

Based on Article 75 paragraph (4) from the Energy Law (“Official Gazette of the Republic of Macedonia” no. 96/18), Article 5 paragraph (1) from the Rulebook on Certification of an Electricity Transmission System and Natural Gas Transmission System Operator (“Official Gazette of the Republic of Macedonia” no. 146/18), acting upon the Request for Certification of the Electricity Transmission System Operator submitted by the Electricity Transmission System Operator of Macedonia, the Joint-stock company Electricity Transmission and Power System Management in State Ownership, Skopje, JSC MEPSO Skopje no. 12-2259/1 from 27<sup>th</sup> of November 2018, Energy and water services Regulatory Commission of the Republic of North Macedonia, on 27<sup>th</sup> of March 2019 prepared the following

## DRAFT DECISION

for certification and appointment of an electricity transmission system of the Republic of North Macedonia

1. The Electricity Transmission System Operator of Macedonia, the Joint-stock company Electricity Transmission and Power System Management in State Ownership, Skopje, JSC MEPSO Skopje, with headquarters on St. Maksim Gorki no. 4 and unique business number: 5933781, performing the activity of electricity transmission, meets the prescribed conditions for certification as an electricity transmission operator and shall be appointed as Operator of the Electricity Transmission System of the Republic of North Macedonia.
2. The Electricity Transmission System Operator of the Republic of North Macedonia shall be obliged to, semi-annually report to the Energy and water services Regulatory Commission of the Republic of North Macedonia on the course of the procedures initiated before the Real-Estate Cadaster Agency of the Republic of North Macedonia regarding the right of real-estate ownership entry, through which it performs its activity.
3. This Decision shall enter into force on the day of its adoption and shall be published in the “Official Gazette of the Republic of North Macedonia” and the web site of the Energy and water services Regulatory Commission of the Republic of North Macedonia.

### *Explanation*

#### LEGAL BASIS

According to Article 71 from the Energy Law, the Electricity Transmission System Operator of the Republic of North Macedonia shall be a company that:

- 1) owns the electricity distribution network composed of transformer stations, line infrastructure facilities- transmission lines, plants facilities and means serving for the performance of the energy activity of transmission of electricity and management with the energy transmission system,
- 2) is not a part of a vertically integrated company,
- 3) holds a licence for performance of the energy activity of electricity transmission,
- 4) does not perform and is independent from the performance of other activities in the electricity and energy sector, and
- 5) has been certified and appointed as the electricity transmission system operator by the Energy and water services Regulatory Commission of the Republic of North Macedonia (hereinafter: Energy Regulatory Commission).

Furthermore, Article 71 paragraph (2) of the Energy Law determines that in order to provide independence of the operator of the electricity transmission system, the same person/ s shall not be entitled to, simultaneously:

- 1) directly or indirectly participate in the management of a company performing some of the activities such as electricity production and/ or supply of and in the same time to directly or indirectly manage or exercise another right within the operator of the electricity transmission system,
- 2) directly or indirectly participate in the management of the electricity transmission system operator and in the same time directly or indirectly manage or exercise another right in a company performing some of the activities such as electricity production and/ or supply and
- 3) appoint members of a supervision body or management body of the electricity transmission system operator, and in the same time, directly or indirectly manage or exercise another right in a company performing some of the activities such as electricity production and/ or supply.

Article 71 paragraph (3) of the Energy Law states that the above restrictions refer particularly to:

- 1) use of the right to vote,
- 2) selection and appointment of members of the supervision/ management body or
- 3) holding majority share.

Article 71 paragraph (4) of the Energy Law states that the company that holds a licence to perform the activity of electricity transmission cannot hold licences and be included in the performance of activities such as production, distribution, trade and supply of electricity, and also cannot hold a licence for organizing and managing the electricity market.

According to Article 71 paragraph (5) of the Energy Law, If the operator of the electricity transmission system has been a part of a vertically integrated electricity company, the operator or the employees therein, must not disclose the business- sensitive information they hold to the electricity production and/ or supply companies. Furthermore, paragraph (6) from the same article determines that as a company that performs some of the production or supply activities shall be considered a company that performs some of the natural gas production or supply, but does not include the consumers performing some of the electricity production or supply activities, directly or through a company where they take part in the management, separately or jointly if they:

- 1) averagely and annually are net consumers of electricity considering their participation in the produced electricity of the companies that participate in the management,
- 2) the value of the electricity they sell to third parties is insignificant compared to their other business activities.

According to Article 72 paragraph (1) from the Energy Law, the Ministry of Transport and Communications shall be the owner of the company which is the electricity transmission system operator. According to Article 72 paragraph (2) the Ministry of Transport and Communications shall be independent in the adoption of decisions for selection of a supervision body, i.e. a management body of the company and must not accept instructions or guidelines from the Government of the Republic of Macedonia (hereinafter: Government) or another state body. The members of the supervision body, i.e. the management body of the operator of the electricity transmission system:

- 1) must not, in a decision-making procedure according to the law, request or accept instructions from the Government or another state body, except for the cases determined in the Energy Law and
- 2) must not be appointed as members of a supervision body, i.e. a management body of companies that produce, supply or trade electricity or companies that can directly or indirectly influence the decision-making in those companies.

According to Article 75 paragraph (1) from the Energy Law, the performer of the activity of electricity transmission must be certified as an electricity transmission system operator in a manner, procedure and period as set by the Energy Law.

The Rulebook on Certification of an Electricity/ Natural Gas Transmission System Operator which prescribes the procedure for determining the compliance with the rules that regulate the unbundling and the independence of the electricity transmission system operator (hereinafter: Rulebook on Certification) was adopted by the Energy Regulatory Commission on 1<sup>st</sup> of August 2018 and entered into force on 15<sup>th</sup> of August 2018.

## PROCEDURE COURSE

According to Article 75 paragraph (2) item (1) from the Energy Law the certification procedure of the electricity transmission system operator shall be executed at the request of the electricity transmission system operator licenced to perform the activity of transmission of electricity and management with the electricity transmission system.

According to Article 75 paragraph (3), if the electricity transmission system operator has not been certified, they shall be obliged to submit a certification request with the documents prescribed with the certification rules adopted by the Energy Regulatory Commission.

According to Article 75 paragraph (4), The Energy Regulatory Commission shall, within four months as of the day of submission of the certification request by the electricity transmission system operator, prepare a draft certification decision for the electricity transmission system operator and shall immediately deliver it to the Energy Community Secretariat, along with all of the information related with the draft decision.

According to Article 75 paragraph (5), the Energy Regulatory Commission shall, within 60 days as of the day of receipt of the opinion by the Energy Community Secretariat, adopt a decision upon the certification request. The Energy Regulatory Commission shall consider the opinion given by the Energy Community Secretariat and publish the reasons for the possible exceptions.

According to Article 75 paragraph (6), the Energy Regulatory Commission shall publish the certification decision in the "Official Gazette of the Republic of North Macedonia" and on its web site, along with the opinion submitted by the Energy Community Secretariat.

Based on Article 75, paragraph (3) from the Energy Law and Article (3) from the Rulebook on Certification of Electricity Transmission System Operator of Macedonia, the Joint-stock company Electricity Transmission and Power System Management in State Ownership, Skopje, JSC MEPSO Skopje (hereinafter: JSC MEPSO Skopje), on 27<sup>th</sup> of November 2018, submitted a Request for Certification of an Electricity Transmission System Operator with no. 12-2259/1 from 27<sup>th</sup> of November 2018 (hereinafter: certification request), to the Energy Regulatory Commission. In accordance with Article 75 paragraph (4) of the Energy Law and Article 5 paragraph (1) of the Rulebook for Certification, the Energy Regulatory Commission is to adopt a certification decision within four months as of the day of submitting of the certification request, i.e. latest until 27<sup>th</sup> of March 2019.

The Certification Request has been submitted to the Energy Regulatory Commission in hard copy and electronically and contains data on JSC MEPSO Skopje and a statement that initiation of the certification procure is requested. The Certification Request has been submitted on the proper form contained in Appendix 1 of the Rulebook for Certification. The Certification Request was supplemented by documentation according to Article 3 paragraph (3) from the Rulebook for Certification, and the following documentation was submitted:

- 1) a list of documents and other data submitted in addition to the request for certification of an electricity transmission system operator (Appendix 1),
- 2) current balance issued by the Central Registry of the Republic of Macedonia no. 0805-50/150120180066605 from 22<sup>nd</sup> of November 2018 (Appendix 2),
- 3) company Statute and other acts organising the company operation and determining the competences of the Management Board, i.e. the Supervisory Board of the requestor (Appendix 3) such as:
  - the Company Statute NO (Supervisory Board) no. 02-8420/3-1 from 08<sup>th</sup> of November 2018– consolidated text,
  - Rules of Procedure of the Management Board of JSC MEPSO Skopje, UO (Management Board) no. 02-3370 from 27.12.2004 and
  - Rules of Procedure of the Supervisory Board of JSC MEPSO Skopje NO no. 02-3369/1/2 from 27.12.2004.
- 4) list of Management and Supervisory Board members of JSC MEPSO Skopje (Appendix 4),
- 5) shareholders' book and data on the number of shares and number of votes for each shareholder issued by the Central Securities Depository on 19<sup>th</sup> of October 2018 (Appendix 5),
- 6) list of state bodies that have control or another right over JSC MEPSO Skopje, as well as an explanation that it is not under control of another state body or a third party (Appendix 6),

- 7) financial reports on the last three reporting years by a certified auditor for the performed audit, certified by the notary public Ana Brashnarska from Skopje with no. UZP (log book for registered signatures) 10956/2018 from 20<sup>th</sup> of November 2018 (Appendix 7),
- 8) List of companies performing energy activities related to JSC MEPSO Skopje (Appendix 8):
  - Coordination Center for Electricity and Energy LLC- EKC, Belgrade, Serbia,
  - Coordinated Auction Office in South East Europe – SEECAO, Podgorica, Montenegro
  - Macedonian operator on the electricity market MEMO SMLLC Skopje.
- 9) notification sent to the Ministry of Transport and Communications that they do not hold licences/ other authorizations for the performance of energy activities in the Republic of Macedonia and/ or in other countries with no. 02-11958/1 on 26.11.2018 (Appendix 9),
- 10) statements certified by a notary public, from the Management and Supervisory Boards members that they are not members of a management, i.e. supervisory body, i.e. employed in a company that produces electricity and/ or natural gas, as well as trade and supply of electricity or natural gas or in a company that can directly or indirectly influence the decision making in that company (Appendix 10):
  - a statement from Sasho Vasilevski- president of the Management Board of JSC MEPSO Skopje and General Manager, certified by the notary public Ana Brashnarska Skopje, no. UZP 10976/2018 on 21.11.2018,
  - a statement from Borko Aleksovski- member of the Management Board and Manager of the Electricity Transmission System Management certified by the notary public Ana Brashnarska- Skopje, no. UZP 10989/2018 on 21.11.2018,
  - a statement from Sasho Stefanovski - member of the Management Board and Electricity Transmission Manager, certified by the notary public Ana Brashnarska- Skopje, no. UZP 10983/2018 on 21.11.2018,
  - a statement from Nenad Krstevski - member of the Management Board and Directorate Manager for Legal and General Affairs, certified by the notary public Ana Brashnarska- Skopje, no. UZP 10985/2018 on 21.11.2018,
  - a statement from Simon Shutinoski - member of the Management Board, certified by the notary public Ana Brashnarska- Skopje, no. UZP 10974/2018 on 21.11.2018,
  - a statement from Tomi Bozhinovski - member of the Management Board and Directorate Manager for Information Technologies and Telecommunications, certified by the notary public Ana Brashnarska- Skopje, no. UZP 10979/2018 on 21.11.2018,
  - a statement from Magdalena Chizhbanovska Vangelov - member of the Management Board and Directorate Manager for Financial Affairs, certified by the notary public Ana Brashnarska- Skopje, no. UZP 10987/2018 on 21.11.2018,
  - a statement from Bilen Seljaiyi - member of the Management Board and Vice General Manager, certified by the notary public Ana Brashnarska- Skopje, no. UZP 10992/2018 on 21.11.2018,
  - a statement from Nikolche Acevski - member of the Supervisory Board, certified by the notary public Eleonora Papazova- Bitola, no. UZP 5396/2018 on 21.11.2018,
  - a statement from Eva Shukleva - member of the Supervisory Board and President of the Supervisory Board, certified by the notary public Ljubica Stevkova Nachevska- Skopje, no. UZP 2539/2018 on 22.11.2018,

- a statement from Musli Musliu - independent member of the Supervisory Board, certified by the notary public no. UZP Isa Aydini- Kichevo, no. UZP 4991/2018 on 22.11.2018,
- a statement from Snezhana Chundeva Petrovska - member of the Supervisory Board, certified by the notary public Dragan Ivanov- Skopje, no. UZP 5721/2018 on 21.11.2018,
- a statement from Nazif Bushi - member of the Supervisory Board, certified by the notary public Metodija Ristovski- Skopje, no. UZP 10581/2018 on 23.11.2018,
- a statement from Darko Tasev – independent member of the Supervisory Board, certified by the notary public Lazar Kozarovski- Skopje, no. UZP 5887/2018 on 21.11.2018,
- a statement from Dame Korunoski - member of the Supervisory Board, certified by the notary public Darko Stojkoski- Skopje, no. UZP 13662/2018 on 22.11.2018.

