmission system.

The fee for using the natural gas transmission system is paid by natural gas consumers in the Republic of North Macedonia, in accordance with the published tariff. The natural gas transmission system operator invoices the fee for using the natural gas transmission system to:

- heat and electricity prosumers in cogeneration plants where electricity and heat energy and/or mechanical energy are produced simultaneously and during one process.
- heat energy generation consumers and industrial consumers,
- consumer category – other consumers with natural gas consumption less than 150,000 nm<sup>3</sup> in the previous year.

### **III.1.1.9. Revision**

Pursuant to Article 478 of the Company Law, NOMAGAS AD Skopje is obliged to obtain an audit opinion on the financial statements no later than one month before the holding of the Assembly of Shareholders.

On the basis of Article 383 paragraph (1) point 8) of the Company Law, the Assembly of Shareholders of NOMAGAS AD Skopje adopts a decision on the appointment of an authorized auditor for the audit of the annual accounts and financial statements after a public procurement procedure has been carried out in accordance with The Law on Public Procurement. The Assembly of Shareholders assembly makes a decision on the appointment of the authorized auditor before the end of the business year for which the audit is performed. Immediately after receiving the audit report, together with the annual account and financial statements and the annual report on the company's work, they are submitted to the Board of Directors. The non-executive members of the Board of Directors of NOMAGAS AD Skopje are obliged to check the annual accounts and financial statements. At the request of the non-executive members, the authorized auditor attends the meeting of the Board of Directors. The non-executive members of the Board of Directors submit a written report on the results of the performed control to the Assembly of Shareholders. In the report, the non-executive members announce the manner in which they performed the control and the extent of the performed control over the management of the company during the previous business year. The report declares the results of the audit carried out by the authorized auditor for the annual account and the financial statements and for the auditor's objections to the compiled annual account and the financial statements and suggests whether they should be adopted or not.

The Audit Company CRESTON MACEDONIA DOOEL Skopje has been selected to perform the authorized audit of the Annual Accounts and Financial statements for 2022 and 2023 of the Joint State Company in state ownership for carrying out energy activity of transmission of natural gas, NOMAGAS Skopje.

In the previous years, before the merger and establishment of NOMAGAS AD Skopje, the audit was carried out separately for each of the merging companies NER AD Skopje and GA-MA AD Skopje.

### **III.1.2. AD MEPSO Skopje, in state ownership**

AD MEPSO, Skopje, in state ownership, as one of the four legal entities created during the restructuring process of AD "Electricity of Macedonia" has been separated into an independent legal entity as the electricity transmission system Operator of the Republic, Joint Stock Company for the transmission of electricity and management of the electricity system, in state ownership, Skopje by Decision of the Government of the Republic of Macedonia no. 23-3343/1 of 27.09.2004.

AD MEPSO, Skopje in state ownership on 31.12.2004 was registered in the Trade Register of the Primary Court Skopje 1 Skopje, as the electricity transmission system operator of the Republic, Joint Stock Company for electricity transmission and management of the electricity system, Skopje, in state ownership.

AD MEPSO, Skopje in state ownership and AD ESM Skopje are state-owned companies, which are independent in their ownership structure and management bodies. After the adoption of the Decision on the transfer of shares from the ownership of the Government to the ownership of the Ministry of Transport and Communications No. 44-6841/1 of July 24, 2018, the sole shareholder and owner of AD MEPSO Skopje is



the Ministry of Transport and Communications, while AD ESM Skopje remained in state ownership, whose sole shareholder is the Government of the Republic of North Macedonia.

The management of AD MEPSO, in state ownership Skopje- Skopje is organized according to a two-tier system with a supervisory board and a management board. In accordance with the provisions of the Company Law and the Statute of AD ESM - Skopje, the members of the supervisory board are elected and dismissed by the Government in its capacity as an Assembly of Shareholders of shareholders of AD ESM - Skopje, while the members of the management board are elected and dismissed by the supervisory board of the Company.

Pursuant to Article 375 of the Company Law ("Official Gazette of the Republic of Macedonia" no. 28/04, 84/05, 25/07, 87/08, 42/10, 48/10, 24/11, 166/12, 70/13, 119/13, 120/13, 187/13, 38/14, 41/14, 138/14, 88/15, 192/15, 6/16, 30/16, 61/16, 64/ 18 and 120/18 and "Official Gazette of the Republic of North Macedonia" No. 290/20, 215/21, 99/22), the Statute of AD MEPSO Skopje in state ownership, and the Rules of Procedure of the Management Board of AD MEPSO in state ownership, the Management Board of the Company has the most extensive powers in the management of the Company, that is in the performance of all matters related to the management of affairs and current activities within the scope of the Company's operations. The management board consists of 7 (seven) members, who are elected for a term of 4 (four) years, namely:

1. Zuhdi Enuz, Chairman of the Board of Directors with title – General Director;
2. Nikola Rilak, a member of the Management Board with title – Deputy General Director;
3. Bilen Saljiji, a member of the Management Board with title – Director of Legal and General Affairs in the Directorate;
4. Gotse Mihajloski, a member of the Board of Directors with title – Director of Power Transmission System Management;
5. Zoran Ilioski, member of the Board of Directors with title – Director of Electricity Transmission;
6. Ljupco Zikov, a member of the Management Board with title – Director of Financial Affairs in the Directorate;
7. Tomi Bozhinovski, a member of the Management Board with title – Director of Information Technologies and Telecommunications in the Directorate.

Based on Article 380 paragraph 1 of the Company Law ("Official Gazette of the Republic of Macedonia" no. 28/04, 84/05, 25/07, 87/08, 42/10, 48/10, 24/11, 166/12, 70/13, 119/13, 120/13, 187/13, 38/14, 41/14, 138/14, 88/15, 192/15, 6/16, 30/16, 61/ 16, 64/18 and 120/18 and "Official Gazette of the Republic of North Macedonia" No. 290/20, 215/21, 99/22) and Article 37 of the Statute of AD MEPSO, Skopje, in state ownership, the Supervisory Board supervises the management of the Company by the Management Board. Pursuant to Article 380 paragraph 2 of the Company Law, the Supervisory Board can inspect and check the Company's bookkeeping and documents, as well as the property, especially the Company's treasury, securities and goods.

Pursuant to Article 27 of the Company's Statute, the Company's Supervisory Board consists of 7 (seven) members, of which two members are independent, elected and dismissed by the Company's Assembly. The supervisory board of AD MEPSO, Skopje, in state ownership, consists of:

1. Dame Korunoski – Chairman of the Supervisory Board
2. Nikolce Acevski - member of the Supervisory Board
3. Musli Musliu - independent member of the Supervisory Board
4. Darko Tasev - member of the Supervisory Board
5. Nazif Bushi - member of the Supervisory Board
6. Darko Tasev – independent member of the Supervisory Board
7. Musli Musliu - member of the Supervisory Board.

The elected members of the management and supervisory board of AD ESM Skopje are not members of a management or supervisory body in another company that has the same or similar area of operation as the company, which is in accordance with article 348 paragraph (1) point 3 of the Company Law.

According to Article 36 of the Statute of AD MEPSO, Skopje, in state ownership, the organizational parts of the Company are the Directorate and Subsidiaries. The Directorate is located in Skopje, at st. Maksim Gorki no. 9.

***The following companies are subsidiaries in state ownership of AD MEPSO, Skopje:***

The electricity transmission system operator of the Republic of North Macedonia, Joint Stock Company for Electricity Transmission and Management of the Electricity System, in state ownership, Skopje is connected to the following companies that perform energy activities:

- Elektroenergetski koordinacioni centar d.o.o. – EKC
- Coordinated Auction Office in South East Europe – SEECAO
- National electricity market operator – MEMO DOOEL, Skopje

### III.1.3. AD ESM Skopje

AD ESM Skopje, as one of the four legal entities created during the restructuring process of AD "Elektrostopanstvo of Macedonia" has been separated into an independent legal entity as a Joint Stock Company for generation of electricity, Elektrani of Macedonia, in state ownership, Skopje" (AD ELEM Skopje) by Decision of the Government of the Republic of Macedonia No. 19-2626/1 of June 30, 2005.

AD ESM Skopje was registered in the Trade Register of the Primary Court Skopje 1 Skopje on September 9, 2005, as AD ELEM Skopje.

AD MEPSO Skopje and AD ESM Skopje are state-owned companies, which are independent in their ownership structure and management bodies. After the adoption of the Decision on the transfer of shares from the ownership of the Government to the ownership of the Ministry of Transport and Communications No. 44-6841/1 of July 24, 2018, the sole shareholder and owner of AD MEPSO Skopje is the Ministry of Transport and Communications, while AD ESM Skopje remained in state ownership, whose sole shareholder is the Government of the Republic of North Macedonia.

