



Regulatory framework for closed distribution systems in the Energy Community Contracting Parties Status review

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INTRODUCTION

1. About ECRB

The Energy Community Regulatory Board (ECRB) operates based on the Treaty establishing the Energy Community. As an institution of the Energy Community¹ ECRB advises the Energy Community Ministerial Council and Permanent High-Level Group on details of statutory, technical and regulatory rules and makes recommendations in the case of cross-border disputes between regulators.

ECRB is the independent regional voice of energy regulators in the Energy Community. ECRB's mission builds on three pillars: providing coordinated regulatory positions to energy policy debates, harmonizing regulatory rules across borders and sharing regulatory knowledge and experience.

2. Background

Article 28 of Directive 2009/72/EC² concerning common rules for the internal market in electricity sets the provisions on closed distribution systems (CDS) and possible exemptions that may be granted for them in terms of tariff methodologies and operation. Having in mind that closed distribution systems may among others supply households and small consumers, a transparent level playing field for all consumers in terms of supplier switching, consumer rights and customer protection should be established. Providing adequate criteria and conditions for classification of closed distribution systems, determination of rules for their functioning as well as requirements concerning the relationship to consumers requires commonly accepted approaches.

3. Scope of the report

The present report assesses the legislative and regulatory framework related to closed distribution systems (CDS) functioning in the Energy Community Contracting Parties (CPs).

The report investigates the definition of the term “closed distribution system”, the criteria for CDS classification, the activities CDS operators perform, the applicable authorization and regulation regime, the requirements for CDS operators (e.g. unbundling, regulated tariff and/or methodologies, third party access and connection rules, quality of service etc.), CDS operators' relations with distribution and/or transmission system operators (DSO/TSO) as well as customer protection issues.

¹ www.energy-community.org.

² <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32009L0072&from=EN>.

The report covers Albania, Bosnia and Herzegovina, FYR of Macedonia, Kosovo³, Moldova, Montenegro, Serbia and Ukraine. Information in the report is provided for Albania, Kosovo*, Moldova, Montenegro, Serbia and Ukraine while in Bosnia and Herzegovina, FYR of Macedonia and Georgia⁴ CDS are not in place.

The regulatory authorities of the EU Member States were also invited to participate in this survey. However only the Austrian Regulatory Authority E-Control provided input and informed that provisions on CDS are not applicable in the national electricity market.

The report is performed for the electricity sector only.

4. Methodology

Data and analyses contained in the present report are based on information provided by the regulatory authorities of the analyzed markets.

³ Throughout this document the symbol * refers to the following statement: This designation is without prejudice to positions on status, and is in line with UNSCR 1244 and the ICJ Advisory Opinion on the Kosovo* declaration of independence.

⁴ According to the Protocol Concerning the Accession of Georgia to the Treaty establishing the Energy Community, the deadline set for Georgia for implementation of Directive 2009/72/EC is 31 December 2018.

ASSESSMENT

1. Definition of closed distribution system

1.1. Definition of CDS by law

Contracting Party	Definition of CDS in the Law	Comments
Albania	YES	<p>ERE may classify a system which distributes electricity within a geographically confined industrial, commercial or shared services site and does not supply household and small non households customers, as a closed distribution system if:</p> <p>a) for specific technical or safety reasons, the operations or the production process of the users of that system are integrated; or</p> <p>b) this system distributes electricity primarily to the owner or operator of the closed system or companies linked to the closed system.</p>
Kosovo*	YES	<p>The definition of the closed distribution system is defined in the Law on Electricity, Article 3 paragraph1:</p> <p>1.63. Closed distribution system – a system that distributes electricity, within an established geographic area, in which industrial, commercial or shared services are concentrated, but not including household consumers, if:</p> <p>1.63.1. for specific technical or safety reasons, the operations or the production process of the users of that system are integrated;</p> <p>1.63.2. that system distributes electricity primarily to the owner or operator of the system or their related undertakings.</p>
Moldova	YES	<p>In the Law on electricity:</p> <p>Closed distribution system – a system, authorized under the terms and conditions of the Law, through which electricity is distributed in a geographically limited industrial, commercial or common service.</p>
Montenegro	YES	<p>Energy law:</p> <p>Closed distribution system, in terms of this Law, is a system through which electricity is distributed via geographically limited area, consisting of plants, lines and transformers from the point of connection to the transmission or distribution system to the point of user connection to the system, as well as facilities, telecommunication and information equipment and other infrastructure necessary for its operation.</p>