11) statements certified by a notary public from the Management and Supervisory Board members who, during the procedure for decision- making, according to the law, do not accept instructions or guidelines from the Government or another state body, except in the cases determined in the Energy Law (Appendix 11):

- A statement from Sasho Vasilevski, president of the Management Board of JSC MEPSO Skopje and General Manager, certified by the notary public Ana Brashnarska Skopje, no. UZP 10977/2018 on 21.11.2018,
- a statement from Dame Korunoski - member of the Supervisory Board, certified by the notary public Darko Stojkoski - Skopje, no. UZP 13661/2018 on 22.11.2018,
- a statement from Darko Tasev - independent member of the Supervisory Board, certified by the notary public Lazar Kozarovski- Skopje, no. UZP 5886/2018 on 21.11.2018,
- a statement from Nazif Bushi - member of the Supervisory Board, certified by the notary public Metodija Ristovski Skopje, no. UZP 10582/2018 on 23.11.2018,
- a statement from Snezhana Chundeva Petrovska - member of the Supervisory Board, certified by the notary public Dragan Ivanov- Skopje, no. UZP 5722/2018 on 21.11.2018,
- a statement from Musli Musliu - independent member of the Supervisory Board, certified by the notary public no. UZP Isa Aydini Kichevo, no. UZP 4992/2018 on 22.11.2018,
- a statement from Eva Shukleva - member of the Supervisory Board and President of the Supervisory Board, certified by the notary public Ljubica Stevkova Nachevska- Skopje 2540/2018 on 22.11.2018,
- a statement from Nikolche Acevski - member of the Supervisory Board, certified by the notary public Eleonora Papazova- Bitola, no. UZP 5397/2018 on 21.11.2018,
- a statement from Borko Aleksovski- member of the Management Board and Manager of the Electricity Transmission System Management certified by the notary public Ana Brashnarska- Skopje, no. UZP 10990/2018 on 21.11.2018,
- a statement from Simon Shutinoski - member of the Management Board, certified by the notary public Ana Brashnarska- Skopje, no. UZP 10975/2018 on 21.11.2018,
- a statement from Nenad Krstevski - member of the Management Board and Directorate Manager for Legal and General Affairs, certified by the notary public Ana Brashnarska- Skopje, no. UZP 10986/2018 on 21.11.2018,

- a statement from Sasho Stefanovski - member of the Management Board and Electricity Transmission Manager, certified by the notary public Ana Brashnarska- Skopje, no. UZP 10984/2018 on 21.11.2018,
  - a statement from Tomi Bozhinovski - member of the Management Board Directorate Manager for Information Technologies and Telecommunications , certified by the notary public Ana Brashnarska Skopje, no. UZP 10980/2018 on 21.11.2018,
  - a statement from Magdalena Chizhbanovska Vangelov - member of the Management Board and Directorate Manager for Financial Affairs, certified by the notary public Ana Brashnarska Skopje, no. UZP 10988/2018 on 21.11.2018,
  - a statement from Biljen Seljaiyi - member of the Management Board and Vice General Manager, certified by the notary public Ana Brashnarska Skopje, no. UZP 10993/2018 on 21.11.2018.
- 12) a statement from Aleksandar Paunoski – an employee who went to work in JSC MEPSO Skopje, and was a member of the Management Board of Macedonian Power Plants (hereinafter: JSC ELEM SKOPJE), that he will not disclose business sensitive information, certified by the notary public Simon Zafirovski from Skopje no. UZP 3811/2018 on 23.11.2018 (Appendix 12),
- 13) a statement from Goran Sugarevski- Minister of Transport and Communications, that the Ministry of Transport and Communications will not instruct and influence the decision- making process within the daily operations of JSC MEPSO Skopje certified by the notary public Ana Brashnarska Skopje, no. UZP 11156/2018 on 26.11.2018 (Appendix 13),
- 14) notification from Sasho Vasilevski, General Manager of JSC MEPSO Skopje that the JSC MEPSO Skopje Compliance Programme is under a compliance procedure with the Energy Regulatory Commission, regarding the obligations that emerge from the ownership unbundling (Appendix 14),
- 15) the rules applied by JSC MEPSO Skopje in order to prevent disclosure of confidential and other commercially sensitive information (Appendix 15):
- Business Secret Rulebook UO no. 02-5078/4 from 22<sup>nd</sup> of June 2011, defining the business secret and the manner of storage of the documents and data that represent a business secret,
  - Decision for appointment of a Personal Data Protection Officer UO no. 02-7650/3-1 from 26<sup>th</sup> of November 2015, responsible for monitoring of the compliance with the law, by-laws and Company acts that refer to the personal data processing, with documentation on technical and organizational measures that provide discretion and protection of the personal data, control over the procedures according to the personal data protection prescriptions and other competences set out in the Decision,
  - Decision for appointment of an Information System Administrator UO no. 02-7650/3-2 from 26<sup>th</sup> November 2015, responsible for analysis of the company information system and assessment of the risks of the company information system, as well as creation, implementation and development of the total information security process,
  - Rules on the manner of destruction of documents, as well as the manner of destruction, deletion and cleaning of the media UO no. 02-7650/3-8/1 from 26<sup>th</sup> of November 2015, prescribing the manner of destruction, deletion and cleaning of the media used for processing of the company personal data,
  - Rules for reporting, reacting and rectifying incidents UO no. 02-7650/3-6/1 from 26<sup>th</sup> of November 2015, regulating the manner of reporting, reaction and rectification of incidents (anomalies)

influencing or potentially influencing the secrecy and protection of the personal information processed in the company,

- Rules for determination of the obligations and responsibilities of the administrator of the information system and the authorized persons while using documents and information communication equipment UO no. 02-7650/3-5/1 from 26<sup>th</sup> of November 2015 defining the responsibilities of the administrator of the information system and the authorized persons during the use of documents and information communication equipment that JSC MEPSO Skopje, as a Controller, applies to ensure discretion and protection of the personal data processing,
- Rulebook on the technical and organizational measures to ensure discretion and protection of the personal data processing UO no. 02-7650/3-4/1 from 26<sup>th</sup> of November 2015 regulating the technical and organizational measures applied by JSC MEPSO Skopje in the capacity of a Controller to ensure discretion and protection of the personal data processing,
- Rules on the manner of safety copy creation and storage as well as returning of the saved signs UO no. 02-7650/3-7/1 from 26<sup>th</sup> of November 2015 prescribing the manner of creation of a safety copy, its archiving and storage, as well as returning of the personal data, subject to processing in JSC MEPSO Skopje in the capacity of a Controller,
- Plan to create a system of technical and organizational measures to provide discretion and protection of the personal data processing UO no. 02-7650/3-3/1 26<sup>th</sup> of November 2015 envisaging creation of a proper system for technical and organizational measures which JSC MEPSO Skopje in the capacity of a Controller applies to ensure discretion and protection of the personal data processing,
- Records of persons authorized to process personal data within the controller no. 03-220 from 13.01.2016,
- Guideline on the determination of the obligations and responsibilities of the administrator of the information system and the authorized persons while using the documents and the information and communication equipment no. 02-1370 from 29.02.2016, prescribing the obligations and responsibilities of the information system administrator and the authorized persons while using the documents and the information and communication equipment, which JSC MEPSO Skopje applies as a Controller,
- Instructions for reception of clients and visitors and the manner of storage, processing and use of their personal no. 02-1368 from 29.02.2016 prescribing the manner of reception of clients and visitors in the Directorate , as well as in the transformer stations of JSC MEPSO Skopje, the manner of use and processing of the personal data of the clients and visitors, as well as the time of storage and manner of their destruction,
- Instructions on the manner of record keeping for persons authorized to process the personal data and keep records on transfer of media outside the business premises, which prescribe the manner of record keeping for persons authorized to perform personal data processing in JSC MEPSO Skopje and the record keeping on the manner of transfer of media outside the business premises of JSC MEPSO Skopje no. 02-1369 from 29.02.2016 and
- Guidelines for premises security where the personal data collection is being kept and processed, prescribing the manner of providing security of the personal data collections processed in JSC MEPSO Skopje no. 02-1367 from 29.02.2016.

- 16) a confirmation that the company is not under a bankruptcy procedure with no. 0806-50/150120180066606 issued on 22.11.2018 by the Central Registry of the Republic of North Macedonia and a Confirmation for liquidation procedure no. 0807-50/150120180066607 from 22.11.2018 issued by the Central Registry of the Republic of North Macedonia (Appendix 16),
- 17) list of licences for the performance of energy activities being issued to JSC MEPSO Skopje (Appendix 17),
- 18) organizational structure of JSC MEPSO Skopje and data with the number of officers by separate sectors, as well as the number, education and professional capability of the persons managing the and immediately handle devices and plants used for the performance of the activity and a Rulebook on the Internal Organization of JSC MEPSO Skopje U.O. no.02-8926/3-1 from 27.11.2018 (Appendix 18),
- 19) list of the basic means through which it performs the activity, owned by JSC MEPSO Skopje or are used on another legal basis, Tables: TF 3, TF 4, TF 5, TF 6, TF 7 and TF 8 (Appendix 19),
- 20) evidence that the right to ownership, i.e. right to use the basic means through which it performs its activity and/ or evidence that the procedure for registration of the right to ownership and/ or real estate record through which the activity- overview of registered transformer stations and deeds in the Real Estate Cadaster Agency is performed, has been initiated (Appendix 20),
- 21) a statement from Sasho Vasilevski- president of the Management Board of MEPSO Skopje and General Manager for the reliability of the submitted data certified by the notary public Ana Brashnarska- Skopje, no. UZP 10978/2018 on 21.11.2018 (Appendix 21).

The Energy Regulatory Commission, acting upon the certification request and the enclosed documentation, determined certain omissions, after which, on 12<sup>th</sup> of December it adopted the Decision no. 12-2259/3 determining that the certification request is incomplete and not all necessary documents, data and information have been submitted and obliged JSC MEPSO Skopje to submit them within 30 days as of the receipt of the Decision, i.e. latest until 19<sup>th</sup> of January 2019. The Energy Regulatory Commission published the Decision no.12-2259/3 on its web site and submitted it to JSC MEPSO Skopje.

JSC MEPSO Skopje, on 18<sup>th</sup> of January 2019, acted upon the Decision no.12-2259/3 and submitted the requested documents, data and information to the Energy Regulatory Commission thus completing the certification request. The following documents were submitted:

- 1) Compliance Programme of JSC MEPSO Skopje regarding the obligations emerging from the ownership unbundling no. 02-357 from 18.01.2019, (Appendix 22)
- 2) a corrected list of state bodies having control or some other right over JSC MEPSO Skopje, as well as an explanation that it is not under control of another state body or a third party. (Appendix 23)
- 3) Statutory Decision amending the JSC MEPSO Skopje Statute no. 0201-11247/1 from 2<sup>nd</sup> of November 2018 (Official Gazette of the RM no. 206/18), (Appendix 24)
- 4) a corrected list of members of the Management Board and the Supervisory Board of JSC MEPSO Skopje, (Appendix 25)
- 5) a corrected list of valid licences for the performance of energy activities issued to JSC MEPSO Skopje, (Appendix 26)
- 6) transformer stations overview, (Appendix 27)
- 7) powerlines overview, (Appendix 28)
- 8) overview of transformer stations with remarks, (Appendix 29)

- 9) original deeds and Request for entry of the right to ownership in the Real Estate Cadaster no.02-314 from 17<sup>th</sup> of January 2019, (Appendix 30)
- 10) Decision for founding of MEMO SMLLC Skopje company. 02-5479/1 from 31.08.2018, (Appendix 31)
- 11) Appointment decisions (Appendix 32):
  - Decision for appointment of Sasho Vasilevski as President and General Manager of JSC MEPSO Skopje , NO no. 02-9300/3-1 from 13.12.2018,
  - Decision for appointment Biljen Seljaiyi as a member of the Management Board and Vice General Manager of JSC MEPSO Skopje, NO. 02-9300/3-2 from 13.12.2018,
  - Decision for appointment of Nenad Krstevski as a member of the Management Board of JSC MEPSO Skopje Directorate Manager for Legal and General Affairs, NO no. 02-9300/3-3 from 13.12.2018,
  - Decision for appointment of Borko Aleksovski as a member of the Management Board JSC MEPSO Skopje and Manager of the Electricity Transmission System, NO no. 02-9300/3-4 from 13.12.2018,
  - Decision for appointment of Sasho Stefanovski as a member of the Management Board of JSC MEPSO Skopje and Electricity Transmission Manager, NO no. 02-9300/3-5 from 13.12.2018,
  - Decision for appointment of Tomi Bozhinovski as a member of the Management Board of JSC MEPSO Skopje and Directorate Manager for Information Technologies and Telecommunications, NO no. 02-9300/3-7 from 13.12.2018,
  - Decision for appointment of Magdalena Chizhbanovska Vangelov as a member of the Management Board of JSC MEPSO Skopje Directorate Manager for Financial Affairs, NO no. 02-9300/3-8 from 13.12.2018,
  - Decision for appointment of Simon Shutinoski as a member of the Management Board of JSC MEPSO Skopje and Electricity Market Manager, NO no. 02-9300/3-6 from 13.12.2018,
- 12) Decision for dismissal and appointment of members of the Supervisory Board and the Electricity Transmission System Operator of Macedonia, the Joint-stock company Electricity Transmission and Power System Management in State Ownership, Skopje, JSC MEPSO Skopje (JSC MEPSO Skopje, state- owned) from 19.10.2018. (Appendix 33)
- 13) decision for transfer of ownership of shares, from the Government to the Ministry of Transport and Communications no. 44-6841/1 from 24<sup>th</sup> of July 2018 ( Appendix 34)

The Energy Regulatory Commission, after reviewing the fully submitted documentation, in the procedure upon the certification request on 27<sup>th</sup> of March 2019, and in accordance with Article 75 paragraph (4) of the Energy Law and Article 5 paragraph (1) of the Rulebook for Certification, prepared a draft certification decision and submitted it to the Energy Community Secretariat.

In the certification procedure of JSC MEPSO Skopje, considering all submitted documents, data and information, the Energy Regulatory Commission determined the facts as follows:

## 1. JSC MEPSO Skopje and other state- owned or state- controlled performers of energy activities

With the adoption of the Law on Transformation of “Elektrostopanstvo Makedonija” from 2004 (“Official Gazette of the Republic of Macedonia” no. 19/04), transformation conditions were created for the, at the time, vertically integrated company for production, transmission and distribution of electricity – Joint Stock Company for Production, Transmission and Distribution of Electricity- “Elektrostopanstvo Makedonija”- Skopje, state- owned– Skopje.

Based on Article 518 paragraph (4), regarding Article 417 paragraph (3) of the Company Law and Article 4 of the Law on Transformation of “Elektrostopanstvo Makedonija”, the Government in the capacity of a Shareholders Assembly, at the session held on 27<sup>th</sup> of September 2004 adopted a Decision for Division of “Elektrostopanstvo Makedonija” – Skopje, state- owned, whereby the company, by ownership unbundling, was separated into the following two joint stock companies:

- JSC ESM Skopje- a state- owned joint stock company for production, distribution and supply of electricity and
- JSC MEPSO Skopje a state- owned joint stock company for transmission of electricity and management of the electricity system of Macedonia.

As it is visible from the Decision for Registration in the Trade Registry TRG no. 5987/05 from 9<sup>th</sup> of September 2005, with the Government Decision no.19-2626/1 from 30<sup>th</sup> of June 2005 for restructuring of JSC ELEM SKOPJE by separation and founding, as well as with the Government Decision for Confirmation of the Plan for Division of JSC ESM by Separation and Founding UO no. 02-3856/15/1 adopted by the Management Board of JSC ESM Skopje on 4<sup>th</sup> of July 2005 the following company was separated and founded:

- JSC ELEM SKOPJE a state- owned joint stock company for production of electricity.

As it is visible from the Decision for Registration in the Trade Registry TRG no. 5987/05 from 9<sup>th</sup> of September 2005, with the Government Decision no.19-2880/1 from 19<sup>th</sup> of July 2005 on the statutory change of JSC ESM Skopje by separation and founding, as well as with the Government Decision for Confirmation of the Plan for Division of JSC ESM by Separation and Founding no. 19-3244/3 from 29<sup>th</sup> of August 2005, the Plan Amending the Plan for Division of JSC ESM Skopje by Separation and Founding UO no. 02-4180/17/1 adopted by the Management Board of JSC ESM on 22<sup>nd</sup> of July 2005 the following company was separated and founded:

- JSC TEC Negotino state- owned, joint stock company for electricity production.

After the separation of JSC ELEM SKOPJE and JSC TEC Negotino from JSC ESM Skopje, JSC ESM Skopje continues to perform the activities of electricity distribution and supply.

The division and reorganization of “Elektrostopanstvo Makedonija” was one of the conditions for liberalization of the electricity sector and creation of conditions for privatization of certain company components.

In order to privatize the electricity distribution sector in the country, at the session held on 26<sup>th</sup> of January 2005, the Government adopted a Decision for Initiation of a Privatization Procedure for JSC ESM Skopje no. 19-267/1 determining to perform the privatization of JSC ESM Skopje by selling at least 51% of the shares of JSC ESM Skopje to a strategic investor.