The management of AD ESM-Skopje is organized according to a two-tier system with a supervisory board and a management board. In accordance with the provisions of the Company Law and the Statute of AD ESM - Skopje, the members of the supervisory board are elected and dismissed by the Government in the capacity of an Assembly of Shareholders of AD ESM - Skopje, while the members of the management board are elected and dismissed by the supervisory board of the Company.

Pursuant to Article 375 of the Company Law ("Official Gazette of the Republic of Macedonia" no. 28/04, 84/05, 25/07, 87/08, 42/10, 48/10, 24/11, 166/12, 70/13, 119/13, 120/13, 187/13, 38/14, 41/14, 138/14, 88/15, 192/15, 6/16, 30/16, 61/16, 64/ 18 and 120/18 and "Official Gazette of the Republic of North Macedonia" No. 290/20, 215/21, 99/22), the Statute of AD ESM - Skopje and the Rules of Procedure of the Management Board of AD ESM-Skopje, the Management Board of the Company has the most extensive powers in the management of the Company, that is in the performance of all matters related to the management of affairs and current activities within the scope of the Company's operations.

The management board consists of 7 (seven) members, who are elected for a term of 4 (four) years, namely:

1. Vasko Stefanov, chairman of the Board of Directors, with the title – of general director;
2. Dr. Imer Zencu, member of the Management Board with the title – Deputy General Director;
3. Dusica Seizovska Jovanović, a member of the Management Board with the title – Director of Legal and General Affairs;
4. Viktor Andonov, a member of the Management Board with the title – Director of Development and Investments;
5. Dr. Ardian Mucha, a member of the Board of Directors with the title – director of commercial affairs;
6. Marija Pejкова, member of the Management Board with the title – Director of Financial Affairs;
7. Blagojce Trpovski, a member of the Management Board with the title – Director of Electricity Generation.

Based on Article 380 paragraph 1 of the Company Law ("Official Gazette of the Republic of Macedonia" No. 28/04, 84/05, 25/07, 87/08, 42/10, 48/10, 24/11, 166/12, 70/13, 119/13, 120/13, 187/13, 38/14, 41/14, 138/14, 88/15, 192/15, 6/16, 30 /16, 61/16, 64/18 and 120/18 and "Official Gazette of the Republic of North Macedonia" No. 290/20, 215/21, 99/22) and Article 37 of the Statute of the Joint Stock Company Elektrani of North Macedonia, in state ownership, Skopje, the Supervisory Board supervises the management of the Company by the Management Board. Pursuant to Article 380 paragraph 2 of the Company Law, the Supervisory Board can inspect and check the Company's bookkeeping and documents, as well as the property, especially the treasury of the Company, securities and goods.

Pursuant to Article 29 of the Company's Statute, the Company's Supervisory Board consists of 7 (seven) members, of which two members are independent, who are elected and dismissed by the Company's Assembly. The Supervisory Board of AD ESM - Skopje consists of:

1. Sladjana Bogdanovic – Chairman of the Supervisory Board
2. Dr. Sasho Dodovski - member of the Supervisory Board
3. Katerina Mitovska Nakovska - independent member of the Supervisory Board
4. Igor Petkov - member of the Supervisory Board
5. Arben Nesim - member of the Supervisory Board
6. Vasil Kocev – independent member of the Supervisory Board
7. Ridvan Asani - member of the Supervisory Board.

The elected members of the management and supervisory board of AD ESM Skopje are not members of the management or supervisory body in another company that has the same or similar area of operation as the company, which is in accordance with article 348 paragraph (1) point 3 of the Company Law.

According to Article 38 of the Statute of AD ESM - Skopje, the organizational parts of the Company are the Directorate and Subsidiaries. The Directorate is located in Skopje, at st. 11 Oktomvri no. 9.

The following companies are subsidiaries of AD ESM - Skopje:

1. **Joint Stock Company for the generation of electricity, in state ownership Elektrani of North Macedonia, Skopje, Skopje, Subsidiary HES Mavrovo - Gostivar**, Brača Gjinovski street, No. 42, Gostivar. The authorized person for representation of Subsidiary HES Mavrovo-Gostivar is Gjorgi Bozhinoski, graduate engineer, acting director of Subsidiary HES Mavrovo – Gostivar.
2. **Joint Stock Company for the generation of electricity, in state ownership Elektrani of North Macedonia, Skopje, Subsidiary HES Crn Drim - Struga** str. Ploshtad na revolucija b.b. Struga. Sasho Korkut, BSc. Electrical Eng., acting director of Subsidiary HES Crn Drim - Struga ".

3. **Joint Stock Company for the generation of electricity, in state ownership Elektrani of North Macedonia, Skopje, Subsidiary HEC Tikvesh - Kavadarci s. Vozarci - Kavadarci.** The authorized person to represent the Subsidiary HEC Tikvesh-Kavadarci is Kiril Tasev, B.Sc. Electrical Eng., acting director of Subsidiary HEC Tikvesh-Kavadarci.
4. **Joint Stock Company for the generation of electricity, in state ownership Elektrani of North Macedonia, Skopje, Subsidiary HES Treska – Skopje st. "11ti Oktomvri" No. 9 Skopje.** The authorized person to represent the Subsidiary Treska-Skopje HES is Fatmir Idrizi, acting director of the Subsidiary Treska-Skopje HES.
5. **Joint Stock Company for the generation of electricity, in state ownership Elektrani of North Macedonia, Skopje, Subsidiary REK Bitola - Novaci, Novachki pat bb Novaci.** The authorized person to represent the Subsidiary Bitola-Novaci REK is Pece Matevski, B.Sc. Mechanical Eng., Director of the Bitola-Novaci REC Subsidiary.
6. **Joint Stock Company for the generation of electricity, in state ownership Elektrani of North Macedonia, Skopje, Subsidiary REK Oslomej - Oslomej, Oslomej.** Authorized persons for representation of Subsidiary REK Oslomej-Oslomej are Stojan Mickoski, B.Sc. Mechanical Eng., acting director of Subsidiary REK Oslomej-Oslomej \ and Nejbudin Nuredini, acting director of Subsidiary REK Oslomej-Oslomej, jointly, with two valid signatures.
7. **Joint Stock Company for the generation of electricity, in state ownership Elektrani of North Macedonia, Skopje, Subsidiary Energetika - Skopje, st. "16 Makedonska Brigada" No. 18 Skopje.** The authorized person to represent Subsidiary Energetika-Skopje is Vlatko Mitovski, Bachelor of Laws, acting director of Subsidiary Energetika-Skopje.
8. **Joint Stock Company for the generation of electricity, in state ownership Elektrani of North Macedonia, Skopje, Subsidiary TEC Negotino-Negotino, s. Dubrovo.** The authorized person to represent Subsidiary TEC Negotino-Negotino is Dimitar Azeski, B.Sc. acting director of Subsidiary TEC Negotino-Negotino.

Each subsidiary is managed by a director or directors, who are elected by the Board of Directors. The subsidiaries of AD ESM-Skopje are organized by an act of the management board, after prior approval of the supervisory board.

The basic capital of AD ESM - Skopje is 31,738,878,000.00 denars or 517,818,006.80 euros. The charter capital of the company is divided into 31,738,878 ordinary registered shares, with a nominal value of MKD 1,000 per share.

With the Annual Account for the year 2022 of AD Elektrani of North Macedonia, in state ownership, Skopje, a profit before taxation was realized in the amount of 2,514,105,356.00 denars or 2,250,389,500.00 denars after taxation. Pursuant to Article 483 of the Company Law, after determining the financial result for the past year, the Assembly makes a decision on the distribution of the profit that has been realized, with it making a plan for the distribution of the profit. Pursuant to Article 485 of the Company Law, the mandatory general reserve is calculated and set aside as a percentage determined in the Company's Statute and cannot be less than 5% of the realized profit for the year. In Article 46 of the Statute of AD ESM, it is established that a legal reserve is set aside in the amount of 15% of the realized net profit, which for the year 2022, amounts to 337,558,425.00 denars.

The company also proposes the distribution of part of the profit in the amount of 934,212,590.00 denars to cover the losses from the past years. The rest of the profit in the amount of 978,618,485.00 denars, according to the Company Law, is proposed to be distributed to increase the Company's charter capital or for investments, which is decided by the Founder – the Government of the Republic of North Macedonia in the capacity of the Company's Assembly.

The audit company RSM MAKEDONIJA DOOEL Skopje was chosen as the authorized auditor for the audit of the Annual accounts and financial reports for 2022 and 2023 of AD Elektrani of North Macedonia, in state ownership, Skopje, by the Decision of the Government of Republic Of North Macedonia.