Contracting Party	Definition of CDS in the Law	Comments
Serbia	YES	<p>According to the Art.148. of Energy Law CDS is a system used for electricity distribution in a geographically limited industrial zone, trade zone or a zone of common services, if:</p> <ol style="list-style-type: none"> 1) the business operations or the production process of the user of that system are connected for specific and safety reasons; 2) electricity is primarily distributed to the system owner or operator, their associated enterprises and other system users.
Ukraine	YES ⁵	<p>Law On Electricity Market, article 49:</p> <p>The Regulator may classify electrical networks distributing electricity within the restricted territory of a commercial site, public service site, residential complex, other facilities as a small-sized distribution system, provided that at least one of the following conditions is observed:</p> <ol style="list-style-type: none"> 1) production processes of users in such system are interconnected technologically or for safety reasons; 2) electricity is mainly distributed by these networks for the network owner or for legal entities controlled by the network owner; 3) electricity is distributed by these networks to a number of household consumers, which is less than the marginal number of household consumers, who are related with the owners of such system by means of contractual relations or on other legal grounds, and/or if this system is in joint ownership of such household consumers.

In **all CPs** there is a definition of CDS in primary legislation (in national laws) and it is mainly based on the provisions of Article 28 of the Directive 2009/72/EC. In **Montenegro**, the definition of CDS describes in more details the types of equipment that may be attributed to CDS.

⁵ In Ukraine instead of term “closed distribution system” term “small-sized distribution system” is used in the Law. Hereafter the information for Ukraine will be on small distribution system.

1.2. Classification criteria for CDS

Contracting Party	Classification criteria (other than in CDS definition)	Comments
<i>Albania</i>	NO	No other than stated in the definition
<i>Kosovo*</i>	NO	No other than stated in the definition
<i>Moldova</i>	NO	No other than stated in the definition
<i>Montenegro</i>	YES, 1) by type of connected users (households/non-household); 2) by volume of consumption by household customers; 3) by type of relations between the CDS network owner and CDS users (rent, employment, consumers are co-owners of the network etc.).	1) The annual consumption of household customers residing on the territory covered by the closed distribution system does not exceed 20% of the total annual consumption of all the users of that system ⁶ . 2) When the system distributes electricity primarily to the owner or operator of the system or their related entities.
<i>Serbia</i>	NO	No other than stated in the definition
<i>Ukraine</i>	YES, 1) based on number and category of users of the small-sized distribution system; 2) by volume of electricity distribution through the small-sized distribution system; 3) by capacity connection to transmission or distribution system.	According to the article 49 of the Law On Electricity Market the classification and criteria for small-sized distribution systems are determined in the Distribution Grid Code ⁷ .

In most of the CPs the criteria for classification of a system as CDS are listed in the CDS definition as such. They are mostly related to a certain area covered by the CDS (geographically limited), types of users served by CDS (non-household customers), and the purpose of electricity distribution by CDS (primarily to the owner or operator of the system or their related entities). In all CPs CDS may also distribute electricity to a small number of household customers. In **Montenegro** legislation sets more clear criteria for CDS, such as limited volume of annual consumption by households (20%) compared to the total consumption of all users by CDS. In **Ukraine** CDS may be classified as such if they distribute electricity to a limited number of household customers as prescribed in the Distribution Grid Code. In addition, the volume of electricity distributed by a CDS and the

⁶ The rules for determining the status of the closed electricity distribution system in Montenegro

⁷ Distribution Grid Code was approved in March, 2018

connected capacity to the DSO/TSO network are used as additional criteria in Ukraine. Numeric values of these criteria are specified in the Distribution Grid Code.