The privatization of JSC ESM Skopje was implemented during the period from December 2005 until March 2006, through a transparent international auction. The international tender for privatization of the majority share package of JSC ESM Skopje was announced on 9<sup>th</sup> of December 2005, at which seven companies were interested to participate- the Czech CEZ, Italian ENEL, Austrian EVN AG, the German RWE and EnBV, the Korean corporation Samsung and the American corporation AEC. After the Korean and American corporations and the German EnBV were dismissed in the pre-qualification process, due to non-fulfilment of the conditions, four companies remained in the race to purchase the majority package: EVN AG- Lower Austria distribution, CEZ- the Czech electricity company, RWE Energy AG- Dortmund, Germany and ENEL- the Italian electricity company. The Austrian company EVN AG won the tender for selling of the majority share package of JSC ESM Skopje after which the Government and the Austrian corporation signed the selling and purchasing agreement for the majority share package of JSC ESM on 17<sup>th</sup> of March 2006.

After the implemented privatization of JSC ESM Skopje, where EVN AG became the holder of the majority shares, the remaining three entities established during the separation and reorganization of the vertically integrated company “Elektrostopanstvo na Makedonija” remained state- owned. Considering the provisions from Article 3 paragraph (1) from the Law on Use and Disposal of the State- Owned Property and Municipal Property, i.e. that the state- owned property, used by the state bodies and legal entities founded by the state, shall be disposed of by the Government. The Government shall own the shares in JSC ELEM SKOPJE and JSC TEC Negotino as of their establishment until present day, until the adoption of the Decision no. 44-6841/1 for transfer of the shares of JSC MEPSO Skopje from Government ownership into ownership of the Ministry of Transport and Communications, in accordance with Article 72 paragraph (1) and Article 237 paragraph (1) from the Energy Law, the Government owned the shares of JSC MEPSO Skopje as well.

Based on amendments XXXIII, XXXIV, XXXV и XXXVI to the Constitution of the Republic of North Macedonia and the Constitutional law for implementation of the amendments XXXIII to XXXVI to the Constitution of the Republic of North Macedonia (Official Gazette of the Republic of Macedonia no. 6 from 12.01.2019) as well as the conclusions of the Government adopted based on the adopted reports of the Inter-Ministerial Working Group on the fulfillment of the obligations of the Final Agreement solving differences described in United Nations Security Council Resolutions 817 (1993) and 845 (1993) for terminating the validity of the interim agreement of 1995 and establishing of strategic partnership between the parties, the names of JSC MEPSO Skopje, JSC ELEM SKOPJE and MEMO SMLLC Skopje will be changed.

### 1.1. JSC MEPSO Skopje

JSC MEPSO Skopje as the first founded of the four legal inheritors of the state- owned vertically integrated company “Elektrostopanstvo na Makedonija” has been entered in the Trade Register of the competent court in Skopje on 31<sup>st</sup> of December 2004.

Based on the insight in the Shareholder Book (Appendix 5), submitted within the certification request it is determined that the founding assets of JSC MEPSO Skopje is 3.059 billion denars (49.8 million euro) divided into 3.059.393 shares with voting right with nominal value of 1.000 denars per share.

Each regular share entitles its owner to vote on the affairs for which the JSC MEPSO Skopje shareholders vote.

In line with Article 278 from the Company Law, the regular shares shall be shares entitling their owners to:

- vote in the company assembly;
- receive a part of the gaining (dividend) and
- receive a part of the bankruptcy, i.e. liquidation assets.

In order to meet the provisions from the Energy Law referring to the ownership unbundling of the performers of the energy activities, a procedure has been implemented for transfer of the JSC MEPSO Skopje shares ownership. In accordance with Article 237 paragraph (1) from the Energy Law, the Government, as a sole owner of the JSC MEPSO Skopje and JSC ELEM SKOPJE shares since 2004, on 24<sup>th</sup> of July 2018 adopted the Decision no.44-6841/1 for transfer of the JSC MEPSO Skopje shares from Government ownership to ownership of the Ministry for Transport and Communications, according to which the ownership unbundling has been performed of JSC MEPSO Skopje as the electricity transmission operator of the Republic of Macedonia, i.e. the Government ceased to own the company performing the activity of electricity production, supply and trade. (Appendix 34)

JSC MEPSO Skopje shares are owned by the Ministry of Transport and Communications and have been entered in the Central Securities Depository of the Republic of Macedonia on 1<sup>st</sup> of August 2018, according to Article 237 paragraphs (1) and (2) of the Energy Law. According to Article 72 paragraph (2) from the Energy Law, The Ministry of Transport and Communications, as the sole shareholder in the JSC MEPSO Skopje Shareholders Assembly is independent in the decision-making process for appointing a Supervisory board and must not request or accept instructions or guidelines from the Government or another state body.

The rights and obligations of the JSC MEPSO Skopje Assembly shall be exercised by the Ministry of Transport and Communications as a sole shareholder. The Shareholders Assembly shall exercise its rights and obligations in a manner determined with Article 383 from the Company Law and the Statute of JSC MEPSO Skopje. Based on Article 47 from the Law on Organization and Operation of the State Administration Bodies, it has been determined that the minister shall be in charge of the operation of the ministry, and according to Article 49 of this Law the minister shall represent the ministry, according to the aforementioned, the Minister of Transport and Communications or a person authorized by them in a manner and procedure envisaged according to Article 392 from the Company Law shall chair the Shareholders Assembly.

The Shareholders Assembly shall be held in the cases determined with the Company Law, as well as when such thing is in the best interest of JSC MEPSO Skopje and the Ministry of Transport and Communications.

The Shareholders Assembly shall decide only upon issues explicitly determined with the Company Law and the Statute of JSC MEPSO Skopje (Appendix 3), and in particular:

- amendment of the Statute of JSC MEPSO Skopje ,
- approval of the annual account, financial reports and the annual operations' report of JSC MEPSO Skopje for the previous business year and decision- making on the distribution of the gaining,
- appointment and dismissal of the Supervisory Board members,
- modification of the rights related to certain types and kinds of shares,
- approval of the operation and operation management of JSC MEPSO Skopje of the Management and Supervisory Board members,
- appointment of a certified auditor for audit of the annual account and financial reports of JSC MEPSO Skopje
- transformation of JSC MEPSO Skopje in another company form and statute modifications of JSC MEPSO Skopje ,
- termination of JSC MEPSO Skopje , and
- losses coverage decisions.

#### 1.1.1. Managing bodies and competences of the managing bodies according to the Statute of JSC MEPSO Skopje

The management of JSC MEPSO Skopje is organized in a two- instance system with a Supervisory Board and Management Board based on the Company Law and the Statute of JSC MEPSO Skopje, and it controls and supervises the operation of the Management Board, and according to the Statute, has the widest authorizations to decide for and manage JSC MEPSO Skopje. The Supervisory Board members are appointed by the Shareholders Assembly of JSC MEPSO Skopje, while the Management Board members are appointed by the Supervisory Board. The Management Board is composed of Management Board President who is also the General Manager, Vice General Manager and sector and subsidiary managers within JSC MEPSO Skopje.

The mandate of the Management Board members is four years.

The Management Board President calls the meetings and chairs them and is also responsible to keep the minutes and organize other forms through which the Management Board decides and operates. If the Management Board President, due to any reason, cannot perform the function of president or if absent, a Management Board member, appointed by the Supervisory Board, chairs the meetings.

The Management Board may reach a decision without a meeting, if all members comply with the decision that is being adopted without a meeting.

The Management Board can operate in the attendance of minimum of half of the members.

The decisions of the Management Board are considered adopted if more than half of the total number of the Management Board members voted in favor.

According to Article 19 from the Statute of JSC MEPSO Skopje (Appendix 3), the Management Board of JSC MEPSO Skopje has the following competences:

- to adopt an annual development programme, annual operation plan and annual financial plan of JSC MEPSO Skopje,

- to determine the business policy,
- at the request of the Shareholders Assembly , to prepare general acts and decisions the adoption of which falls within the competence of the Shareholders Assembly,
- to appoint management persons performing the daily operation management of JSC MEPSO Skopje,
- to submit initiatives on the amendment of the Statute of JSC MEPSO Skopje ,
- to adopt investment decisions,
- to adopt decisions to grant, i.e. revoke loans regarding the Plan realization,
- to approve the conclusion of contracts of a greater magnitude and longer duration period,
- to decide upon the internal organization of JSC MEPSO Skopje and work posts systematization,
- to prepare a draft of the electricity balance,
- to decide on the use of the special reserves,
- to adopt a programme of the economy, technological, structural and other modifications that create the need to reduce the number of employees,
- to decide on issues in the area of defense and adopt the electricity balance in case of war,
- to decide upon the complaints for protection of the rights of the employees, in cases determined by law,
- to decide on the work safety measures and fire protection,
- to decide on the electricity facilities takeover,
- to adopt measures related to the environmental protection,
- to care for and take the necessary actions to meet the legally prescribed obligations of JSC MEPSO Skopje ,
- to decide on the appointment and dismissal of the commissions members envisaged with the acts of JSC MEPSO Skopje ,
- to decide on the inventory of the assets, claims and liabilities,
- to establish commissions composed from the line of the Management Board members and other persons,
- to decide upon the supply of basic assets,
- to decide upon the expenditures and expropriation of basic assets,
- to decide upon the leased basic assets of JSC MEPSO Skopje,
- to determine the work posts for which foreign citizens cannot establish a labor relation,
- to determine the work posts with more severe work conditions than the regular,
- to decide upon requests from competent bodies and institutions,
- to determine the authorized signatories of JSC MEPSO Skopje ,
- to decide upon the conclusion of a collective agreement,
- to adopt the Rules of Procedures,
- to adopt decisions for financial assistance, sponsorships and donations,
- to submit a report on the operation to the Supervisory Board once every three months,
- to submit the annual account, financial reports and the annual report of the operation of JSC MEPSO Skopje after the business year in question and

- to perform other duties that do not fall under the competence of the Assembly and the Supervisory Board of JSC MEPSO Skopje.

With a previous approval of the Supervisory Board, the Management Board shall decide upon:

- the closing (termination) or transfer of a company or a part thereof that participates in the income of JSC MEPSO Skopje with more than 100%,
- reduction or expansion of the scope of operation of JSC MEPSO Skopje ,
- substantial internal modifications of JSC MEPSO Skopje determined with an act adopted by JSC MEPSO Skopje,
- establishing a long- term cooperation with other companies of substantial significance for JSC MEPSO Skopje or its termination,
- establishing or termination of a trade company that participates with over one tenth in the principle capital of JSC MEPSO Skopje ,
- adoption of the annual investment plan, public procurement plan, awarding of financial aid such as loans, donations, sponsorships for amounts exceeding 50.000 euro in denar equivalence and
- conclusion of a big business referring to assets the assessed value of which is over 20% to 50% the book value of the assets of JSC MEPSO Skopje.

With the decision for appointment of the Management Board members, one of the Management Board members is appointed for President, one for Vice President and one member responsible for a particular area of operation of JSC MEPSO Skopje is appointed. The Supervisory Board of JSC MEPSO Skopje on 13<sup>th</sup> of December 2018 adopted decisions for members of the Management Board of JSC MEPSO Skopje (Appendix 32):

- Sasho Vasilevski, President of the Management Board of MEPSO Skopje and General Manager, appointed with a Decision adopted by the Supervisory Board of JSC MEPSO Skopje NO no. 02-9300/3-1,
- Biljen Seljaiyi - member of the Management Board and Vice- General Manager, appointed with a Decision adopted by the Supervisory Board of Supervisory Board of JSC MEPSO Skopje NO no. 02-9300/3-2,
- Nenad Krstevski - member of the Management Board and Directorate Manager for Legal and General Affairs, appointed with a Decision adopted by the Supervisory Board of JSC MEPSO Skopje NO no. 02-9300/3-3,
- Borko Aleksovski- member of the Management Board and Manager of the Electricity Transmission System Management , appointed with a Decision adopted by the Supervisory Board of JSC MEPSO Skopje NO no. 02-9300/3-4,
- Sasho Stefanovski - member of the Management Board and Electricity Transmission Manager, appointed with a Decision adopted by the Supervisory Board of JSC MEPSO Skopje NO no. 02-9300/3-5,
- Tomi Bozhinovski - member of the Management Board Directorate Manager for Information Technologies and Telecommunications, appointed with a Decision adopted by the Supervisory Board of JSC MEPSO Skopje NO no. 02-9300/3-7,

- Magdalena Chizhbanovska Vangelov - member of the Management Board and Directorate Manager for Financial Affairs, appointed with a Decision adopted by the Supervisory Board of JSC MEPSO Skopje NO no. 02-9300/3-8, and
- Simon Shutinoski - member of the Management Board and Electricity Market Manager appointed with a Decision adopted by the Supervisory Board of JSC MEPSO Skopje NO no. 02-9300/3.

The Statutory Decision Amending the Statute of JSC MEPSO Skopje no. 0201-11247/1 from 2<sup>nd</sup> of November 2018 (Appendix 24), states that after the issuance of a licence by the Energy Regulatory Commission for the organization and management of the electricity market to MEMO SMLLC Skopje, the member of the Management Board of JSC MEPSO Skopje responsible for the electricity market shall be erased from the Statute of JSC MEPSO Skopje and will carry the title of Electricity Market Manager.

The Supervisory Board monitors the management of JSC MEPSO Skopje. The Supervisory Board may examine the books and documents of JSC MEPSO Skopje, as well as the assets, especially the treasury and securities.

The Supervisory Board of JSC MEPSO Skopje is composed of 7 members, two of whom are independent. During the appointment of the Supervisory Board members it is highlighted which members are appointed as independent members of the Supervisory Board. The Supervisory Board, from the line of its members, with majority votes of the total number of the Supervisory Board members appoints the President of Supervisory Board. The term of the Supervisory Board members is four years. At the last session of the Shareholders Assembly of JSC MEPSO Skopje held on 19<sup>th</sup> of October 2018, based on Article 383, paragraph (1) item 3), Article 363 paragraphs (1) and (3), as well as Article 390 paragraph (4) of the Trade Law, regarding Article 72 paragraphs (1) and (2) of the Energy Law, the Ministry of Transport and Communications, in the capacity of owner of JSC MEPSO Skopje adopted a decision for dismissal and appointment of members of the Supervisory Board of JSC MEPSO Skopje (Appendix 33) thus appointing the following as members of the Supervisory Board of JSC MEPSO Skopje:

- M.A. Eva Shukleva - member of the Supervisory Board,
- Snezhana Chundeva Petrovska PhD - member of the Supervisory Board,
- Nikolche Acevski PhD - member of the Supervisory Board,
- Nazif Bushi - member of the Supervisory Board,
- Dame Korunoski PhD - member of the Supervisory Board,
- Darko Tasev - independent member of the Supervisory Board and
- Musli Musliu - independent member of the Supervisory Board.

Eva Shukleva has been appointed as the President of the Supervisory Board of JSC MEPSO Skopje.

The President of the Supervisory Board shall call and chair the meetings and shall be responsible for the meetings record keeping and the organization of other operation manners and decision making of the Supervisory Board. If the Supervisory Board President, due to any reason, cannot perform the function of president or if absent, a Supervisory Board member appointed by the Supervisory Board with majority votes of the members present, chairs the meetings. The Supervisory Board may adopt a decision without a

meeting, if all members comply with the decision being adopted without a meeting. The Supervisory Board can operate with a minimum of half members present.