AD ESM - Skopje is the founder of the following limited liability companies founded by one person:

1. Company for the production of heat energy ESM PROIZVODSTVO NA TOPLINA DOOEL Skopje;
2. Company for the distribution of heat energy ESM DISTRIBUCIJA NA TOPLINA DOOEL Skopje;
3. Company for the supply of heat energy ESM SNABDUVANJE SO TOPLINA DOOEL Skopje;
4. Limited liability company founded by one person ESM PRODAZHBA DOOEL Skopje;
5. Company for tourism, catering, recreation and sport ELEM TURS DOOEL Skopje;
6. Company for tourism, hospitality, recreation and sport ESM MOLIKA DOOEL - Bitola;
7. Company for tourism, hospitality, recreation and sport SKI CENTAR POPOVA SHAPKA DOOEL - Tetovo;
8. Company for production, distribution and supply of heat energy, ESM TOPLIFICACIJA DOOEL Bitola;
9. Factory for equipment and parts FOD DOOEL Novaci.
10. As the largest producer of electricity in the Republic of North Macedonia, AD ESM Skopje meets over 50% of the needs of the electricity consumers in the Republic of North Macedonia. AD ESM Skopje is the owner of the following production facilities:
  1. two thermal power plants (TPP REK Bitola and TPP Oslomej) with a total installed capacity of 824 MW,
  2. Eight hydro power plants (HPP Kozjak, HPP Globocica, HPP Shpilje, HPP Tikvesh, HPP Vrutok, HPP Vrben, HPP Raven and HPP Sv. Petka) with a total installed capacity of 557.36 MW,
  3. Cogeneration plant for heat and electricity with an installed capacity of 30 MW
  4. TE-TO KOGEL cogeneration plant for heat and electricity with an installed capacity of 30.41 MW

5. Wind power plant with an installed capacity of 36.8 MW

Pursuant to Article 20 paragraph (1) point 13 and 14 of the Statute of AD ESM - Skopje, the management board makes decisions on investments and the annual investment program which is previously approved by the supervisory board.

AD ESM - Skopje is the holder of the following licenses:

1. License from the ERC of the Republic of Macedonia for the performance of energy activity of generation of electricity no. 02-1391/1 from 18.11.2005 amended by Decision of the ERC of the Republic of Macedonia U1. No.07-261/14 of 24.12.2014, by Decision of the ERC of the Republic of Macedonia UP1. No.07-261/14 of 06.02.2017, by Decision of the ERC of the Republic of Macedonia UP1. No. 07- 261/14 of 13.03.2018 and with the Decision of the ERC of the Republic of Macedonia UP1. No. 07-261/14 of 12.07.2019. with with a registered license number No. EE-PROIZ-05-2005, with a time period of validity until 18.11.2040.
2. License from the ERC of the Republic of Macedonia for the performance of energy activity of supply of heat energy UP 1 No. 11-19/16 from 28.06.2016 with with a registered license number No. TE-15.03.1/16 from 28.06.2016. with a validity period of 10 years, until 28.06.2026
3. License from the ERC of the Republic of Macedonia for performing energy activity, generation of heat energy No. TE-01.01.1/06 from 20.03.2006 with a validity period of 35 years until 20.03.2041.
4. License from the ERC of the Republic of Macedonia for the performance of energy activity of distribution of heat energy No. TE-02.02.1/06 from 20.03.2006 with a validity period of 35 years until 20.03.2041.
5. License from the ERC of the Republic of Macedonia for performing energy activity of distribution of electricity No. 02-2187/1 from 22.12.2008, amended by the Decision of the RKE of the Republic of RM UP1. No. 12-18/17 of 06.02.2017, with with a registered license number No. EE-31.03.1/08.2/17, with a period of validity of 35 years until 22.12.2043

According to the Energy Law AD ESM Skopje is no longer a regulated electricity producer.

### ***III.2. Technical parameters of the natural gas transmission system***

NOMAGAS AD Skopje, as the natural gas transmission system operator, maintains, upgrades and expands the transmission network, manages the gas pipeline system of the Republic of North Macedonia and ensures the connection of the transmission system with the transmission systems of neighboring countries, in order to ensure a reliable supply of consumers with natural gas.

The owner of NOMAGAS AD Skopje is the Ministry of Economy of the Republic of North Macedonia, while NOMAGAS AD Skopje is the owner of the gas pipeline network, which consists of metering regulation stations, line infrastructure facilities with accompanying plants facilities, facilities and assets that are in the

function of performing the energy activity, natural gas transmission and management of the gas pipeline system (attachement 18, 19 and 20 to the application).

The natural gas transmission system in the Republic of North Macedonia begins with the Connection point of the interconnection line Kjustendil - Zhidilovo at the Macedonian and Bulgarian natural gas transmission system located on the eastern border in the area of Deve Bair and extends in the direction of Krivopalanechki, Kratovski, Kumanovski and region of Skopje.

The main metering station (MMS) is located in the area of Zhidilovo - Kriva Palanka. The metering system in the transponder station consists of 3 metering lines (of which 2 are working and one is spare), and has a computer system and equipment needed to determine the quantities and quality of gas. To measure the quantity of gas, each metering line is equipped with two independent electronic metering systems: ultrasound metering (commercial) and aperture metering (control) system. The capacity of the metering lines is 180,000 Nm<sup>3</sup>/h. The designed capacity of the natural gas transmission system is 800 million Nm<sup>3</sup> per year, with the possibility of increasing up to 1,200 million Nm<sup>3</sup>.

Upstream gas pipeline and gas distribution pipelines are designed for a working pressure of 54 bars. The current working pressure is 40 bars, and the annual natural gas capacity transferred in the last 3 (three) years is an average of 350 million Nm<sup>3</sup>. At the same time, the largest consumers are the cogeneration plants for heat and electricity - TE-TO AD Skopje and the industrial consumers in the city of Skopje.

The lengths of the upstream gas pipeline and gas distribution pipelines, as well as the outer diameter of the pipes, are shown in the table below:

<b>Ord. No.</b>	<b>Gas pipeline</b>	<b>Nominal diameter of the gas pipe (mm)</b>	<b>Length (m)</b>
1.	Upstream gas pipeline	DN 500	97,456.19
2.	Gas distribution pipeline to Kriva Palanka	DN 100	1,493.65
3.	Gas distribution pipeline to Ginovci	DN 100	1,688.34
4.	Gas distribution pipeline to Kratovo	DN 100	4,570.59
5.	Gas distribution pipeline to Kumanovo	DN 200	7,695.53
6.	Gas distribution pipeline to TIRZ Bunardzik	DN 200	5,361.00
7.	Gas distribution pipeline to TAV Macedonia - Petrovec	DN 200	46.00
8.	Gas distribution pipeline to Skopje-North	DN 300	1,870.35



9.	Gas distribution pipeline to Skopje-South	DN 400	8,418.19
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On the line part of the transmission system, launching and receiving stations were built as supporting facilities of the line part of the gas pipeline.

Pipeline protection from corrosion is carried out with the cathodic protection system through protectors and cathodic stations.

On the high-pressure part of the transmission system there are 7 (seven) main metering and regulation stations (MMRS) that reduce the pressure from the upstream gas pipeline and thus connecting the high-pressure part with the low-pressure city networks in the cities of Kriva Palanka, Kratovo, Kumanovo and Skopje.

The natural gas through the main metering and regulation stations (MMRS) is reduced and transported to the metering and regulation stations (MRS), which are exit points from the system, where, qualitative and quantitative delivery of natural gas to consumers, that is users of the system is carried out.

### ***New upstream gas pipelines and gas interconnectors***

The realization of the construction of a part of the national gas pipeline system by sections is as follows:

- Section Klechovce - (Kavadarci) Negotino with a length of 97 kilometers with metering and regulation stations "Shtip" and "Negotino". Construction began in July 2014 and ended in June 2019. It is expected that the section will undergo technical acceptance and be put into use during 2024.

- Section Negotino (Kavadarci) - Bitola in length of 92 kilometers with main metrological regulation stations "Industrial zone KAVADARCI", "Prilep" and "Bitola". The construction of the Section started in the first quarter of 2017 and ended in June 2023. It is expected that the section will undergo technical acceptance and be put into use during 2024.

- The Skopje-Tetovo-Gostivar section is 74 kilometers long and has a 10-km branch to Tetovo, and its integral part includes the "Tetovo" and "Gostivar" metering regulation stations. Construction began in the fourth quarter of 2016. Construction is expected to be completed in the first quarter of 2024, and the section will undergo technical acceptance and be put into use during 2024.

- It is expected that a contractor will be selected for the Republic of North Macedonia – Greece gas interconnector in the first quarter of 2024 and the beginning of its building to begin during the second quarter.

### ***Main metering station - Zhidilovo***

Technical description of the main metering station Zhidilovo

The transponder station is located on the upstream gas pipeline Bulgaria – Republic of North Macedonia, 7 km from the town of Kriva Palanka and 4 km from the Macedonian – Bulgarian border.

The main task of the transponder station is to control and measure the quantity and quality of natural gas, which passes through the station, which is officially accepted as a metering station for transponding of gas.

The transponder station is designed in such a manner that there is always a group of operators in it, and it is managed by the main computer system.

All technical equipment in the transponder station is located under an overhang. In the administrative building there are working rooms for the Operator's staff, as well as the necessary equipment for monitoring the work in the station.

Behind the transponder station (due to the direction of the gas movement) there is a separate cleaning station.

1.2. Project parameters:

- air conditioning continental
- altitude 798 m
- calculated atmospheric pressure 917mbar
- temperature min/max -20/+65 deg. S
- relative humidity min/max 0/90%
- atmospheric pressure design 1.01325 bar
- seismic coefficient design 9 grade MOS 64 scale

1.3. Geometric parameters of the transponder station:

Main Pipeline:

- pipe diameter 530mm

enter/exit controller:

- pipe diameter 20"

Metering lines:

- operational metering lines 2 piece
- spare metering line 1 piece.
- diameter of the three working lines 10"

1.4. Operating modes of the transponder station:

- quantity of measured gas min/max 8000/200000 nm<sup>3</sup>/h
- quantity of measured gas with one line min/max 4000/100000 nm<sup>3</sup>/h
- working pressure min/max 40/55bar
- working temperature min/max +2/+20 step. S
- plant type ANSI 600

2.1. The transponder station contains the following basic systems:

- entry collector system,
- gas purification system,
- measurement systems,
- exit collector system,
- auxiliary systems.

2.2. The entry collector system contains the following equipment:

- a) Round valve DN 20" class 600# (safety valve) with remote control, which is used to disconnect the transponder station from the entry upstream pipeline in case of emergency. The round valve is controlled by commands from the operator. The round valve also has local control.
- b) Pneumatic-hydraulic system. The gas which operates the valves is fed through an underground pipeline from the impulse gas tank to the discharge cleaning station, which is located after the reception station.
- c) Manometer for local determination of the pressure in the gas pipeline, which is placed before the safety valve.
- d) Pressure transmitter.
- e) Manometer for local determination of the pressure in the gas pipeline, which is placed after the safety valve.
- f) enter insulating flange DN 20" class 600 for electrical isolation of the transponder station from the main enter pipeline.
- g) DN 20" class 600 underground enter controller.

2.3. The gas purification system in the transponder station consists of 3 identical cogeneration filters, filter-separators, (one on each metering line). During normal operation of the transponder station, 2 metering lines work and the third one is spare.

2.4. The metering system in the transponder station consists of 3 metering lines (of which 2 are working and one is spare), as well as a computer system and equipment needed to determine the quantities and quality of gas. To measure the quantity of gas each metering line is equipped with two independent electronic metering systems: ultrasound metering (commercial) and aperture metering (control) system.

At any moment, each flow computer registers as input data all the parameters obtained from the meters of the electronic ultrasonic and shutter metering systems as well as the component composition from the gas chromatographs.

All flow computers are dual channel. One channel serves for calculation of flow from the commercial electronic metering system – USM (ultrasound metering) system. The second channel serves for calculation of flow from the control electronic metering system – aperture.

The electronic metering system in the transponder station provides:

- automatic calculation of gas consumption, which passes through each of the three lines and completely through the transponder station at the moment, at reference conditions 1.01325 bar (A) and 0°C,
- summarizing the quantities of gas delivered through each metering line and the entire quantity that passes through the transponder station,
- signaling the deviations and malfunctions of providers.

The metering lines contain the following equipment:

- entry pipelines DN 10" of class 600, gas flow straighteners DN 10", ultrasonic metering devices of the SeniorSonic type manufactured by Daniel, each equipped with 4 pairs of transducers, temperature gauges, gas flow straighteners, shutter installation nodes, exit piping DN 10" class 600, thermometers for gas temperature measurement and gas line temperature transmission in the work computer, thermometers for gas temperature for gas temperature measurement and gas line temperature transmission in the backup computer, thermometers for local indication of the line temperature, 00 and TW-300, DN 11/2" class 600# for placing control thermometers, regulation valves that limit the maximum quantity of gas not more than 100 000 nm<sup>3</sup>/hour, (valves are controlled by electro-pneumatic

transformers), round valves with a reductor that serve to manually disconnect the metering lines.

The computer system of the station is located in the room in the administrative building with the inscription "command room", where the following are placed:

a) Six flow computers. Each metering line is connected to two flow computers (Duty-Standby), each of them is two-channel model FloBoss S600+(4) and S600 (2) produced by Daniel, in order to provide full control of calculations at ten levels of protection. To each line computer the following is connected: USM, PT, DPT, TT, GH and barometric pressure. Transmission of the signals from the metering devices is carried out using a communication protocol.

The flow computer is a microprocessor designed to calculate the quantity of gas.

The interval between the calculation of gas quantities is from 0.5 to 20 seconds. The line computer configuration is designed to perform the following tasks:

- automatic calculation of the current gas consumption under normal conditions and providing the results of the calculation at the command of the operator,
- calculation of the total quantity of delivered gas by summing up the individual quantities and displaying them on the metering device,
- automatic calculation of current and total mass consumption and their display on the counter,
- automatic calculation of the upper heat power, the current and the total quantity of energy along one line through the transmission station,
- automatic calculation of the gas compressibility coefficient,
- entering the necessary data for calculation (e.g %N<sub>2</sub>, %CO<sub>2</sub>, compressibility coefficient, etc.),
- receiving commands from the main computer and transferring the data through a standard connection,
- performing automatic periodic self-control (at least once in each calculation cycle) and self-diagnosis of errors of the input data, memorization of data, as well as operation of microcomputers and measurement limits,
- automatic control of the upper and lower limits of the differential pressure gauges using the differential pressure signaling,
- ensuring its own power supply to each line computer, which allows data to be preserved in the RAM memory after the external power supply is interrupted.
- 

Flow computers calculate:

- Gas volume (m<sup>3</sup>) and flow volume (m<sup>3</sup>/h) during pressure and temperature of the metering lines;
- \* Gas volume and flow volume under conditions of reference pressure of 1.01325 bar(a) and temperature of 0°C;
- Gas compression factor
- Gross calorie value
- Reference values:
- Temperature 0 °C
- Pressure 1.01325 bar(s)
- Combustion temperature 298.15 K (25 °C)

b) The main computer system consists of two equivalent systems, which work in parallel and independently of each other, so that turning off one of the control computers will not affect the functioning of

the system. The selection of one or another computer is carried out manually through a switch, which is placed on the information board in the operatorion room. Additionally, a third computer is installed, which serves to control the operation of the system. By way of internal links, the main computer system is connected to line computers, line gas chromatographs, water dew point sensors and printers for printing the data and reports. The main computer system is used to:

- receiving data from gas chromatographs, dewpoint meter, entry and exit pressure, as well as line computers,
- data processing,
- interface,
- archiving,
- management,
- obtaining and preserving information.

In order to ensure full control of the calculations, access to the modified values is performed at a high level of protection.

The main computer system is programmed to automatically save the quantity of gas passing through the transceiver station during a manual measurement line change by the operator. Switching on and off the metering lines is done under the following conditions:

- one metering line: which operates constantly,
- one metering line: which is put into operation when there is a need to increase the consumption and when checking the metering line, one spare metering line.

In the command room there is equipment, instruments and devices, necessary for the operation of the transponder station.

e) Container containing equipment and instruments related to the metering process, namely:

- shutter pressure transmitters and electronic Smart type ultrasound pressure transmitters. The three metering lines are connected to pressure gauges on the operating and backup computer,
- Output signals are installed for each metering line, four electronic differential pressure gauges, Smart type, with analog (4-20 mA) and digital (Hart protocol). Of the three metering lines, each differential pressure gauge is connected to the operating and backup computers,
- two-line gas chromatographs (analyzers model 500, controllers 2350A), produced by Daniel, working in automatic mode, determine the t composition of the gas on the basis of which the line computer calculates the heat power of the gas. Each gas chromatograph contains a gas sampling system. The line gas chromatographs work in parallel, and the choice of the operation of the gas chromatograph is made by the operator.