The Supervisory Board may at any time dismiss the president and appoint a new one.

The decision of the Supervisory Board shall be considered adopted, if they receive more than half of the votes of the total number of members of the Supervisory Board.

According to Article 74 paragraph (2) of the Energy Law, the Supervisory Board after previous approval of the Energy Regulatory Commission shall appoint the Compliance Officer.

With the Decision no. 02-9300/4 from 13<sup>th</sup> of December 2018 adopted by the Supervisory Board of JSC MEPSO Skopje, a Compliance Officer has been appointed. Aleksandar Chebotarev has been appointed as a Compliance Officer, who is a Master in Electrical Engineering and Information Technologies. Until his appointment as a Compliance Officer in JSC MEPSO he worked in the municipality of Strumica as an Advisor for Energy Efficiency and Renewable Energy Sources. In addition to his work experience in the municipality of Strumica, during the period from 2009 until 2012 he was a project manager for construction of photovoltaic power stations.

According to Article 74, paragraph (2) from the Energy Law, on 14<sup>th</sup> of December 2018 JSC MEPSO Skopje with document no. 02-9350, submitted the proposal to assign Aleksandar Chebotarev as Compliance Officer in JSC MEPSO Skopje archived under no. 03-2386/1 from 14<sup>th</sup> of December 2018, to the Energy Regulatory Commission for approval.

In addition to the document, JSC MEPSO Skopje submitted a Decision of the Supervisory Board of JSC MEPSO Skopje no.02-9300/4 from 13<sup>th</sup> of December 2018 appointing Aleksandar Chebotarev as Compliance Officer in JSC MEPSO Skopje, which would create a legal action after approving the appointment by the Energy Regulatory Commission. The Decision no.02-9300/4 from 13<sup>th</sup> of December 2018 has been adopted by the Supervisory Board of JSC MEPSO Skopje after conducting an advertisement for the position of Compliance Officer with no.02-8935 from 28<sup>th</sup> of November 2018. Also, in addition to the document, JSC MEPSO Skopje submitted a summarized biography and additional documentation on Aleksandar Chebotarev.

According to Article 74, paragraph (5) of the Energy Law, the Energy Regulatory Commission with the Decision no. 02-1709/1 from 31<sup>st</sup> of August 2018 approved the conditions regulating the term and conditions for employment of the Compliance Officer, including the duration of their term or employment, in order to provide independence as well as all necessary conditions to exercise their authorizations and perform their duties.

On 17<sup>th</sup> of December 2018 the Energy Regulatory Commission held a session at which it adopted a Decision to approve the appointment of Aleksandar Chebotarev as a Compliance Officer of JSC MEPSO Skopje no. 03-2386/2 from 17<sup>th</sup> of December, thus approving the appointment of Aleksandar Chebotarev as a Compliance Officer of JSC MEPSO Skopje.

The Compliance Officer, within their authorizations determined with the Energy Law, the Statute of JSC MEPSO Skopje and the Rules of Procedure, authorizations, rights and obligations, shall be obliged to:

- continuously monitor and assess the business activities of the Supervisory Board and the Management Board JSC MEPSO Skopje in order to assess and determine their action independence, as well as to assess the risk of any possible misalignment of their activities with the enforced legal prescriptions and/or bylaws, the Compliance Programme, the Statute and other acts of JSC MEPSO Skopje,
- assess the risk exposure to any form of money laundering and/ or corruption and take measures to prevent such actions in compliance with the enforced legal prescriptions for prevention of corruption and money laundering. To this end, they shall cooperate with the internal audit and the professional services of JSC MEPSO Skopje,
- notify the Supervisory Board of JSC MEPSO Skopje in certain situations, if there is a potential or actual conflict of interests among the JSC MEPSO Skopje employees,
- provide consultations regarding the prevention or elimination of the current conflict of interests as well as propose preventive and/ or corrective measures,
- educate, advice, train and inform the Supervisory Board, the Management Board JSC MEPSO Skopje employees to legally act in accordance with the principles of independence, transparency and objectivity in the operation, prevention of any type money laundering and/ or corruption, as well as implementation and observance of the Compliance Programme,
- attend the sessions of the JSC MEPSO Skopje Management Board if, according to the submitted agenda, they decide that such sessions contain items within their obligations and authorizations and their attendance is necessary,
- attend the sessions of JSC MEPSO Skopje and the Supervisory Board if, according to the submitted agenda, they decide that such sessions contain items within their obligations and authorizations and their attendance is necessary,
- attend the sessions of the Management and the Supervisory Board of JSC MEPSO Skopje when decided upon:
  - the conditions related to the services for access and utilization of the electricity transmission system referring to the prices, transmission capacity and congestion management,
  - the projects related to management, maintenance and development of the electricity transmission system, including the investments in the interconnection lines and
  - supply or selling of electricity necessary for the functioning of the electricity transmission system, including the system balance services.
- monitor the fulfillment of the obligations of the employees for the realization of the Compliance Programme,
- ensure safe, diligent and proper data management, considering their confidentiality and personal information protection according to the positive legal prescriptions and bylaws,
- evaluate the need to amend the internal JSC MEPSO Skopje acts and propose adoption of new ones,
- cooperate with the JSC MEPSO Skopje sectors and subsidiaries and their professional sectors/ departments/ services,
- monitor the compliance of the operation process in JSC MEPSO Skopje in compliance with the Energy Law and other positive legal regulations where additional corrective measures and activities are needed,

- perform other assignments in line with the Energy Law, the Statute of JSC MEPSO Skopje and the Compliance Programme.

In accordance with Article 75 paragraph (4) of the Energy Law, the Supervisory Board may, after a prior approval of the Energy Regulatory Commission, dismiss the Compliance Officer. Upon a request of the Energy Regulatory Commission, the Supervisory Board shall dismiss the Compliance Officer due to non-fulfilment of the conditions for independence or professional expertise.

### 1.1.2. Organization of JSC MEPSO Skopje

According to the Rulebook on Internal Organization of JSC MEPSO Skopje (Appendix 18), the operations and assignments are grouped according to their type, complexity, their connection and other characteristics of tasks and assignments, the type and degree of professional training and other conditions needed for their completion. The internal organization of the company determines the following organizational forms:

- 1) Compliance Officer
- 2) Company directorate within which the following organizational units have been established:
  - General Manager Office,
  - Vice- General Manager Office,
  - Legal and General Affairs Sector,
  - Financial Affairs Sector
  - Information Technologies and Telecommunications Sector.
- 3) JSC MEPSO Skopje operates through three subsidiaries:
  - Subsidiary for grid transmission operator,
  - Subsidiary for electricity transmission system operator and
  - Subsidiary for electricity market operator.

Within the subsidiaries, the following organizational units have been envisaged: office, sector, service, department, workshop, regional center, TS, powerline team.

The Statutory Decision amending the statute of the Electricity Transmission System Operator of Macedonia, the Joint-stock company Electricity Transmission and Power System Management in State Ownership, Skopje, JSC MEPSO Skopje. 0201-11247/1 from 2.11.2018 (Appendix 24) states that after the issuance of the licence by the Energy Regulatory Commission for the performance of organizing and managing the electricity market to MEMO SMLLC Skopje, the activity of organizing and managing the electricity market shall be deleted from the Statute of JSC MEPSO Skopje.

#### 4) Human Resources

Because of the variations in the number of employees, the Energy Regulatory Commission requested from JSC MEPSO Skopje to submit an additional and updated list of the total number of employees by organizational units stating their professional training (Appendix 18). Up until and including the 5<sup>th</sup> of March 2019, the total number of employees, by separate sectors, is 604 persons deployed as follows:

- 1 Compliance Officer (higher education)
- 49 employees in the General Manager Office (41 employees with higher education, 8 employees with secondary education),
- 298 persons in the subsidiary for grid transmission operator (57 employees with higher education, 222 employees with secondary education and 19 employees with elementary education),
- 58 employees in the subsidiary for electricity transmission system operator (47 employees with higher education, 11 employees with secondary education),
- 16 employees in the subsidiary for electricity market operator (15 employees with higher education, 1 employee with secondary education),
- 55 employees in the Financial Affairs Sector (32 employees with higher education, 23 employees with secondary education),
- 28 Information Technologies and Telecommunications Sector (14 employees with higher education, 14 employees with secondary education), and
- 99 Legal and General Affairs Sector (30 employees with higher education, 57 employees with secondary education and 12 employees with elementary education).

Structure of JSC MEPSO Skopje employees by education type and degree is as follows:

- 124 electrical engineers,
- 13 mechanical engineers,
- 15 civil construction engineers,
- 17 lawyers,
- 34 economists,
- 42 employees with other type of higher education,
- 31 employees with I and II education degree and
- 328 employees with III and IV education degree.

The members of the Management Board have the following education: 4 electrical engineers, 3 lawyers and 1 economist.

Article 3 paragraph (3) item 12 from the Rulebook on Certification envisages that the employees that went to work in JSC MEPSO Skopje, who performed managing functions or were members of management bodies, i.e. supervisory bodies in companies that performed the energy activity of electricity and/ or natural gas production, as well as electricity and/ or natural gas trade and supply, within two years prior to submitting the certification request, are to submit a statement that they shall not disclose business sensitive information to the companies that perform electricity and/ or natural gas production, as well as electricity and/ or natural

gas trade and supply. Within the period from February 2014 until August 2017 Aleksandar Paunovski is a member of the Management Board of JSC ELEM SKOPJE.

As a JSC MEPSO Skopje employee, who during the two year period prior to the submission of the certification request was a member of the management board of a company performing the energy activity of electricity production, in addition to the certification request a statement by Aleksandar Paunovski has been submitted confirming that he will not disclose business sensitive information to the company performing an energy activity of electricity production - JSC ELEM SKOPJE. During the period of performance of the function of a Managing Board member, the working status of the aforementioned person was frozen in JSC MEPSO Skopje. With the Decision number 02-4228 from 11<sup>th</sup> of August 2017 the freeze period of the working status has been terminated up until 05<sup>th</sup> of August 2017 and as of 6<sup>th</sup> of August 2017 Aleksandar Paunovski returns to the work post of independent engineer for strategic planning in JSC MEPSO Skopje by concluding an employment contract no. 02-4295 from 15<sup>th</sup> of August 2017. As of 1<sup>st</sup> of October 2018 with the new Rulebook on Work Posts Systematization, Aleksandar Paunovski has been deployed in the General Manager Office at the work post of project manager.

After the Energy Regulatory Commission reviewed the systematization and the qualification structure of the employees, it has been determined that JSC MEPSO Skopje has a sufficient number of qualified employees who are professionally capable to perform specific assignments in the performance of their regular activity of electricity transmission, for which they hold special authorizations and certificates issued by competent institutions.

### 1.1.3.Licences

In the list of licences for the performance of energy activities issued to JSC MEPSO Skopje (Appendix 26) it is stated that JSC MEPSO Skopje hold licence to:

- perform energy activity of electricity transmission with record number EE - 01.02.1/05/2/17 from 14<sup>th</sup> of November 2005, valid until 14<sup>th</sup> of November 2040.
- organising and managing the electricity market with record number EE - 03.06.1/05.02/17 from 14<sup>th</sup> of November 2005 valid until 14<sup>th</sup> of November 2040.

In accordance with Article 71 paragraph (4) from the Energy Law, the company that holds a licence for the performance of the activity of electricity transmission cannot hold licences and be included in the performance of the activities of electricity production, distribution, trade and supply, as well as hold a licence for electricity market management and organizing.

In order to meet the former condition in Article 71 paragraph (4) of the Energy Law, after conducting the procedure for issuing a licence to MEMO SMLLC Skopje for performing the energy activity organizing and managing the electricity market, the Energy Regulatory Commission on the same day will adopt a Decision for terminating the licence to JSC MEPSO Skopje for performing the energy activity organizing and managing the electricity market and a Decision for issuing a licence for performing the energy activity organizing and managing the electricity market to MEMO SMLLC Skopje.

#### 1.1.4. Obligations of JSC MEPSO Skopje as the electricity distribution system operator

The electricity transmission system operator, in accordance with the Energy Law and the prescriptions and rules adopted based on the Energy Law, is obliged to:

- contribute to the safety in the electricity supply, by ensuring safe and reliable functioning of the electricity transmission system of the Republic of North Macedonia, as well as through providing a proper transmission capacity,
- conclude operative contracts with the related neighboring electricity transmission systems in order to provide safe, secure and quality electricity transmission, in a non-discriminatory and transparent manner, through the electricity transmission network of the Republic of North Macedonia and provide optimal management of the electricity transmission network,
- organize and manage the balance energy market and adopt and implement the balancing rules,
- establish and keep a balancing service providers registry and a registry of balance responsible parties and balance groups,
- dispose of material, technical and human resources at all times, as well as have financial means necessary for the fulfillment of its obligations, regarding the development, upgrade and maintenance of the electricity transmission system,
- connect the producers, consumers and the electricity distribution system operator to the electricity transmission grid,
- provide all information necessary for access of all users of the electricity transmission system in compliance with the Energy Law,
- publish the tariffs for electricity transmission approved by the Energy Regulatory Commission on its website,
- build new and upgrade the current interconnection lines with the neighboring countries, considering the efficient utilization of the current interconnection capacities and balance between the investment costs and consumer benefits,
- ensure the cross-border electricity transit through the electricity transmission network of the Republic of North Macedonia within the disposable transmission capacity,
- prepare an annual plan for maintenance of the interconnection and internal powerlines from the electricity transmission grid, aligned with the operators of the electricity transmission systems in the region and publish it on its web site,
- prepare an annual plan for maintenance of the internal powerlines of the electricity transmission grid and after a prior approval of the Energy Regulatory Commission, publish it on its web site,
- prepare a final daily agenda and record and store the data obtained in the process of preparation of the final daily agenda,
- provide daily dispatching and management in real time with the electricity transits, considering the total electricity production in the Republic of North Macedonia and the internal and cross border transactions through the electricity transmission system based on the final daily agenda,
- provide synchronized operation of the electricity system of the Republic of North Macedonia and the neighboring electricity systems, as well as data exchange with the operators of other electricity transmission systems,

- stimulate the cross-border electricity exchange by applying implicit auctions for short term allocations of the capacities and integration of the mechanisms for balancing and reserve power,
- publish data and timely provide information to the operators of the neighboring electricity transmission systems for the disposable transmission capacities of the interconnection lines, in order to provide non- discriminatory, objective and transparent access to and use of the electricity transmission system,
- provide installation and maintenance of the measuring devices and measure the electricity at all measuring points of reception and delivery of the electricity transmission system and submit the measuring data to the system users and the electricity market operator,
- provide the electricity transmission system users with access to the measuring devices within its ownership,
- supply system services for balancing of the electricity transmission system, according to the rules for balancing of the electricity transmission system,
- participate at the regional balance energy market ,
- prepare rules on the supply of electricity to cover the losses in the electricity transmission system and submit the rules to the Energy Regulatory Commission to be approved,
- supply electricity to cover the losses in the electricity transmission grid and have electricity for own needs, in order to ensure safe and reliable functioning of the electricity transmission system, in market conditions in a transparent and non-discriminatory manner,
- supply and sell electricity for compensation in order to ensure safe and reliable functioning of the electricity transmission system in market conditions in a transparent and non- discriminatory manner,
- resolve the overloads in the electricity transmission system in accordance with the grid rules for electricity,
- provide balancing of the electricity system and alignment of the deviations and balancing services, as well as ensure the calculation, invoicing and charging of the balancing services,
- in case of endangerment of the electricity supply, failures or larger deviations of the electricity consumption compared to the envisaged quantities, within the technical possibilities for electricity transmission, make the necessary modifications of the schedule and time for engagement of the production capacities in the Republic of North Macedonia and the electricity supply, while compensating the costs for the supplied electricity by applying the balance mechanism, from the electricity market participants that caused the deviation,
- provide reliability of the business data of the users of the electricity transmission system and
- cooperate with the electricity transmission system operators of other countries and take part in the operation of the regional and international associations.

#### 1.1.5. Participance in regional and international associations

JSC MEPSO Skopje is a full member of the European Network of Electricity Transmission Operators (hereinafter: ENTSO-E). ENTSO- E has 43 transmission system operators as its members, from 36 countries in Europe. This association is the only one in Europe, which replaced all previous associations of transmission system operators that manage the state or national electricity system such as SETSO, ETSO, and HORDEL etc.

The full membership agreement of our national electricity transmission system operator has been signed in Brussels in 2008, with application commencement on 1<sup>st</sup> of July 2009, between the general managers of 42 electricity transmission system operators from 34 countries in Europe. JSC MEPSO Skopje is a full ENTSO- E member with the right to vote. The main objective of ENTSO- E is to respond to the challenges brought by the changes in the electricity system and ensure safe supply at the same time.

JSC MEPSO Skopje in addition to the Certification Request submitted a list of companies that perform energy activities related to JSC MEPSO Skopje (Appendix 8). According to the list JSC MEPSO Skopje is the founder of and has control and influence over the operation of the following legal entities:

- Electricity Coordinating Center LLC (hereinafter: EKC), with headquarters in Belgrade, where JSC MEPSO Skopje holds equal share as the other founders in the amount of 49.548,31 euro which is 25,00% of the total founding capital,
- Office for cross border transmission capacities in South- East Europe (hereinafter: SEE CAO) with headquarters in Podgorica where JSC MEPSO Skopje has an equal share as the rest of the founders in the amount of 40 000 euro, which is 12,5 % of the total founding capital, and
- Macedonian electricity market operator MEMO SMLLC Skopje (hereinafter MEMO SMLLC Skopje) where JSC MEPSO Skopje is the founder and sole owner.

EKC, as a consulting company, has been established in 1993 with the purpose of coordinating the electricity systems of Montenegro, Serbia and the Republic of Macedonia. The founders of EKC are the four operators of the electricity transmission systems in Montenegro, Serbia, The Serb Republic and the Republic of Macedonia. EKC has grown into a legitimate consulting house on the territory of the South- East Europe, at the same time providing continuous professional support for the founders, i.e. JSC MEPSO Skopje and the other owners in the operative affairs and the area of strategic planning.

SEE CAO has been established in 2014 with the SEE CAO Founding Agreement, at the meeting of the Board of Directors held in Izmir, the Republic of Turkey in March 2014 by the electricity transmission operators of Turkey, Greece, Croatia, Montenegro, Bosnia and Herzegovina, Albania and Kosovo. JSC MEPSO Skopje on 31.05.2016 concluded an agreement and became a founder and partner in SEE CAO. SEE CAO is a regional company that organizes auctions for lease of disposable cross border capacities.

JSC MEPSO Skopje based on Article 237 item 9 from the Energy Law adopted the Decision no. 02-5479/1 from 31.08.2018 to establish the company MEMO SMLLC Skopje, with headquarters on St. "Maxim Gorki" no. 4 Skopje. MEMO SMLLC Skopje, has been registered in the Central Register of the Republic of Macedonia on 8<sup>th</sup> of October 2018.

The legal entities where JSC MEPSO Skopje participates, do not perform the activity of electricity production, distribution, trade or supply and none of them holds a licence to perform such activities which can be confirmed with the respective documentation issued by the trade register from the location where the office of those legal entities has been registered.

Considering the aforementioned, The energy Regulatory Commission concluded that JSC MEPSO meets the condition from Article 71 paragraph (4) from the Energy Law where it has been determined that the company that owns the licence for performance of the activity of electricity transmission cannot hold a

licence and cannot be included in the performance of the activities of production, distribution, trade and supply of electricity, as well as hold a licence for organizing and managing the electricity market.

#### 1.1.6. Realization of income while performing the regular energy activity of electricity transmission

According to the Energy Law, JSC MEPSO Skopje as an electricity transmission system operator, generates income from:

- the compensation charged for the utilization of the electricity transmission system,
- charge of contributions for congestion and cost incurred due to the taking over of the cross-border electricity transits in the electricity transmission grid of the Republic of North Macedonia from the operators of the electricity transmission systems from which those transits have been generated
- selling of the excess electricity supplied to cover the losses in the electricity transmission grid and electricity for own needs and the electricity supplied for compensation and
- leasing the electricity transmission infrastructure.

Taking in to consideration, according to Article 86, paragraph (8) from the Energy Law, the electricity transmission system operator is obliged to use the total revenue from the use of the interconnective powerlines for guarantee the actual availability of the allocated capacity and/or for maintaining or increasing the capacity of the existing interconnective powerlines or for investment in the transmission grid, especially in new interconnective powerlines.

The Energy Regulatory Commission with the prescriptions and methodologies for establishment of tariffs shall regulate the manner of calculation, approval and control over the regulated minimal income for the performance of the energy activity of electricity transmission.

The regulated maximal income shall determine the upper limit of the income allowed to JSC MEPSO Skopje in one calendar year.

The regulated maximal income shall be determined at a level that the regulated company is enabled to realize:

- coverage of the justified operational costs and amortization of the means for the performance of the regulated activity of electricity transmission,
- provision of a certain capital income rate which includes investments enabling, sustainable development and availability of the services being provided for all consumers of electricity at the territory of the Republic of North Macedonia.

In accordance with the determined regulated maximum income (MAR) and the determined regulated tariff for the performance of the regulated energy activity of electricity transmission JSC MEPSO Skopje , as a performer of the energy activity of electricity transmission, shall invoice the compensation for use of the electricity transmission system.

The compensation for use of the electricity transmission system shall be paid by the consumers of electricity in the Republic of North Macedonia, in accordance with the announced tariff. The electricity

transmission system operator shall invoice the compensation for the use of the electricity transmission system to:

- the consumers that are directly connected to the electricity transmission system who participate independently on the electricity market,
- the electricity producers directly connected to the electricity transmission system for the electricity taken for own needs from the electricity transmission grid,
- the suppliers, for the consumers directly connected to the electricity transmission system that do not participate independently on the electricity market and
- the operators of the electricity distribution systems or the electricity suppliers for the consumers connected to the electricity distribution systems.

The contributions for use of the electricity transmission system during individual transactions for electricity transit shall not be charged.

Based on the examination and analysis of the annual financial reports and auditory reports for 2015, 2016 and 2017 (Appendix 7) and the Decisions for approval of the regulated maximal income for 2015, 2016 and 2017, the regulated average tariff and tariffs for calculation elements for 2015, 2016 and 2017 for the performance of the regulated energy activity of electricity transmission of JSC MEPSO Skopje, it has been determined that JSC MEPSO Skopje meets the financial sustainability conditions.

According to the practice so far, JSC MEPSO Skopje does not share the dividend and shall continue to apply the same practice in the following period, i.e. the realized gaining (if there is such) shall be reinvested for the needs of expansion/ upgrade of the grid, as well as in legal and statutory reserves of JSC MEPSO Skopje.

#### 1.1.7. JSC MEPSO Skopje Audit

According to Article 478 from the Company Law, JSC MEPSO Skopje is under obligation to obtain an auditor opinion for the financial reports latest one month prior to the Shareholders Assembly.

Based on Article 383 paragraph (1) item 8) Company Law, the Shareholders Assembly of JSC MEPSO Skopje shall adopt a decision to appoint a certified auditor to audit the annual account and the financial reports, after the conducted public procurement procedure in accordance with the Law on Public Procurement. The Shareholders Assembly shall adopt a decision to appoint the certified auditor prior to the end of the business year for which the audit is being done. The Management Board, immediately after the receipt of the report on the performed audit, shall submit the report along with the annual account, financial reports and the annual report for operation of the company to the Supervisory Board. The Supervisory Board of JSC MEPSO Skopje shall examine the annual accounts and financial reports. At the request of the Supervisory Board, the certified auditor attends the meeting of the Supervisory Board. The Supervisory Board shall submit a written report to the Shareholders Assembly on the results from the performed control. In the report, the Supervisory Board shall announce the manner in which the control was performed and its scope over the management of the company during the previous business year. The report also contains its standpoint on the results of the performed audit conducted by the certified auditor on the annual account and

the financial reports and auditor remarks on the composed annual account and the financial reports and proposes their adoption or dismissal.

The audit of the annual account and the financial reports of JSC MEPSO Skopje during the period 2011-2018 has been done by the certified audit house Grant Thornton.

With the last Decision for selection of a certified auditor for audit of the annual account and the financial reports for 2018 of JSC MEPSO Skopje adopted by the new shareholder, the Ministry of Transport and Communications, no. 0201-13277/1 from 27.12.2018 Grant Thornton has been selected.

## 1.2. MEMO SMLLC Skopje

The electricity market operator shall be a company established by the electricity transmission system operator, performing the assignments referring to the organization, the efficient functioning and development of the markets with bilateral agreements and balance energy.

According to the Energy Law the company licenced to perform the activity of organization and management with the electricity market may not hold a licence to and participate in the production of electricity, transmission and electricity transmission system management, distribution, trade and electricity supply. In case when the electricity market operator is owned by the electricity transmission system operator, the electricity transmission system operator ensures its functional independence from the electricity market operator regarding the legal form, organization and decision-making.

Considering this, JSC MEPSO Skopje has founded and owns Macedonian Electricity Market Operator MEMO SMLLC Skopje (hereinafter: MEMO SMLLC Skopje), entered in the Central Registry of the Republic of North Macedonia on 8<sup>th</sup> of October 2018.

According to the Energy Law, JSC MEPSO Skopje as a licence holder for electricity transmission, cannot hold licences and be included in the performance of the activities of electricity production, distribution, trade and supply and may not hold a licence for the performance of the activity of organization and management of the electricity market. In order to meet this legal provision MEMO SMLLC Skopje on 21<sup>th</sup> of March submitted a request for issuing a licence for organizing and managing the electricity market UP1 no. 12-15/19. The procedure for issuing the licence to MEMO SMLLC Skopje for performing the energy activity organising and managing the electricity market is still in procedure.

The electricity market operator is obliged, in compliance with the Energy Law and the prescriptions and rules adopted on the basis of the Energy Law, to:

- administer the electricity market with bilateral agreements,
- calculate the deviations of the balance responsible parties as well as the draft calculation for the cost of the deviation according to the electricity measuring, activated quantities of the balancing services for each service provider, the settlement price and the final daily agenda received from the electricity transmission system operator and the electricity distribution system operator,

- timely submit all information necessary for the preparation of the final daily agendas for purchase and selling of electricity in the Republic of North Macedonia to the electricity transmission system operator,
- keep records of all agreements on the market participation concluded with the participants on the electricity market,
- keep records of all agreements for the formation of balance groups concluded between the electricity market participants and the electricity market operator,
- prepare a daily market agenda,
- keep a registry of the market participants,
- announce information needed for unobstructed organization of the electricity market,
- timely submit all information on the registered participants in the electricity transmission market to the electricity transmission system operator,
- provide the necessary services for the electricity supplier of last resort to properly meet the needs of their consumers.
- conclude agreements for purchasing and selling, as well as taking balance responsibility for the produced electricity from the privileged producers using privileged tariff, as per the Energy Law.

According to Article 91 from the Energy Law, the electricity market operator shall calculate and invoice the compensation for the use of the electricity market based on the announced transactions, by applying the tariff determined in the decision adopted by the Energy Regulatory Commission.

### 1.3. JSC ELEM SKOPJE

JSC ELEM SKOPJE as one of the four legal entities that were created in the process of reconstruction of “JSC Elektrostopanstvo na Makedonija” has been separated in an independent legal entity as a “Joint-stock company for production of electricity, Macedonian Power Plants, in state ownership, Skopje” with a Government Decision no. 19-2626/1 from 30.06.2005.

JSC ELEM SKOPJE has been entered in the Trade Register of the Court of First Instance Skopje 1 Skopje.

JSC MEPSO Skopje and JSC ELEM SKOPJE are state owned companies, which are independent in their ownership structure and management bodies. After the adoption of the Decision for transfer of shares from the ownership of the Government into the ownership of the Ministry of Transport and Communications, no. 44-6841/1 from 24<sup>th</sup> of July 2018, the sole shareholder and owner of JSC MEPSO Skopje is the Ministry of Transport and Communications while JSC ELEM SKOPJE remained fully owned by the state.

Based on Article 3 paragraph (1) of the Law on Use and Disposal of the State Property and Municipal Property, the Government disposes of the state property used by the state bodies and state founded legal entities, if not regulated otherwise by this or another law.

According to Article 2 paragraph (4) from the Law on Privatization of State Capital of Enterprises state capital covers the shares of the Republic of Macedonia and the state government bodies in the enterprises and banks, i.e. trade companies acquired on various bases in accordance with the law. Article 2-a of this Law determines that state bodies shall be the ministries and other bodies of the state administration. According to Article 3 of the same Law, the trade companies issue regular shares or share confirmations to the Republic of Macedonia, i.e. the bodies of the state administration for the value of the state capital.

According to the aforementioned and considering the provisions from the Law on Use and Disposal of the State Property and Municipal Property, i.e. that the Government disposes of the state capital, the Government owns the JSC ELEM SKOPJE shares as well. The management with JSC ELEM SKOPJE is organized in a two- instance system with a Supervisory Board and a Management Board. The members of the Supervisory Board are appointed by the Government in the capacity of Shareholders Assembly of JSC ELEM SKOPJE, while the members of the Management Board are appointed by the Supervisory Board.

The Management Board is composed of the following members:

- Dragan Minovski PhD- President of the Management Board and General Manager
- Fatmir Limani- member of the Management Board and Vice General Manager
- Gjorgji Mihailov- member of the Management Board and Manager for Legal and General Affairs
- Blagojche Trpovski- member of the Management Board and Electricity Production Manager
- Ivan Trpeski- member of the Management Board and Investment Development Manager
- Dobrila Stefanoska- member of the Management Board and Financial Affairs Manager
- Marjancho nikolov- member of the Management Board and Commercial Affairs Manager

The Supervisory Board is composed of the following members:

- Verica Uzunova- President of the Supervisory Board
- 
- Ljubco Kizevski- member of the Supervisory Board
- Zlatko Petreski- member of the Supervisory Board
- Sasho Dodovski- member of the Supervisory Board
- Sadudin Ibraimi- Independent member of the Supervisory Board

According to Article 348 paragraph (1) item 3) the appointed members of the Management and Administrative Board of JSC ELEM SKOPJE are not members of a management i.e. supervisory body in another company having the same or similar scope of operation as the company in question.