The container maintains an internal temperature of  $+20 \pm 2.5$  degrees C and contains the following equipment and devices: a barometer with a display for the calculation of the plate (board) and a barometer connected to all computers, an automatic hygrometer and a hand-held instrument with a digital calculation of the results of the measurement, fire protection system, system for controlling the space gas filling, instruments and equipment for checking the transmitters for pressure, density, etc., system of the gas carrier and calibrating gas,

2.5. At the exit of the transponder, an underground output collector DN20" class 600" is placed, on which there are several plug-ins for uninterrupted operation of the station.

2.6. The auxiliary systems in the transponder station enable its operation without a breakdown of the equipment and the maintenance personnel. Those systems had the following equipment: substation 10/0.4 kW with a capacity of 100 kVA, Gas generator with a capacity of 30 kVA, 400 V, 50 Hz, Air conditioner for a temperature of  $20^{\circ}\text{C} \pm 2.5^{\circ}\text{C}$  maintained in the container during the whole year, ventilation and preset pressure in the container, Water supply system of the transponder station, earthing system and lightning

protection system of the equipment and the transponder station, cable-technology system, which interconnects the equipment itself and to the command room etc.

### **III.2.1. National Dispatch Center**

The measurement and regulation stations are connected to the telemetry system for remote reading, that is data collection from the metering devices installed in the stations, which ensures a stable and fast transmission of the data to the Dispatch Center of NOMAGAS AD Skopje, as well as their rapid processing in necessary reports, payment and statistical analyses.

#### **Equipment for management and control of the natural gas system (technical description with schematic view)**

Natural gas system control equipment consists of a software and hardware package for Telemetric (computer) data transmission.

##### *1. Hardware parts*

- Cabinets
- Alarm status monitoring module, digital MOHA (module for observing and handling alarms)
- Analog values monitoring module, analog MOHA (module for observing and handling alarms)
- Industrial Ethernet switch
- Redundant power supply 24VDC

Interfaces allow process monitoring and command issuance, such as controller setpoint changes, to be handled through the SCADA computer system. The subordinate operations, e.g. Real-time control logic, or controller calculations, are performed by network modules connected to field sensors and actuators.

With SCADA in the telemetry system for data collection, the operation of the natural gas transmission system is monitored, as well as the timely detection of potential problems and the prevention of accidents.

##### *2. Software parts*

The software supports a variety of communication protocols, including Modbus, which is used for data acquisition. The interval of reading the quantities, as well as the moment of sending the data, is defined by the user as desired, in relation to the dynamics of the system.

All tags are read via the OPC software package. In addition to the defined indications, it is possible to read some system and statistical data about the connected device, such as IP address, time of last call, number of sent and received messages, number of sent and changed requests, number of entered and read values.

#### **System and means of communication with all entities connected to the natural gas transmission system for its reliable and safe operation, with the designation of the owner**

The communication system with all entities connected to the natural transmission system is carried out through a telecommunications network at each station, cabinets are placed in which all the necessary devices are placed for the transmission of the reported data from the correctors. Through a modem/router, all data is transmitted to the main router in the Dispatch sector, the server room, where it is processed in the servers and displayed on the data monitoring platforms (Metering Platform and SCADA platform).

#### **Transmitted volumes of natural gas by year**

Year	Transmitted volumes (Nm <sup>3</sup> )
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2006	82,787,893
2007	105,398,201
2008	119,607,640
2009	117,393,625
2010	117,393,625
2011	135,835,969
2012	136,587,341
2013	158,585,180
2014	134,663,666
2015	135,946,902
2016	213,439,518
2017	275,072,659
2018	253,628,080
2019	295,206,982
2020	337,880,997
2021	426,175,676
2022	280,085,963
2023	359,569,119

### ***III.2.2. Data protection measures***

NOMAGAS AD Skopje, in the procedure following the application for certification, as proof of data protection measures submitted the by-laws, that is the rules, decisions and guidelines that it applies in order to prevent the disclosure of confidential and other commercially sensitive information as well as protection of personal data (attachement 15 to the application).

According to chapter 3. point 7) of the Compliance Program of NOMAGAS AD Skopje in relation to the obligations arising from the ownership unbundling, NOMAGAS AD Skopje guarantees the confidentiality of business data and information and prevents the misuse of trade secrets and information obtained during the performance of the activity of natural gas transmission and management of the natural gas transmission system for the purpose of acquiring a business benefit and to prevent undertaking discriminatory actions in favor of third parties in accordance with the Law on access to public information and the Rulebook on the Type of Documents and Data which are considered a trade secret of NOMAGAS AD Skopje.

Also, the compliance officer is obliged to monitor the implementation of the Compliance Program of NOMAGAS AD Skopje, the purpose of which is to ensure transparent, objective, and non-discriminatory behavior of NOMAGAS AD Skopje towards users of the natural gas transmission system, that is the independence of the natural gas transmission system operator of the as well as avoiding conflicts of interest.

Pursuant to Article 7 paragraph (3) point 12 of the Rulebook on the Conditions and Manner of Operation of the Compliance Officer (hereinafter: the Rulebook), he is obliged to monitor and perform supervision in relation to ensuring the conditions for the confidentiality of business data of the users of the natural gas transmission system, as well as for confidentiality of business data during coordination and cooperation of NOMAGAS AD Skopje with other natural gas transmission systems operators in accordance with the law, the Rulebook on Trade Secrets of NOMAGAS AD Skopje and other regulations.

Pursuant to Article 6 paragraph (3) point 12) of the Rulebook, the compliance officer within the scope of his competences established in accordance with the Energy Law, the Statute of NOMAGAS AD Skopje and the Rulebook, is obliged to ensure the confidentiality of business data and safe, responsible and appropriate management with data, as well as for the protection of personal data in accordance with the positive legal and by-law regulations.

During its operation, in accordance with Article 12 paragraph (6) of the Rulebook, the compliance officer is obliged to keep the received data and information carefully and confidentially and must not use them against the interests of NOMAGAS AD Skopje, the interests of the users of the natural gas transmission system, that is, he must not use them for personal needs or for the needs of third parties.

Also, the Energy Regulatory Commission, in accordance with the Rulebook on Monitoring the Energy Markets Functioning ("Official Gazette of the Republic of Macedonia" no. 98/23), constantly monitors the operation of NOMAGAS AD Skopje through a set of activities related to collection, processing and analysis of data and information from the performance of energy activities, which are submitted to the Energy Regulatory Commission on a monthly basis.

#### **IV. ASSESMENT OF THE COMPLIANCE WITH THE CERTIFICATION CONDITIONS**

The separation of the natural gas transmission system, and thus the certification of the natural gas transmission system operator and its appointment as the natural gas transmission system operator, implies the fulfillment of the conditions provided for in Directive 2009/73/EC of the European Parliament and of the Council of July 13 2009, common rules for the internal market in natural gas and repealing Directive 2003/55/EC (hereinafter: Directive 2009/73/EC), duly transposed into the Energy Law. According to Directive 2009/73/EC, unbundling can be implemented through three possible unbundling models, ownership unbundling, independent system operator and independent transmission operator. The Republic of North Macedonia, with Articles 109, 110, 111, 112, 113 and 114 of the Energy Law, transposed the ownership unbundling model of the onatural gas transmission system operator, in the manner established in the provisions of Articles 9, 10, 11 and 13 from Directive 2009/73/EC.



#### **IV.1. Ownership of the natural gas transmission system**

Pursuant to Article 238 paragraph (1) of the Energy Law, the Government, as the sole owner of the shares of NOMAGAS AD Skopje, on August 1<sup>st</sup>, 2023 adopted a Decision No. 41-5705/4 for the transfer of all shares of NOMAGAS AD Skopje from the ownership of the Government to the ownership of the Ministry of Economy, according to which NOMAGAS AD Skopje was set apart as the natural gas transmission system operator of the Republic of North Macedonia, that is the Government stopped being the sole owner of the shares in company – natural gas transmission system operator. This decision was made in accordance with the provisions of the Constitution and the laws of the Republic of North Macedonia, which regulate the ownership and management of state property by the bodies of the state administration.

Pursuant to Article 109 of the Energy Law, as well as the findings contained in part III.1. (NOMAGAS AD Skopje and other performers of energy activities in state ownership or over which the state exercises control and part III.2. (Technical parameters of the natural gas transmission system) from the explanatory note of this Decision, the Ministry of Economy is the sole owner of NOMAGAS AD Skopje, while NOMAGAS AD Skopje is the owner of the natural gas transmission system consisting of line infrastructure facilities - gas pipelines and accompanying facilities – plants, facilities and assets that are in the function of performing the energy activity of natural gas transmission.