The organizational parts of JSC ELEM SKOPJE are the directorate and seven subsidiaries which do not have the capacity of a legal entity. The directorate has its headquarters in Skopje and the subsidiaries are the following:

- REK (Mining and Energy Combine) "Bitola" –Novaci, with headquarters in Novaci,
- REK "Oslomej"- Oslomej with headquarters in Oslomej,

- HEC (Hydroelectric power plant) “Mavrovo” - Gostivar, with headquarters in Gostivar
- HEC “Crn Drim” - Struga with headquarters in Struga,
- HEC “Treska” - Skopje with headquarters in Skopje,
- HEC “Tikvesh” - Kavadarci with headquarters in Kavadarci and
- “Energetika” - Skopje with headquarters in Skopje.

Each subsidiary is managed by a manager, i.e. managers appointed by the Management Board. The subsidiaries of JSC ELEM SKOPJE are organized with an act of the Management Board after a prior approval of the Supervisory Board.

The principal capital of JSC ELEM SKOPJE is 31.738.878.000 denars or 517.818.006 euro. The principal capital of the company is divided into 31.738.878 regular shares with nominal value of 1.000 denars.

According to the practice so far, JSC MEPSO Skopje does not share the dividend and shall continue to apply the same practice in the following period, i.e. the realized gaining (if there is such) shall be reinvested for the needs of expansion/ upgrade of the grid, as well as in legal and statutory reserves of JSC MEPSO Skopje.

The audit house RSM Makedonija SMLLC Skopje has been selected to audit the annual account and financial reports of JSC ELEM SKOPJE is the founder of the following limited liability companies founded by a single person:

- Company for tourism, catering, recreation and sport ELEM TURS SMLLC Skopje, founded in 2012 to which joined DUT Molika SMLLC – Bitola and DUT Popova Shapka SMLLC - Tetovo from 1<sup>st</sup> of November 2012,
- ELEM TRADE SMLLC – Skopje founded in 2009,
- Equipment and parts factory FOD SMLLC- Novaci, JSC ELEM SKOPJE, founded in 1997,
- Maintenance, repair and transport factory FORT SMLLC- Oslomej, JSC ELEM SKOPJE, founded in 1996.

As the biggest producer of electricity in the Republic of North Macedonia, JSC ELEM SKOPJE meets the needs of over 55% of the electricity consumers in the Republic of North Macedonia. JSC ELEM SKOPJE owns the following production capacities:

- two thermoelectric power plants (TE REK “Bitola” and TE Oslomej) with total installed power of 825 MW,
- eight hydroelectric power plants (HE (Hydroelectric power plant) Kozjak, HE Globochica, HE Shpilje, HE Tikvesh, HE Vrutok, HE Vrben, HE Raven and HE St. Petka) with total installed power of 560,8 MW,
- one combined plant for production of electricity and thermal energy with total installed power of 30 MW and
- wind power plant with total installed power of 36,8 MW

According to Article 20 paragraph (1) item 13 and 15, the Management Board of JSC ELEM SKOPJE adopts decisions for investments and the annual investment programme which has been preapproved by the ELEM Supervisory Board.

JSC ELEM SKOPJE, as of 18<sup>th</sup> of November 2005, is licenced to perform the energy activity of electricity production valid until 24<sup>th</sup> of December 2049. In addition to the licence for electricity production, JSC ELEM SKOPJE also holds licences for:

- thermal energy production,
- thermal energy distribution,
- thermal energy supply,
- electricity distribution and
- electricity supply.

In accordance with the Energy Law JSC ELEM SKOPJE is no longer a regulated electricity producer.

#### 1.4. GA- MA Skopje

GA- MA Skopje is a state-owned company and state-controlled company. GA- MA Skopje performs the energy activity of natural gas transmission and is a company that does not perform electricity transmission and is independent from such activities.

The joint stock company GA- MA Skopje hereinafter: GA- MA Skopje) has been established with a Decision adopted by the Government on 14<sup>th</sup> of June 2006 for transformation of the GA- MA company. The shareholder capital of GA- MA Skopje comprises the gas pipeline system of the Republic of North Macedonia realized up until the establishment of GA- MA Skopje, including 30<sup>th</sup> of June 2006.

In the ownership structure of GA- MA Skopje, the Government's share is 50% of the total capital, and 50% of the total capital is owned by MAKPETROL Skopje. MAKPETROL Skopje owns the Trade Company "MAKPETROL PROM- GAS" SMLLC Skopje that performs the energy activity of natural gas supply. As it emerges from the aforementioned, GA- MA Skopje as a performer of the energy activity, has no affect and control over the operation and decision- making of JSC MEPSO Skopje.

The main activity of GA- MA Skopje is to manage the gas pipeline system of the Republic of North Macedonia in accordance with the provisions from the Energy Law.

The natural gas market in the Republic of North Macedonia has been fully liberalized since 01.01.2015.

GA- MA Skopje holds the management and transmission licences for the natural gas transmission system:

- licence to perform the energy activity of natural gas transmission valid until 25<sup>th</sup> of October 2040 and
- licence to perform the energy activity of management of the natural gas transmission system valid until 25<sup>th</sup> of October 2040.

The GA- MA Skopje management has been organized in a one instance management system with Board of Directors. The Board of Directors is composed of six members, four of which are non- executive

and two are executive. The board members are appointed for a period of six years. The Board of Directors is composed of the following members:

- Sasha Lekikj – President of the Board of Directors, nominated by Makpetrol Skopje
- Radko Manov- Executive Manager, nominated by Makpetrol Skopje
- Aleksandar Arsikj- Executive Manager, nominated by the Government
- Rafis Aljiti- non- executive member, nominated by the Government
- Risto Talevski- independent non- executive member, nominated by the Government
- Ljube Gjorgievski- independent non- executive member, nominated by Makpetrol Skopje

According to Article 348 paragraph (1) item 3) the appointed members of the Management and Supervisory Board of ELEM are not members of a management i.e. supervision body in another company having the same or similar scope of operation.

GA- MA Skopje is organized in six sectors:

- Economic, Legal and Personnel Issues Sector,
- Exploitation and Maintenance Sector,
- MRS and MMRS Dispatch Center Sector,
- Development, Investment and Design,
- Metrology and Gas Reception – Zidilovo and
- Technical Preparation Sector.

The Republic of North Macedonia does not have its own natural gas sites and is connected only with one main gas pipeline. The entire amount of natural gas is imported from the Russian Federation through the International Corridor 8 which passes through the Republic of Ukraine, Republic of Moldova, Romania and Republic of Bulgaria. The gas pipeline enters the Republic of Macedonia at Deve Bair, by the border with the Republic of Bulgaria and extends from Kriva Palanka, Kratovo, Kumanovo to Skopje with a total length of 98,197 km, of diversified gas pipeline network of the magistral line to Kriva Palanka, Kratovo, Kumanovo, the Technological and Industrial Development Zone Skopje (Bunardzik) and the City of Skopje with length of 32 km and city pipeline network of 50, 93 km (in Kriva Palanka, Kratovo, Kumanovo and Skopje). The transmission system comprises a main measuring station at the entrance of the Republic of North Macedonia, six main regulatory stations set at the entrance of Kriva Palanka, Kratovo, Kumanovo, two in Skopje (Skopje North and Skopje South) and one in the Technological and Industrial Development Zone Skopje, 52 measuring and regulation stations and three measuring stations.

The total capacity of the natural gas transmission system is 800 million nm<sup>3</sup>/annually, with an operative pressure of 54 bar and diameter of the magistral line of 530 mm. The capacity may be increased to 1.200 million nm<sup>3</sup>/annually by construction of a compression station at the initial part of the magistral gas pipeline. The maximal transmittance of the magistral gas pipeline is 180.000 nm<sup>3</sup>/per hour.

According to Article 53 paragraph (2) item 6 from the Statute of GA- MA Skopje the Board of Directors of GA- MA adopts decisions for conclusion of contracts for investment or other funding types.

## 2. Technical characteristics of the electricity transmission system

JSC MEPSO Skopje, as the electricity transmission system operator, maintains, upgrades and expands the transmission grid, manages the electricity system of the Republic of North Macedonia and ensures connection of the transmission system with the transmission systems of the neighboring countries, in order to provide secure supply of the electricity consumers.

The Ministry of Transport and Communications of the Republic of North Macedonia owns JSC MEPSO Skopje, while JSC MEPSO Skopje owns the electricity transmission grid composed of transformer stations, line infrastructural facilities- powerlines, plants, facilities and means which serve the purpose of performing the energy activity of electricity and management of the electricity transmission system (Appendix 19, 20, 27, 28, 29 and 30).

The main pillar of the electricity transmission grid in the Republic of North Macedonia are the 400 kV powerlines. These powerlines form a 400 kV ring that connects the largest consume located in the north part, where the largest production facilities are located, as well as the south part of the Republic of North Macedonia, where the consume is significantly smaller. Also the 400 kV powerlines serve to interconnect with the neighboring electricity systems.

The electricity transmission system of the Republic of North Macedonia is connected with four neighboring countries through five 400 kV interconnections such as:

- Republic of Kosovo, in the north, 400 kV powerline, TS Skopje 5 – TS (transformer station) Ferizaj 2,
- Republic of Serbia, in the north, 400 kV powerline TS Shtip - TS Vranje 4,
- Republic of Bulgaria in the east, 400 kV powerline TS Shtip - TS Mogila and
- Republic of Greece, in the South, two 400 kV powerlines TS Bitola 2 - TS Meliti and TS Dubrovo - TS Thessaloniki.

Also, there are two electricity transmission interconnections in the north with the Republic of Kosovo at 220 kV voltage level, TS Skopje 1 - TS Kosovo A, however these connections are not under voltage, though they actually exist. These electricity transmission interconnections are being stored in order to maintain the air corridor, in case some other project comes in the future that would be of regional interest envisaging a new 400 kV connection with the Republic of Kosovo.

Also, there is another 150 kV connection with the Republic of Greece, which is 23 km long, but it is not being used.

With the electricity market development, as well as with the unification in one regional electricity market, the interconnections receive a role of main energy corridors through which a significant number of electricity transactions are being performed daily.

The 110 kV electricity transmission network is the most diversified and the most developed one and it connects the large hydro and thermoelectric power plants, as well as all larger populated areas, as well as industrial centers. The connection between 400 kV and 110 kV transmission network is being exercised through the five transformer stations: TS Skopje 4, TS Skopje 5, TS Bitola 2, TS Dubrovo and TS Shtip.

JSC MEPSO Skopje, as operator of the electricity transmission system, functions at 400kV and 110kV voltage level, while the powerlines that function at 220 kV and 150 kV voltage level are being stored for future projects envisaged in the future development plans.

JSC MEPSO Skopje disposes of total length of the electricity transmission grid of 2.255,12 km, 577 km of which are at 400 kV, 38 km at 220 kV, 23 km at 150 kV, 1.609,76 km at 110 kV and 7,8 km at 35 kV voltage level. Also, JSC MEPSO Skopje has 7.060 beams, 5.581 of which are steel single system, 644 are steel double system and 737 are concrete.

At the 400 kV voltage level there are 1.556 steel single system beams, at the 220 kV voltage level, there are 94 steel single system beams, at 150 steel single system beams there are 94 steel single system beams, at 110 kV voltage level there are 3.834 steel single system beams, 644 steel double system beams and 718 concrete beams and at 35 kV voltage level there are 25 steel single system beams and 19 concrete beams.

The powerlines, 17 in total, are owned and disposed of by JSC MEPSO Skopje. In the Real Estate Cadaster Agency of the Republic of North Macedonia, 50 powerlines have been entered into record sheets for infrastructure facilities owned by JSC MEPSO Skopje. For 57 out of 107 of the powerlines, which are also owned and disposed of by JSC MEPSO Skopje, the procedure for ownership rights registering is still underway in the Real Estate Cadaster Agency of the Republic of North Macedonia, in compliance with the Frame Agreement no. 03-51/2 from 7.02.2017.

### 1. Table overview of 400 kV Powerlines

Ordinal number	Powerline number	Powerline name	Length (km)	Ownership	Record sheet
1	001	TS Bitola 2 -TE Bitola 2	0,75	JSC MEPSO Skopje	607
2	002	TS Skopje 5 - TS Skopje 4	0,75	JSC MEPSO Skopje	609
3	420/1	TS Skopje 5 – Kosovo B	22,42	JSC MEPSO Skopje	700
4	420/2	TS Skopje 5 - TS Skopje 4	20,13	JSC MEPSO Skopje	673
5	421	TS Skopje 4 - TS Dubrovo	82,40	JSC MEPSO Skopje	ongoing
6	422	TS Dubrovo – Greek border	54,70	JSC MEPSO Skopje	662
7	446	TS Bitola 2 – TS Dubrovo	83,40	JSC MEPSO Skopje	ongoing
8	447	TS Bitola 2 - TS Skopje 4	113,48	JSC MEPSO Skopje	845
9	448	TS Dubrovo - TS Shtip	40,70	JSC MEPSO Skopje	875
10	450	TS Bitola 2 – Greek border	17,30	JSC MEPSO Skopje	1078
11	449	TS Shtip – Bulgarian border	71,20	JSC MEPSO Skopje	ongoing
12	423	TS Shtip – Serbian border	69,83	JSC MEPSO Skopje	ongoing
<b>Total</b>			<b>577,06</b>		

### 2. Table overview of 220 kV Powerlines

Ordinal number	Powerline number	Powerline name	Length (km)	Ownership	Record sheet
1	212	TS Skopje 1 -TE Kosovo A	19	JSC MEPSO Skopje	601
2	215	TS Skopje 1 – TE Kosovo B	19	JSC MEPSO Skopje	599
<b>Total</b>			<b>38</b>		

### 3. Table overview of 150 kV Powerlines

Ordinal number	Powerline number	Powerline name	Length (km)	Ownership	Record sheet
1	150	TS Bitola 1 – Greek border	23	JSC MEPSO Skopje	663
<b>Total</b>			<b>23</b>		

### 4. Table overview of 110 kV Powerlines

Ordinal number	Powerline number	Powerline name	Length (km)	Ownership	Record sheet
1	101/1	TS Skopje 1 – TS Skopje 4	17,18	JSC MEPSO Skopje	677
2	101/2	TS Skopje 4 – TS Petrovec	11,00	JSC MEPSO Skopje	519
3	101/3	TS Petrovec – TS Veles	26,00	JSC MEPSO Skopje	873
4	102	TS Skopje 1 – TS General Jankovikj	17,60	JSC MEPSO Skopje	ongoing
5	103/1	TS Jugohrom – TS Tearce	4,30	JSC MEPSO Skopje	ongoing
6	103/2	TS Tearce – TS Tetovo1	21,30	JSC MEPSO Skopje	ongoing
7	103/2B	TS Polog– TS Tetovo1	18,60	JSC MEPSO Skopje	ongoing
8	104	TS Skopje 1 – TS Jugohrom	51,50	JSC MEPSO Skopje	ongoing
9	105/1	TS Veles – TS Ovche Pole	20,90	JSC MEPSO Skopje	404
10	105/2	TS Ovche Pole – TS Shtip	17,90	JSC MEPSO Skopje	1274
11	106/2	TS Oslomej– TS Kichevo	15,00	JSC MEPSO Skopje	514
12	107/1	TS Kichevo – TS Sopotnica	33,30	JSC MEPSO Skopje	835
13	107/2	TS Sopotnica – TS Bitola 1	30,70	JSC MEPSO Skopje	511
14	108/1A	TS Gostivar– TS Jugohrom	36,90	JSC MEPSO Skopje	ongoing
15	108/1B	TS Jugohrom – TS Skopje 3	41,50	JSC MEPSO Skopje	ongoing
16	108/2	TS Skopje 3 – TS Gj. Petrov	20,80	JSC MEPSO Skopje	675
17	108/3	TS Gj. Petrov – TS Skopje 1	11,10	JSC MEPSO Skopje	593
18	109	TS Bitola 1 – TS Prilep1	33,70	JSC MEPSO Skopje	834
19	1101	TS Skopje 4 – TS Skopje 2	10,00	JSC MEPSO Skopje	ongoing
20	110/3	TS Skopje 4 – TS TE-TO	5,60	JSC MEPSO Skopje	ongoing
21	110/2	TS Skopje 1 – TS TE-TO	10,40	JSC MEPSO Skopje	ongoing
22	111	Vrutok– HEC Shpilje	45,50	JSC MEPSO Skopje	ongoing
23	112	HEC Shpilje – HEC Globocica	13,50	JSC MEPSO Skopje	ongoing
24	113/1A	TS Veles – TS Veles 2	3,60	JSC MEPSO Skopje	997
25	113/1B	TS Veles 2 – TS Zrnovci	10,90	JSC MEPSO Skopje	ongoing
26	113/2	TS Zrnovci – TS Kavadarci	26,20	JSC MEPSO Skopje	979
27	114	HEC Tikvesh– TS Kavadarci	8,10	JSC MEPSO Skopje	596
28	115	TS Shtip – TS Koshani	27,80	JSC MEPSO Skopje	497
29	116	TS Shtip – TS Probishtip	25,20	JSC MEPSO Skopje	1273
30	117/1	TS Kavadarci– TS Dubrovo	13,30	JSC MEPSO Skopje	ongoing
31	117/2	TS Dubrovo – TS Valandovo	39,30	JSC MEPSO Skopje	ongoing
32	118	TS Valandovo – TS Strumica2	15,60	JSC MEPSO Skopje	975
33	119/1	TS Skopje 1 – TS Kumanovo1	25,70	JSC MEPSO Skopje	964
34	119/2	TS Kumanovo– TS Kratovo	33,50	JSC MEPSO Skopje	ongoing
35	119/3	TS Kratovo – TS Probishtip	17,50	JSC MEPSO Skopje	ongoing
36	120/1	HEC Globocica- - TS Struga	32,40	JSC MEPSO Skopje	553
37	120/2	TS Struga – TS Ohrid1	26,30	JSC MEPSO Skopje	833

38	121/1	TS Ohrid 2 – TS Resen	35,20	JSC MEPSO Skopje	836
39	121/2	TS Resen – TS Bitola 4	26,20	JSC MEPSO Skopje	516
40	121/3	TS Bitola4 – TS Bitola 1	6,20	JSC MEPSO Skopje	725
41	122	TS Kavadarci– TS Prilep1	44,00	JSC MEPSO Skopje	ongoing
42	125	TS Skopje 1 – TS Miladinovci 1	17,00	JSC MEPSO Skopje	520
43	126	TS Skopje 1 – TS Miladinovci 2	17,00	JSC MEPSO Skopje	332
44	127	TS Veles – TS Topolnica1	2,30	JSC MEPSO Skopje	980
45	128	TS Veles – TS Topilnica2	2,40	JSC MEPSO Skopje	ongoing
46	130/1	TS Skopje 3 – TS Skopje 4	15,60	JSC MEPSO Skopje	448
47	130/2	TS Skopje 4 – TS Skopje 2	4,30	JSC MEPSO Skopje	447
48	131/1	TS Shtip – TS Shtip 2	5,40	JSC MEPSO Skopje	ongoing
49	131/2	TS Shtip 2 – TS Bushim	21,80	JSC MEPSO Skopje	ongoing
50	132/1	TS Buchim– TS Radovish	10,50	JSC MEPSO Skopje	ongoing
51	132/2	TS Radovish- TS Strumica1	29,80	JSC MEPSO Skopje	851
52	136 AB	TS Bitola 1 – TS Bitola 2	13,00	JSC MEPSO Skopje	721
53	137	TS Dubrovo – TS Buchim	32,00	JSC MEPSO Skopje	ongoing
54	140	TS Strumica1 – TS Sushica	16,90	JSC MEPSO Skopje	ongoing
55	141	TS Sushica– Bulgarian Border11,10	11,10	JSC MEPSO Skopje	ongoing
56	142	TS Skopje 4 – EVP Drachevo	1,11	JSC MEPSO Skopje	590
57	143/1	TS Samokov – HEC Kozjak	24,90	JSC MEPSO Skopje	ongoing
58	143/2	HEC Kozjak – HEC St. Petka	10,40	JSC MEPSO Skopje	ongoing
59	143/3	HEC St. Petka – TS Skopje 3	18,90	JSC MEPSO Skopje	ongoing
60	144	TE Oslomej– TS Samokov	17,50	JSC MEPSO Skopje	ongoing
61	145/1	TS Skopje 5 – TS Bunardzik	12,00	JSC MEPSO Skopje	ongoing
62	145/2	TS Bunardzik – TS Refinery	7,40	JSC MEPSO Skopje	ongoing
63	149 AB	TS Bitola 2 – TS Suvodol	3,10	JSC MEPSO Skopje	725
64	151	TS Bitola 2 – TS Bitola 1	0,90	JSC MEPSO Skopje	608
65	152	TS Bitola 2 – TS Bitola 1	0,90	JSC MEPSO Skopje	606
66	153	TS Bitola 2 – TE Bitola 2	0,90	JSC MEPSO Skopje	1077
67	159 AB	TS Kumanovo1 – TS Kumanovo2	4,50	JSC MEPSO Skopje	ongoing
68	162	TS Veles – TS Veles 1	3,00	JSC MEPSO Skopje	ongoing
69	163 AB	TS Dubrovo – TS Feni	19,10	JSC MEPSO Skopje	ongoing
70	164 B	TS Bitola 2 – TS Bitola 3	12,20	JSC MEPSO Skopje	722
71	164/1A	TS Bitola 2 – TS Bitola 4	25,00	JSC MEPSO Skopje	1144
72	164/2A	TS Bitola 4 – TS Bitola 3	14,50	JSC MEPSO Skopje	1142
73	165 A	HEC Tikvesh– TS Feni	4,30	JSC MEPSO Skopje	ongoing
74	170	TS M. Kamenica – TS Drachevo	18,50	JSC MEPSO Skopje	ongoing
75	171	TS Koshani – TS M. Kamenica	23,00	JSC MEPSO Skopje	ongoing
76	172	TS K. Palanka – TS Kratovo	20,30	JSC MEPSO Skopje	ongoing
77	173	TS Radovish – TS Berovo	38,20	JSC MEPSO Skopje	ongoing
78	176	TS Strumica1 – TS Strumica 2	19,00	JSC MEPSO Skopje	ongoing
79	177	TS Kumanovo 2 – TS Refinery	17,00	JSC MEPSO Skopje	ongoing
80	178 AB	TS Valandovo – TS Miletkovo	6,30	JSC MEPSO Skopje	ongoing
81	180	TS K. Palanka – Bulgarian Border	12,80	JSC MEPSO Skopje	ongoing
82	181	TS Bitola 2 – TS Bitola 3	0,90	JSC MEPSO Skopje	1079
83	183	TS Ohrid 2 – TS Ohrid3	3,50	JSC MEPSO Skopje	ongoing

84	184	TS Berovo – TS Delchevo	33,53	JSC MEPSO Skopje	ongoing
85	185	TS Tetovo 1 – TS Tetovo 2	3,50	JSC MEPSO Skopje	ongoing
86	188	TS Oslomej– TS Gostivar	36,52	JSC MEPSO Skopje	ongoing
87	189	TS Veles 1 – TS Veles 2	1,40	JSC MEPSO Skopje	ongoing
88	190	HEC Vrutok– TS Polog	15,30	JSC MEPSO Skopje	ongoing
89	194	HEC Vrutok– TS Gostivar	8,30	JSC MEPSO Skopje	ongoing
90	198	TS Vrutok– TS Skopje 1	65,20	JSC MEPSO Skopje	ongoing
<b>Total</b>			<b>1609,76</b>		

#### 5. Table overview of 35 kV Powerlines

Ordinal number	Powerline number	Powerline name	Length (km)	Ownership	Record sheet
1	35	TS Samokov - Samokov	5,30	JSC MEPSO Skopje	ongoing
2	37	TS Skopje 2 – TE Skopje 4	2,50	JSC MEPSO Skopje	ongoing
<b>Total</b>			<b>7,80</b>		

The transformer stations with transmission ratio of 400/110 kV/kV, which are five in total, are owned and disposed of by JSC MEPSO Skopje. The transformer stations with transmission ratio of 110/xx kV/kV which are 13 in total, are divided regarding the ownership, 11 of them are owned by JSC MEPSO Skopje and 2 are co-owned by EVN Makedonija JSC Skopje and Jugohrom Jegunovce, with the ownership separation limit of 110 kV transformer field or in 110 kV collection points.

Three of the transformer stations, owned and disposed of by JSC MEPSO Skopje, are still under procedure for ownership right registration in the Real Estate Cadaster Agency of the Republic of North Macedonia, according to the Request for ownership right registration in the Real Estate Cadaster Agency no. 02-314 from 17.01.2019.

#### 6. Table overview of TS

Ordinal number	Name of TS	Voltage level	Ownership	Deed
1	TS Skopje 4	400/100	JSC MEPSO Skopje	4770
2	TS Skopje 5	400/100	JSC MEPSO Skopje	1040445
3	TS Shtip	400/100	JSC MEPSO Skopje	57, 91135, 193
4	TS Bitola2	400/100	JSC MEPSO Skopje	273
5	TS Dubrovo	400/100	JSC MEPSO Skopje	125
6	TS Skopje 1	110/xx	JSC MEPSO Skopje	1040445
7	TC Kavadarci	110/xx	JSC MEPSO Skopje	1642
8	TS Bashino Selo	110/xx	JSC MEPSO Skopje	50688
9	TS Samokov	110/xx	JSC MEPSO Skopje	445
10	TS Skopje 2	110/xx	JSC MEPSO Skopje	105195
			ongoing	105194
11	TS Petrovec	110/xx	JSC MEPSO Skopje	990
12	TS TE –TO	110/xx	JSC MEPSO Skopje	9106
13	TS Tearce	110/xx	JSC MEPSO Skopje / EVN	1017
14	TS Jugohrom	110/xx	JSC MEPSO Skopje/ Jugohrom	598, 596
15	TS Buchim	110/xx	ongoing	103

16	TS Skopje 3	110/xx	ongoing	12194
17	TS Shtip 1	110/xx	JSC MEPSO Skopje	91135
18	TS EMO Ohrid	110/xx	JSC MEPSO Skopje	1082

Several production capacities in the Republic of North Macedonia have been connected to the electricity transmission grid. TEC (Thermoelectric Power Plant) Bitola 1, 2 and 3, owned by JSC ELEM SKOPJE, has been connected at a voltage level of 400 kV. TEC Oslomej, TEC Negotino, as well as six large hydro power plants such as: HEC Vrutok, HEC St. Petka, HEC Kozjak, HEC Spilje, HEC Globochica and HEC Tikvesh (all HECs are owned by JSC ELEM SKOPJE) have been connected to the electricity transmission grid at 110 kV voltage level. Also, WEC Bogdanci (owned by JSC ELEM SKOPJE), as well as co-generation power plant TE-TO which is privately owned have been connected to the wind farm and electricity transmission grid at 110 kV voltage level.

The total installed power of thermoelectric power plants connected to the electricity transmission grid is 1.035 MW, for the hydroelectric power plants is 574,6 MW, 227 MW for co-generating electric power plants and 36,8 MW for wind power plants.

Eight large consumers have also been connected to the electricity transmission grid: ArcelorMittal Skopje, Feni Industry, JSC Kavadarci, Makstil JSC, OKTA Oil Refinery JSC Skopje, Skopski Leguri SMLLC Skopje, Usje Cement Factory, Buchim SMLLC Radovish and Jugohrom Ferroalloys SMLLC Jegunovce. Also, two electricity distribution systems have been connected to the electricity transmission grid, Elektrodistribucija SMLLC Skopje and JSC ELEM SKOPJE – Zelezara subsidiary.

A capital project which is enormously significant for JSC MEPSO Skopje is the connection of the electricity transmission system of the Republic of North Macedonia to the electricity transmission system of the Republic of Albania. The Energy Community has adopted the project for construction of a 400 kV powerline Bitola- Elbasan, which is especially significant for the Republic of North Macedonia. This project will conclude the construction of the corridor eight which will connect the Republic of Bulgaria, Republic of North Macedonia, Republic of Albania, Republic of Montenegro and the Republic of Italy. This project would enable regional connection of the electricity market. The project is under procedure of tender documentation announcement for the 400 kV powerline Bitola- Elbasan, then the next stage would be to resolve the expropriation of the site and the conclusion of this project is expected to be in 2022. This project which is of national and regional interest is envisaged to unite the electricity markets and contribute to their mutual cooperation. The project foresees construction of a 400 kV powerline from Bitola to the border of the republic of North Macedonia with a total length of 92 km, as well as construction of 400 kV transformer stations in Bitola and Ohrid.

A capital project envisaged for the future is the construction of 400 kV interconnection with the Republic of Kosovo by using the 220 kV corridor TS Skopje 1 - TS Kosovo A and construction of a new 400 kV powerline.

A capital project envisaged for the future is also the construction of a new TS 400/110 kV Kumanovo with installed power capacity of  $S_n=300$  MVA as well as a new network of 110 kV lines and redistribution of the loads between 110 kV TC Kumanovo1, 110 kV TC Kumanovo 2 and the new 110 kV TC Kumanovo 3. This project has been envisaged due to anticipation of increase of the load in the mid- term and long-

term period in the north- east region as well as provision of operative security of the system meeting the N-1 criterion in case of disrupted operation regiment.

In the north- west region of the electricity transmission grid a new project is being planned and is to be accomplished within the period from 2019 to 2023. This project envisages construction of double system 110 kV powerline from HEC Vrutok to TS Tetovo 1 and reconfiguration of the transmission grid in the region. JSC MEPSO Skopje is going to take measures in 2019 in order to complete the construction of the third section from TS Polog to TS Tetovo1 thus finishing the construction of the double system line from HEC Vrutok to TS Tetovo. In order to resolve the limit loads that occur upon outage of the 110 kV powerline Vrutok- Tetovo1, the Transmission Grid Development Study proposes connection of the existing 110 kV powerline Vrutok- Skopje 1 using the entry/ exit principle in TS Tetovo 1 thus performing additional reconfiguration in the Polog region and form new connections:

- HEC Vrutok – TS Tetovo 1 and
- TS Tetovo1 – TS Skopje 1.

According to Article 19 paragraph (1) item 6 and paragraph (2) item 7 from the Statute of JSC MEPSO Skopje, the Management Board adopts decisions for investments upon previous approval of the Supervisory Board.