#### **IV.2. Performing the activity of natural gas transmission**

Pursuant to Article 109 of the Energy Law, as well as the findings contained in part III.1.1.5. (Licenses) and part III.1.1.7. (Participation in regional and international associations and companies that perform energy activities) from the explanatory note of this Decision, NOMAGAS AD Skopje is the holder of a license for performing the energy activity of natural gas transmission and does not hold licenses nor is it involved in performing the energy activities of production, organizing and managing the natural gas market distribution, trade or supply of natural gas. It is necessary to note that in accordance with Article 238 paragraph (5) of the Energy Law, as a transitional solution, it is established that the natural gas transmission system operator will perform the function of natural gas market operator until the appointment of the company to which a license for a natural gas market operator will be issued.

Based on the insight into the systematization and qualification structure of the employees, stated in section III.1.1.4. (Organizational structure) from the explanatory note of this Decision, the Energy Regulatory Commission determined that NOMAGAS AD Skopje has a sufficient number of qualified employees who are professionally qualified to perform specific tasks when performing the regulated activity of natural gas transmission, for which they also possess special authorizations and certificates issued by competent institutions.

Based on a review and analysis of the annual financial reports and audit reports until 2022 and the Decisions on the approval of regulated maximum income until 2024, for performing the regulated energy activity of natural gas transmission of NOMAGAS AD Skopje, the Energy Regulatory Commission determined that NOMAGAS AD Skopje meets the conditions for financial sustainability.

### **IV.3. Independence from performing other activities in the energy sector**

Pursuant to Article 109 of the Energy Law, as well as the findings contained in part III.1.1.5. (Licenses), part III.1.2. (AD MEPSO Skopje) and part III.1.3. (ESM AD Skopje) from the explanatory note of this Decision, NOMAGAS AD Skopje does not perform and is not involved in performing the activities of production, organization and management of the natural gas market, distribution, trade or supply of natural gas and the activity of transmission of electricity, and AD MEPSO Skopje as the electricity transmission system operator has no influence or control over decision-making in NOMAGAS AD Skopje. At the same time, it is necessary to note that in accordance with Article 238 paragraph (5) of the Energy Law, as a transitional solution, it is established that the natural gas transmission system operator performs the function of natural gas market operator, until the determination of a company that will be granted a natural gas market operator's license.

Given that the Ministry of Economy is the owner of NOMAGAS AD Skopje, and the Government is the owner of entities that generate, distribute, trade and supply electricity, when making this Decision, the Energy Regulatory Commission gives the following elaboration:

#### ***IV.3.1. Accountability of the ministries before the Government***

The Government and each of its members (ministers) are accountable to the Parliament of the Republic of North Macedonia. The President of the Government proposes to the Parliament to elect or dismiss a minister, but the constitutional right to elect or dismiss belongs exclusively to the Parliament. The Minister independently manages the ministry and is accountable for the work of the ministry. The ministries carry out their responsibilities independently, and they are accountable to the Government for their work. It is indisputable that the Government can provide instructions and guidance to a specific Minister on how to implement the directions and positions of the Government, while the Prime Minister streamlines the overall actions of the Government and its members in accordance with the government policies and guidelines it establishes. However, these instructions and guidelines to act relate to the performance of the functions of the state and the effective realization of the rights and obligations of citizens and legal entities established by the Law on the Organization and Operation of State Administration Bodies. The Government cannot provide such guidelines regarding the rights and obligations arising from the ownership over commercial companies in which it is not an owner. This is the case with the Ministry of Economy, which is the owner of the commercial company operating the natural gas transmission system, and the rights and obligations arising from ownership are exercised by the Ministry of Economy in accordance with the Energy Law and the Company Law.

Namely, according to Article 89 of the Constitution of the Republic of North Macedonia, the Government consists of a president and ministers. According to Article 68 of the Constitution, the Parliament elects the Government. Article 92 of the Constitution establishes that the Government and each of its members are accountable to the Parliament for their work. Also, in Article 4 paragraph (2) of the Law on the Government, it is determined that within the framework of their rights and duties determined by the constitution and by law, the Government and each of its members are accountable to the Parliament for their work.

It is indisputable that the Prime Minister has the right to propose to the Assembly the dismissal of a specific minister. However, it should be noted that the provision of Article 94, paragraphs (2) and (3) of the Constitution stipulates that the Prime Minister may propose to the Assembly the dismissal of a member of the Government, and the Assembly decides on the proposal for the dismissal of a member of the Government at its first subsequent session. From this constitutional provision, it follows that the Prime Minister cannot dismiss a minister; rather, it is an exclusive right of the Parliament.

According to Article 95 of the Constitution, the state administration consists of ministries and other administration bodies and organizations established by law. In accordance with Article 96 of the Constitution, administration bodies perform their responsibilities independently based on the and within the framework of the Constitution and laws, and they are accountable to the Government for their work. The organization and operation of administration bodies, as well as their responsibilities, are regulated by the Law on the Organization and Operation of State Administration Bodies, which is adopted by a two-thirds majority vote of the total number of members of Parliament. Article 2 of the Law on the Organization and Operation of State Administration Bodies establishes that these bodies, as part of the executive branch, are established in areas and fields significant for the performance of state functions and the effective realization of the rights and obligations of citizens and legal persons. In this sense, Article 13 of this law stipulates that administration bodies, acting within their competencies in accordance with the Constitution, laws, and ratified international agreements:

1. implement the policy of the execution of the laws and other regulations of the Parliament and the regulations of the Government,
2. are responsible for the execution of laws and other regulations,
3. implement the Government's guidelines and policies on the work of state administration bodies,
4. monitor and are responsible for the functioning of the areas for which they were established,
5. propose initiatives to solve the issues in the areas for which they were established,
6. decide in administrative matters,
7. perform supervision over the legality of acts and operations of companies, institutions and other legal entities when they are authorized to do so by law,
8. perform administrative and inspection supervision and other administrative tasks when authorized by law,
9. prepare the draft laws proposed by the Government,
10. prepare the regulations adopted by the Government and
11. perform other tasks determined by the Constitution and by law.

Article 20 of the Law on the Organization and Work of the State Administration Bodies regulates the specific competences of the Ministry of Economy in the areas and domains that are important for the performance of the functions of the state and for the efficient exercise of the rights and obligations of citizens and legal persons, more specifically to:

1. monitoring the conditions and the occurrences on the goods and services market and the influence of the economy policy measures;
2. monitoring the economical, structural and technically technological conditions and proposing measures for achievement of the developmental and current economic policy in the area of production, trade, tourism, catering business and craftsmanship;
3. taking measures against the monopoly position and monopoly behaviour;
4. monitoring the current material balances and supplying the citizens with the basic food products and other products for general consumption and also supplying the companies with raw materials and intermediate goods;
5. system and the policy for product and service prices;
6. preparation of a programme for global substantive development of the human resources;
7. consumer protection;
8. small and medium size enterprises and cooperatives;
9. monitoring the international economy movements, as well as their influence on the economics relations in the Republic of Macedonia;
10. foreign trade activities;
11. geological researches and exploitation of mineral raw materials;
12. supply energy;
13. execution of the general and technical norms, regulations and standards;
14. other activities established by law.

According to paragraph (2) of the same article, it is established that the Ministry of Economy consists of the following bodies:

- Administration for ordnance production;
- State Market Inspectorate;
- State Inspectorate for Technical Inspection;
- Metrology Bureau.

Article 47 of the Law on the Organization and Work of State Administration Bodies states that the Minister manages the operation of the ministry. In that sense, in article 49 of the same law, it is determined that the Minister represents the ministry, organizes and ensures the legal and efficient performance of the work and tasks; adopts regulations and other acts for which it is authorized and undertakes other measures within the competence of the ministry in accordance with the law. The responsibility of the Minister for independent management of the ministry for which he was elected is also determined in Article 13 of the Law on the Government according to which: "the Minister independently manages the ministry for which he was elected, monitors it and is responsible for the execution of laws and other regulations".

According to Article 27 of the Law on the Government, it is established that the Government establishes guidelines and policies for the execution of laws and other regulations, defining the manner in which ministries work in executing laws and other regulations, it sets deadlines for issuing acts in the competence of these

bodies and for submitting reports on specific matters, the manner of cooperation with other state bodies and addresses other issues significant for fulfilling the functions of these bodies. For this purpose, Article 28 of the same law grants the Government the authority to provide instructions and guidance to a specific Minister on how to implement the guidelines and policies of the Government.

According to Article 6 of the Law on the Government, for the purpose of fulfilling its responsibilities, the Government adopts an annual work program. In Article 27-a of the Rules of Procedure of the Government, it is established that the annual work program incorporates the strategic priorities for the realization of the Program proposed by the Prime Minister during the formation of the Government. Furthermore, according to Article 11, paragraph (2) of the Law on the Government, the Prime Minister streamlines the overall actions of the Government and its members in accordance with the policies and guidelines established by the Government.

From the abovementioned constitutional and legal provisions, including the Constitution, the Law on the Government, the Law on the Organization and Work of State Administration Bodies, and the Rules of Procedure of the Government, it can be concluded that they regulate the functioning of the Government and state administration bodies, as well as their interrelations within the scope of the public law. The competencies or authorities vested in the Ministry of Economy concerning NOMAGAS AD Skopje and the general operation of this company fall within the realm of private law. Therefore, when exercising the role of the sole shareholder in NOMAGAS AD Skopje, the constitutional and legal provisions mentioned earlier do not apply to the Ministry of Economy. Instead, the applicable regulations are those found in the Energy Law and the Company Law.

It is important to note that, despite the Government having the authority, according to Article 8, point 6) of the Law on the Government (*lex generalis*), to make decisions regarding the disposal and use of state capital in accordance with the law, Article 110, paragraph (1) of the Energy Law (*lex specialis*) specifically designates the Ministry of Economy as the owner of NOMAGAS AD Skopje. Therefore, the Ministry holds the decision-making power over the state capital in this company. Consequently, the Government lacks the authority to decide, provide instructions, or issue guidelines to the Ministry concerning the disposal and use of state capital in NOMAGAS AD Skopje, especially if such actions would contradict the Energy Law. In this context, the rights and obligations of the Ministry of Economy as a shareholder in NOMAGAS AD Skopje, as outlined in the Company Law and the company's statute, do not fall under the rights, obligations, and competences of the Ministry determined in Article 20 of the Law on the Organization and Work of State Administration Bodies. They are not relevant to the performance of state functions and the effective realization of the rights and duties of citizens and legal persons.

This approach stems from Article 110 of the Energy Law, which clearly emphasizes the independence of the Ministry of Economy as the owner of NOMAGAS AD Skopje. Specifically, this provision unambiguously states that:

- 1) The Ministry is independent when making decisions on the selection of a supervisory body, that is a management body, in the case of NOMAGAS AD Skopje, the members of the Board of Directors, and may not accept instructions or directions from the Government or another state authority.
- 2) The members of the supervisory body, that is the management body, and in the case of NOMAGAS AD Skopje, the members of the Board of Directors:

- must not seek or accept instructions or directions from the Government or another state authority in a procedure for making decisions in accordance with the law, they, except in the cases established in the Energy Law, and
- may not be elected as members of a supervisory body, that is, of a management body of companies that produce or supply/trade natural gas or companies that have the possibility of direct or indirect influence on decision-making in those companies.

***IV.3.2. The accountability of the ministries to inform the Government about the adopted acts that refer to the guidelines for the implementation of the Government's policies as well as the use of financial resources.***

The ministers are obliged to inform the Government about the acts they adopt, which refer to the exercise of the constitutional rights of the citizens, the Government's guidelines, the disposal of financial resources (expenses) and other important issues within the scope of the ministry's operation. In this sense, the Minister of Economy is obliged to inform the Government only about the regulations and other acts that he adopts, which regulate in more detail the execution of the laws under his authority, and that authority does not include his function as a sole shareholder of NOMAGAS AD Skopje. Likewise, when exercising the function of the Assembly of Shareholders of AD NOMAGAS Skopje, the Ministry of Economy, is not obliged to inform the Government about the disposal of financial assets (expenses), given that the operation of NOMAGAS AD Skopje is not financed from the Budget, and the income and expenses from its operation are not planned and are not included in the Budget. The Government establishes guidelines and policies for the execution of laws and other regulations that determine the manner in which the ministries work in the execution of laws and other regulations. Given that the Energy Law establishes the independence of the Ministry of Economy as the owner of NOMAGAS AD Skopje is *Lex specialis* in relation to the Law on the Government, the Ministry of Economy is not obliged to submit notifications to the Government regarding the operation of NOMAGAS AD Skopje. According to Article 31 of the Law on the Government, ministers are obliged to notify the Government of the acts they adopt, which refer to the manner of exercise of the constitutional rights of the citizens, the Government's guidelines, the disposal of financial resources (expenses) and other important issues within the scope of the ministry's operation.

In Article 55 of the Law on the Organization and Work of State Administration Bodies, it is stipulated that the Minister adopts regulations, issues orders, instructions, adopts plans, programs, decisions, and other types of acts for the execution of laws and other regulations, when authorized by law. This provision lists the acts that the Minister issues, specifies the purpose of these acts, and establishes that the Minister issues these acts only if authorized by law. In this sense, the Minister of Economy is obliged to inform the Government only about regulations and other acts that he adopts/issues, which regulate the execution of the laws regulating his jurisdiction and functions defined in Article 20 of the Law on the Organization and Work of State Administration Bodies. These acts are significant for performing the functions of the state and for the effective exercise of the rights and responsibilities of citizens and legal persons. Therefore, the Minister of Economy is not legally obligated to inform the Government about the acts he issues/adopts in fulfilling the function of the Assembly of Shareholders that relate to the operation of NOMAGAS AD Skopje. Specifically, Article 383 of the Company Law establishes the authority of the Assembly of Shareholders, along with the acts he adopts/issues, which regulate solely matters related to the operation of the shareholder company (amendments to the company's statute, election and dismissal of members of the supervisory board, approval of the work of the supervisory and management boards, approval of the annual financial statement, financial

reports, and the annual report on the company's operations in the previous business year, as well as decisions regarding profit distribution, appointment of an authorized auditor for the audit of the annual financial statement and financial reports, company termination, and similar matters). It does not cover matters of significance for performing the functions of the state and for the effective exercise of the rights and responsibilities of citizens and legal persons.

Regarding the obligation to report on the disposal of financial resources (expenses), it is indicated that according to the Law on Budgets, ministries, as bodies of the executive branch at the centralized level, are budget beneficiaries and their operations are financed from the central budget, as an integral part of the Budget of the Republic of North Macedonia (Budget). From Article 2 of the Law on the Execution of the Budget, which is adopted for each year, a duty arises for the budget users (ministries) to use the financial resources determined in the Budget, when executing tasks that are important for the performance of the functions of the state and for the efficient exercise of the rights and responsibilities of citizens and legal persons, with purpose, rationally, in an economically justified way and efficiently. This provision also corresponds with Article 3 of the Law on the Organization and Work of the State Administration Bodies, where it is established that the state administration bodies perform their competences established by law on the basis of the principles of legality, responsibility, efficiency, cost-effectiveness, transparency, equality and certainty. Hence, bearing in mind the provision of Article 96 of the Constitution, according to which the bodies of the state administration carry out the work in their competence independently on the basis and within the framework of the Constitution and the laws and are accountable for their work to the Government, it is indisputable that the ministers, as persons who manage the ministries are obliged to notify the Government about the disposal of the financial resources (expenses) determined for the execution of the works and tasks under their competence that are of importance for the performance of the functions of the state and for the efficient exercise of the rights and obligations of citizens and legal persons. However, the Ministry of Economy, when performing the function of the Assembly of Shareholders of NOMAGAS AD Skopje, is not obliged to inform the Government about the disposal of financial assets (expenses), considering that the operation of NOMAGAS AD Skopje is not financed from the Budget, and the income and expenses from its operation are not planned and are not included in the Budget.

Article 27 of the Law on the Government stipulates that the Government establishes guidelines and policies for the execution of laws and other regulations, which determine deadlines for adopting acts in the competence of these bodies and for submitting reports on specific matters, the manner of cooperation with other state bodies and addresses other issues significant for fulfilling the functions of these bodies. For this purpose, Article 28 of the same law gives the Government the opportunity to give instructions and guidelines to a certain Minister on how to implement the Government's guidelines and policies. From the stated provisions of the Law on the Government, it follows that the guidelines and policies established by the Government refer only to the execution of laws and other regulations that determine the manner of operation of the ministries in the execution of laws and other regulations, as well as to other matters related to the operations and tasks under the competence of the Ministry of Economy that are important for the performance of the functions of the state and for the efficient exercise of the rights and responsibilities of citizens and legal persons, and not for the exercise of the function of the Ministry of Economy as the Assembly of Shareholders of AD NOMAGAS Skopje .

This approach stems from Article 110 of the Energy Law (*lex specialis*) in relation to the Law on the Government, in which the independence of the Ministry of Economy as the owner of NOMAGAS AD Skopje is established. Namely, with this provision it is unequivocally established that the Ministry is independent when making decisions for the selection of a supervisory body, that is a management body, and in the case

of NOMAGAS AD Skopje for the selection of members of the Board of Directors and may not accept instructions or directions from the Government or another state body, and the members of the supervisory body, that is the management body, and in the case of NOMAGAS AD Skopje, the members of the Board of Directors must not seek or accept instructions or directions from the Government or other state authority in a procedure for making decisions in accordance with the law, except in the cases determined in the Energy Law. Hence, the Ministry of Economy has no legal obligation to inform the Government on issues related to the operation of NOMAGAS AD Skopje.