## 2.1. National Dispatch Center

The SCADA/EMS system is competent for the functioning of the technical system for control and management with the electricity system of the Republic of North Macedonia. The management of the electricity transmission grid is based on acquisition, processing and presentation of data and their management with the surveillance, management and data acquisition system- SCADA/EMS. The Spectrum Power 4.7 System has been supplied from Siemens AG Austria and is comprised of hardware and software platform installed in 2014.

This system is based on acquisition of data and measuring from the transformer stations and the production capacities connected to the network of JSC MEPSO Skopje. The hardware platform is composed of redundant servers and operative stations and archiving system that enable unobstructed and constant operation of the SCADA/EMS system. JSC MEPSO Skopje disposes of two such systems, one of which is the main one and is situated in the National Dispatch Center in Skopje and the other one is at a remote location.

The computer platform is based on IBM x3650-M4 servers with SOLARIS 10 (UNIX) operative system (all servers, operative stations, except the Market Operator and Human Machine Interface which have Windows Server 2008 R2 Standard OS).

The transformer stations use the following tele- control protocols to communicate with the final stations:

- IEC 60870-5-101 which provides possibility for communication with RTU through series of leased phone lines or own grid,
- IEC 60870-6 also known as TASE.2 or ICCP – facility oriented protocol for communication in real time between the management systems such as the other control centers, electric power plants and Electronic Highway of EHTS O-E. That enables communication, i.e. real time data exchange,

management of switches and disconnectors of the hydroelectric power plants and lines, as well as inflow, stopping and provision of the necessary power used for the operation of the aggregates in the electric power plants (any operation regiment in AGC or monitoring of the daily "traffic"),

- IEC 60870-5-104 which provides opportunity for communication with RTU and use of the TCP/IP as main protocol.

Electronic Highway system is used for communication with the control centers from ENTSO-E, and uses the IEC 60870-6 protocol (TASE.2 or ICCP).

Electronic Highway: is a private grid of the European electricity transmission operators (completely separate from the internet) enabling high level of reliable exchange of real-time and non- real-time information and insight in the current conditions of the larger energy facilities from the neighboring countries, as well as direct communication of the transmission operators through the respective applications offered by this system.

The EHTSO-E system, referred to as Entso-E Awareness System (EAS) is also connected through the infrastructure of Electronic Highway, and its purpose is to improve the observability, cooperation and exchange of data among the neighboring ENTSO-E control centers in order to prevent, coordinate and assist in case of possible energy incident, as well as the possibility to assist during reestablishment of the energy systems.

The OPDE platform - Operational planning data environment serves for operational data exchange outside the real time, as well as market oriented data (CGM data) and it functions through the infrastructure of the private network of EHTS O-E referred to as ATOM.

The visual display of graphic information generated from the calculating configuration of the technical system for national dispatch center management of JSC MEPSO Skopje is realized through the rear projection system BARCO connected to Siemens Spectrum Power through the Local Area Network.

JSC MEPSO Skopje disposes of a System for Remote, Automatic Acquisition and Processing of Data from Measuring Devices, "Automated Meter Reading" (AMR) and "Meter Data Management" (MDM) a type of IDSpecto of the Gorlitz manufacturer from Germany, implemented in December 2013 and expended and upgraded in 2018.

IDSpecto system has the following functions:

- remote reading (acquisition) of data from the measuring devices according to previously given schedule as well as irregular collection of requests of the users and their storage in the MS SQL base.
- monitoring over the acquisition process of the measuring devices, accuracy check, data validation and substitution,
- data processing, mathematic calculations and calculations of data on load curves and registers, comparative analysis and calculations through previously given configured formulas,
- storage of historic data from the measuring devices (minimum of 10 years),
- preparation of monthly invoices for electricity transmission,

- distribution of data in standardized formats (XML, XSL, XSLX,) for the needs of the operator of the electricity market, JSC ELEM SKOPJE, Elektrodistribucija SMLLC Skopje, NDC- MEPSO, direct consumers, electricity market participants, as well as exchange of data with other information systems (SCADA/EMS/MMS).
- web application of the AMR/MDM system that enables overview of load curves and registers in a table display and graph format, as well as their download for the transmission grid users.

JSC MEPSO, in addition to the powerlines, diversified power plants and transformer stations, also disposes of a National Dispatch Center that serves to manage the energy transfers in the electricity transmission system in all operation regiments. In this manner JSC MEPSO fully disposes of equipment for unobstructed performance of the activity of electricity transmission.

### 3. Data Protection Measures

JSC MEPSO Skopje, in the certification request procedure, as evidence on the taken measures regarding the data protection, submitted the by- laws, i.e. rules, decisions and guidelines applied in order to prevent disclosure of confidential and other commercially sensitive information, as well as data protection (Appendix 15).

According to Chapter 2.5 item 6) of the Compliance Programme of JSC MEPSO Skopje, regarding the obligations that emerge from the separation of ownership, JSC MEPSO Skopje guarantees the confidentiality of the business data and information and disabled the misuse of the business secrets and information received during the performance of the activity of electricity transmission and management with the electricity transmission system in order to acquire business advantage in compliance with the Law on Access to Information of Public Character and the Business Secret Rulebook of JSC MEPSO Skopje .

Also, the Compliance Officer shall be obliged to monitor the implementation of the Compliance Programme of JSC MEPSO Skopje the purpose of which is to ensure transparent, objective and non-discriminatory actions by JSC MEPSO Skopje toward the users of the electricity transmission system, i.e. the independence of the electricity transmission system operator avoiding conflict of interest.

According to Article 6 paragraph (2) item 2) of the Rulebook on the Operation, Authorizations, Rights and Obligations of the Compliance Officer (hereinafter: Rulebook), they shall monitor and control the provision of conditions for confidentiality of the business data of the users of the electricity transmission system, as well as the confidentiality of the business data during coordination and cooperation of JSC MEPSO Skopje with other electricity system operators, in accordance with law, the Business Secret Rulebook of JSC MEPSO Skopje and other prescriptions.

According to Article 7 paragraph (1) item 10) from the Rulebook, the Compliance Officer, within their authorizations determined with the Energy Law, the Statute of JSC MEPSO Skopje and the Rulebook, shall be obliged to ensure safe, responsible and appropriate data management considering the confidentiality of the data, as well as protection of the personal data according to the positive legal prescriptions and bylaws.

During the operation, according to Article 12 paragraph (6) from the Rulebook, the Compliance Officer shall be obliged to store the received data and information in a careful and confidential manner and must not

use them contrary to the interests of JSC MEPSO Skopje and the interests of the electricity transmission system users, i.e. must not use them for personal needs or for the needs of third parties.

Also the Energy Regulatory Commission, according to the Rulebook on Monitoring of the Functioning of Energy Markets ("Official Gazette of the Republic of Macedonia" no. 207/16 and 215/16) continuously monitors the operation of JSC MEPSO Skopje through an aggregate of activities which refer to the collection, processing and analysis of data and information regarding the performance of the energy activity, submitted monthly to the Energy Regulatory Commission.

### ESTIMATION OF THE COMPLIANCE OF THE UNBUNDLING CONDITIONS

The unbundling of the electricity transmission system and its certification, i.e. appointment of an electricity transmission system operator, implies fulfillment of the conditions envisaged in the 2009/72/EC Directive of the European Parliament and the Council from 13<sup>th</sup> of July 2009, on the general rules of the internal electricity market, abolishing the 2003/54/EC Directive (Hereinafter: 2009/72/EC Directive), respectively transposed in the Energy Law. According to the 2009/72/EC Directive, the separation may be conducted through three possible separation models- separation of ownership, independent system operator and independent transmission operator. The Republic of North Macedonia, with Article 71, 72, 75, 76, 77 and 78 from the Energy Law transposed the model of separation of ownership of the electricity transmission system operator, i.e. based on the manner determined with the provisions from Article 9, 10, 11 and 12 from the 2009/72/EC Directive.

The compliance with the model of separation of ownership means that the company that owns the transmission system acts in the capacity of electricity transmission system operator and, among other things, is responsible for the enabling of access to third parties to the system on the bases of non- discrimination, charge of access fees, system congestion fees and fees for maintenance and development of the transmission system. The transmission system owner shall be responsible to ensure long- term capacity of the system in order to meet the reasonable demand through investment planning.

According to Article 237 paragraph (1) of the Energy Law, the Government as the sole owner of the shares of JSC MEPSO Skopje and JSC ELEM SKOPJE, on 24<sup>th</sup> of July 2018 adopted the Decision no. 44-6841/1 to transfer the shares of JSC MEPSO Skopje from Government ownership to the ownership of the Ministry of Transport and Communications, according to which the separation of ownership has been performed of JSC MEPSO Skopje as the electricity transmission system operator of the Republic of Macedonia, i.e. the Government ceased to be the sole owner of the company that performs production, supply and trade of electricity and the company that performs transmission of electricity.

This decision has been adopted in compliance with the provisions of the Constitution and laws in the Republic of North Macedonia that regulate the ownership and management with the state property by the state government bodies.

The independence of the state administration body assigned in accordance with the Energy Law during the adoption of the decision to appoint management bodies within the electricity transmission system operator is guaranteed with the provisions from the Constitution and the laws that regulate the operation of the Government and the state administration bodies.

According to Article 8 from the Constitution, the foundation value of the constitutional order of the Republic of North Macedonia is the legal protection of ownership.

According to Article 2 from the Law on Ownership and other Real Rights ("Official Gazette of the Republic of Macedonia no. 18/01, 92/08, 139/09 and 35/10) the state can acquire the right to ownership under conditions and in a manner envisaged by law. According to Article 112 paragraph (2) from the same Law, the right to ownership may also be acquired with a decision of a competent state body, in a manner and under conditions determined by law. The functions of the country, including the acquisition, use and disposal of its property are exercised through the state government bodies.

According to Article 2 paragraph (4) from the Law on Privatization of State Capital of Enterprises ("Official Gazette of the Republic of Macedonia no. 37/96, 25/99, 81/99, 49/2000, 6/02, 31/03, 38/04, 74/05 and 123/12), state capital covers the shares of the Republic of Macedonia and the state government bodies in the enterprises and banks, i.e. trade companies acquired on various bases in accordance with the law. Article 2-a of this Law determines that state bodies shall be the ministries and other bodies of the state administration. According to Article 3 of the same Law, the trade companies issue regular shares or share confirmations to the Republic of Macedonia, i.e. the bodies of the state administration for the value of the state capital.

With Article 8, item 6) from the Government Law ("Official Gazette of the Republic of Macedonia no. 59/2000, 12/03, 55/05, 37/06, 115/07, 19/08, 82/08, 10/10, 51/11, 15/13, 139/14, 196/15, 142/16 and 140/18) it has been determined that the Government shall decide upon the disposal of and use of the state capital by law.

According to Article 88 from the Constitution, the Government holds the executive authority and performs its rights and obligations based on and within the Constitution and laws. Article 89 determines that the Government is composed of a President and ministers. According to Article 90 of the Constitution the Government, at the proposition of the mandatary and based on the programme is appointed by the Assembly with majority votes of the total number of the Members of Parliament. According to Article 92 from the Constitution, the Government and its every member are held liable by the Assembly regarding their operation.

According to Article 95 from the Constitution, the state administration is composed of ministries and other administration bodies determined by law. The organization and operation of the state administration bodies shall be regulated with the Law on Organization and Operation of the State Administration Bodies, adopted with two thirds of the votes of the total number of Members of Parliament.

Article 96 from the Constitution determines that the state administration bodies perform the assignments within their competence independently and within the Constitution and laws and report to the Government for their operation. The fact that according to Constitution the state administration bodies are held liable for their operation by the Government, does not disrupt their constitutionally independence in the performance of the tasks within their competence, as long as they perform such tasks based on the Constitution and laws.

According to Article 13 of the Law on Government, the minister shall independently manage the ministry they have been appointed for, shall monitor and shall be responsible for the implementation of the laws and other prescriptions. In this sense, Article 47 from the Law on Organization and Operation of the

State Administration Bodies determines that the minister shall manage the operation of the ministry and according to Article 49 from this Law, the minister shall represent the ministry, organize and ensure legal and efficient performance of the tasks and assignments, adopt prescriptions and other acts for which they have been authorized and shall take other measures within the competence of the ministry in accordance with law.

According to Article 349 from the Company Law, if a Management or Supervisory Board member of the company has a conflict of interest with the subject to discussion and decision- making cannot participate in the discussion or the decision- making regarding the subject to operation.

According to Article 3 paragraph (2) from the Law on Prevention of Corruption and Conflict of Interest no one may use the function, public authorization, official duty and position to perform or tolerate an action that must not be, i.e. must be tolerated or performed according to the law, nor may predicate the performance of a legal action to their own, or the interest of another person.

According to Article 72 paragraph (2) from the Energy Law, the Ministry of Transport and Communications is independent in the adoption of decisions for election of the Management and Supervisory Board of the company and must not accept directions or instructions from the Government of another state body. According to paragraph (2) from the same Article, the Management and Supervisory Board members:

- must not request nor accept directions or instructions from the government or another state body in the decision- making procedure and
- must not be appointed as members of a supervisory, i.e. management body of a company that produce, supply or trade electricity or companies that have the opportunity for direct or indirect influence over the decision- making process in those companies.

According to the former, the state administration body that exercises the ownership rights shall be responsible for the legal implementation of their obligations determined in the Energy Law which refer to the prohibition to accept directions or guidelines from the Government or another state body, regarding the selection of the supervisory body, i.e. the management body within the electricity transmission system operator, especially if such directions or guidelines come from a state body which has interest in the vertically integrated company for production and supply of electricity.

The provisions from Article 71 paragraph (2) and paragraph (3) from the Energy Law ensure the independence of the members of the supervisory body and the Management body of JSC MEPSO Skopje, in a manner that the provisions prohibit for the same person or persons to participate at the same time in the management and administration with the company that performs some of the activities of production and/ or supply with electricity and at the same time manage or exercise some other interest in the electricity transmission system operator and vice- versa. In that sense, the restrictions in the management and administration refer to the use of the voting right regarding the election and appointment of the management body members, as well as in the ownership of the majority share.

## CONCLUSIONS

Based on the facts and evidence submitted in the certification request procedure, based on the provisions of the Energy Law where the (EC) no. 714/2009 Regulation and the 2009/72/EC Directive have been transposed, the Energy Regulatory Commission determined the following, JSC MEPSO Skopje :

- 1) is the owner of the electricity transmission grid in the Republic of North Macedonia,
- 2) is owned by the Ministry of Transport and Communications competent for the affairs within transport area and is independent in the adoption of decisions for election of a supervisory body, i.e. Management body of the company and must not accept directions or guidelines from the Government or another state body.
- 3) holds a licence for the performance of the energy activity of electricity transmission,
- 4) does not perform and is independent from other activities in the electricity sector,
- 5) is independent in the administration and management of the company regarding other companies performing energy activities in the Republic of North Macedonia.

Considering the aforementioned, the Energy Regulatory Commission determined that JSC MEPSO Skopje has fully met the conditions to be certified and assigned as an electricity transmission system operator and made a decision as in the dispositive in this Decision.

LEGAL REMEDY: An administrative dispute may be initiated against this decision within 30 days as of the day of receipt.

No. 12-XXXX/1  
27<sup>th</sup> of March 2019  
Skopje

**PRESIDENT**  
**Marko Bislimoski**