#### ***IV.3.3. The right of the Government to supervise the legality and efficiency of the operations of the ministries.***

The supervision conducted by the Government over the legality and efficiency of the Ministry of Economy pertains to the performance of state functions and the effective exercise of the rights and obligations of citizens and legal persons. It does not extend to the Ministry of Economy's role as the Assembly of Shareholders assembly of NOMAGAS AD Skopje.

With Article 4 of the Law on Organization and Work of State Administration Bodies it has been established that the bodies of the state administration, within the framework of their competence, are obliged to provide the citizens with the efficient and legal exercise of their constitutional freedoms and rights. Also, with Article 3 of the same law, it is established that the state administration bodies perform their competences established by law based on the principles of legality, responsibility, efficiency, economy, transparency, equality and predictability. Pursuant to Article 41 of this law, the Government supervises the work of the ministries. In Article 38 of the same law, it is stipulated that the supervision is carried out as supervision over the legality and supervision over the efficiency of the work of the ministries.

Pursuant to Article 6 of the Law on the Government, in order to exercise its competence, the Government adopts an annual work program. Article 27-a of the Rules of Procedure of the Government of the Republic of North Macedonia states that the strategic priorities for the realization of the Program are included in the annual work program. Pursuant to Article 36 paragraph 5 of the Law on the Government, the Program determines separate issues under the jurisdiction of the Government, for which it is necessary to determine timetables and deadlines.

The supervision of legality refers to whether the acts adopted and the procedures carried out by the ministries are in accordance with the Constitution and laws and within the framework of their legally established competences, rights and obligations. On the other hand, the supervision over the efficiency refers to the manner in which the ministries exercise their competences, as well as their actions in relation to the exercise of the rights and obligations of the citizens, as well as the realization of the Program according to the foreseen deadlines and timetables.

From the above-mentioned provisions, it follows that during the supervision, the Government determines whether the Minister exercises his competences within the legally established deadlines. Taking into account that the laws and regulations adopted according to law, determine the manner, procedures and deadlines for their implementation, as well as financial means for their realization, it follows that the Government is guided by these criteria when supervising the work of a certain minister.



#### ***IV.3.4. The right of the Government to prevent the execution of measures and to withdraw or annul an act adopted by the Minister.***

The Government may instruct the Minister or may withhold the execution of a regulation and propose to the Minister to amend or withdraw the regulation within a certain period if the regulation regulating the performance of the functions of the state and the exercise of the rights and responsibilities of citizens and legal persons is not in accordance with the Constitution, law or other regulation. In that sense, if the Government considers that a certain regulation adopted by the Minister of Economy is not in accordance with the Constitution, law or other regulation, it can, according to Article 29 of the Law on the Government, point it out to the Minister, or it can prevent it from being implemented and to propose to the Minister within a certain period to amend or withdraw the regulation. However, the method and procedure for annulment of the decisions of the Ministry of Economy made in the function of an Assembly of Shareholders of shareholders of NOMAGAS AD Skopje are regulated by the Company Law.

Also, in accordance with Article 30 of the Law on the Government, the Government supervises the work of the ministries and other bodies of the state administration and administrative organizations and has the right and duty to repeal or annul a regulation or other act of the ministries, which is not in accordance with the Constitution, law or other regulation of the Parliament, that is, regulation of the Government. Pursuant to Article 103 of the Rules of Procedure of the Government, a proposal for the repeal, that is annulment of a regulation adopted by a minister, is submitted by the President of the Government, that is a member of the Government, if he/she considers that such regulation is not in accordance with the Constitution, that is the law or a regulation of the Government. This proposal is submitted for an opinion to the Legislative Secretariat, which will submit its reasoned opinion to the Government and to the Minister who adopted that regulation. The Government decides to repeal, that is, annul the regulation.

Bearing in mind the previously mentioned provision of Article 110 of the Energy Law, the Government cannot supervise the legality and efficiency of the decisions made by the Ministry of Economy or the actions taken by it as the sole shareholder of NOMAGAS AD Skopje, that is annul decisions or to reassess actions in accordance with the provisions of Articles 38 and 41 of the Law on Organization and Work of State Administration Bodies. Namely, the method and procedure for annulment of the decisions of the Assembly of Shareholders of shareholders are regulated by articles 408 to 415 of the Company Law, where it is established that a lawsuit for annulment against the decision of the Assembly of Shareholders of shareholders or a lawsuit against that decision. With the indicated provisions of the Company Law, it is established that a lawsuit against that decision, among others, can also be filed by the management body and the supervisory body, and in the case of NOMAGAS AD Skopje, the Board of Directors, as well as each member of the management body and the supervisory body, that is, a member of the Board of Directors if implementing such decision, would result in committing an action that is punishable, illegal or for which there may be liability for damages. From the stated provisions of the Company Law, it unequivocally follows that the Government does not have the authority, based on the right to supervise the legality and efficiency of the work of the Ministry as an Assembly of Shareholders of shareholders, to request the annulment of the decisions of the Ministry of Economy made in the function of an Assembly of Shareholders of shareholders of NOMAGAS AD Skopje.

In addition to the already mentioned matters, the Energy Regulatory Commission determined that the independence in the operation is ensured through the provision of Article 383 paragraph (5) of the Company Law according to which the Assembly of Shareholders, in this particular case represented by the Minister of

Economy, cannot decide on issues from the daily operation of the company as stated in part III.1.1.1. (Ownership Structure), the appointment of a compliance officer as specified in section III.1.1.3. (Compliance Officer) and the establishment of data protection measures as stated in section III.2.2. (Measures for data protection), from the explanatory note of this Decision.

The provisions of Article 109 paragraph (2) and paragraph (3) of the Energy Law ensure the independence of the members of the supervisory body and the management body, and in the case of NOMAGAS AD Skopje of the members of the Board of Directors, in a manner that the provisions prohibit the same person or persons to participate at the same time in the management and supervision of the company that performs any of the activities of production and/or supply of natural gas and from managing or exercising another right within the natural gas transmission system operator at the same time and vice versa , that is, to appoint members of the supervisory body and the management body of the natural gas transmission system operator and at the same time directly or indirectly manage or exercise another right in a company that performs any of the activities of natural gas production and/or supply.

In that sense, these restrictions refer to the use of the right to vote, as well as in the selection and appointment of the supervisory body and the management body of the company, but also in the holding of a majority share.

According to the statements in section III.1.1.2. (Board of Directors), part III.1.2 (AD MEPSO Skopje) and part III.1.3. (ESM AD Skopje) from the explanatory note of this Decision, the appointed members of the Board of Directors of these companies are not members of a management body, that is supervisory body in another company that has the same or similar area of operation as the company, which is in accordance with article 348 paragraph (1) point 3 of the Company Law.

Pursuant to Article 3 paragraph (2) of the Law on the Prevention of Corruption and Conflict of Interest, no one may use his/her position, public authority, official duty and position to perform or omit an action that according to the law must not, that is, must perform, nor subordinate the execution of the legal action for his/her personal interest, nor for the interest of another person.

## **CONCLUSION**

Based on the Energy Law where the provisions of Directive 2009/73/EC and Regulation (EC) 715/2009, and taking into account the facts and evidence submitted in the procedure following the application for certification, the Energy Regulatory Commission established the following:

NOMAGAS AD Skopje:

- 1) is the owner of the natural gas transmission system in the Republic of North Macedonia,
- 2) is not part of a vertically integrated company,
- 3) is owned by the Ministry of Economy, which is independent in making decisions on the selection of the company's Board of Directors and may not accept instructions or directions from the Government or any other state authority.
- 4) is the holder of a license for performing the energy activity of natural gas transmission,
- 5) does not perform and is not involved in performing the activities of production, distribution, trade in natural gas or supply of natural gas and the activity of electricity transmission, and performs the function of natural gas market operator temporarily until the appointment of the company to which a license for a natural gas market operator will be granted,
- 6) is independent in the management and leadership of the company as well as exercising other rights in relation to other companies that perform energy activities in the Republic of North Macedonia.

Taking into account all of the above, the Energy Regulatory Commission determined that NOMAGAS AD Skopje fulfills the conditions to be certified and to be appointed as the transmission system operator of the Republic of North Macedonia and decided as in the explanatory note of this Decision.

GUIDENCE ON LEGAL REMEDIES: An administrative dispute can be initiated against this Decision, within 30 days from the day of its receipt.

No. -----  
----- 2024 year  
Skopje

**PRESIDENT---**  
**Marko Bislimoski**