2. Regulatory framework

2.1. Specifics of CDS functioning according to the primary legislation

Contracting Party	Comments ⁸
<i>Albania</i>	According to the Article no.71 of Law on “Power Sector” specific provisions on CDS functioning relate to the possible exemptions from the obligation on procurement of the energy it uses to cover energy losses and reserve capacity in its system according to transparent, non-discriminatory, not competitive and market based procedures; the obligations that fees or their calculation methodologies should already be adopted before their entry into force; licensing and rules of CDS functioning.
<i>Kosovo*</i>	According to the Article no.30 “Closed Distribution Systems” of Law on Electricity specific provisions on CDS functioning relate to the possible exemptions from the obligation on purchasing of the energy used for the coverage of electricity losses and reserve capacities in its system, on the basis of transparent, non-discriminatory and market-based procedures; from obligation that prices, respectively compensations or methodologies on which their calculation is based, are approved by the Regulatory prior to their entry into force; rules of CDS performance.
<i>Moldova</i>	There are two articles, 50 and 51 from the Law of electricity, which describe in details the conditions of functioning of a closed distribution system and the relation between operators and users of such systems.
<i>Montenegro</i>	Articles 117-121 of Energy law describe in details the conditions of functioning of a closed distribution system, relation between operators and users of such systems, reporting obligations etc.
<i>Serbia</i>	Art.148-156 Energy Law
<i>Ukraine</i>	Article 49 of the Law On Electricity Market describes some specific of small-sized distribution systems, conditions of their functioning and obligations of small-sized distribution system operator.

According to Article 28 of Directive 2009/72/EC, a CDS operator may be exempted from (a) *the requirement under Article 25(5) to procure the energy it uses to cover energy losses and reserve capacity in its system according to transparent, non-discriminatory and market based procedures;* (b) *the requirement under Article 32(1) that tariffs, or the methodologies*

⁸ For more details please see the Annex

underlying their calculation, are approved prior to their entry into force in accordance with Article 37.

As it can be observed from the extracts provided by CPs (please see Annex), national legislation defines some specifics of CDS functioning. Mostly these specifics relate to the exemption from the energy and reserve capacity procurement rules, tariff (or their methodologies) approval by the NRA etc. that are usually applied to DSOs. In some CPs (**Moldova, Montenegro**) legislation regulates in more details the relations between the CDS operator and its customers (users), their contractual relationships, the CDS operator's obligations with respect to third party access, customers' protection, and rights of CDS users. In **Moldova**, the Law on Electricity defines the possibility of a CDS concept application for specific cases like allotment association, garage building cooperatives, and other associations of co-owners. In **Montenegro** the Energy Law contains also detailed provisions on the determination of charges for CDS usage; it also regulates conclusion of agreements, reporting and mutual relations of CDS.

2.2. CDS operator activities on electricity market

Type of activity	Albania	Kosovo*	Moldova	Montenegro	Serbia	Ukraine
1) Electricity distribution	n/a	YES	YES	YES	YES	YES
2) Electricity supply	n/a	NO	YES	YES	YES	YES
3) Electricity generation	n/a	YES	NO	YES	YES	YES

In **all** CPs the CDS operator performs distribution activity however only in four CP (**Moldova, Montenegro, Serbia and Ukraine**) the CDS operator may also provide supply services. Generation may be performed by CDS in **Kosovo***, **Montenegro, Serbia and Ukraine**.

2.3. CDS authorization regime

Contracting Party	Authorization regime
<i>Albania</i>	License for the CDS operator
<i>Kosovo*</i>	The CDS operator must obtain separate license from the Regulator for the activity that wants to perform, distribution or generation.
<i>Moldova</i>	The CDS operator must obtain an authorization from the Agency
<i>Montenegro</i>	Upon the application of the owner of the system regulator determines the status of the CDS by a decision.
<i>Serbia</i>	For each activity (distribution, supply, generation) CDS have to obtain separate licenses and perform accounting unbundling. ⁹
<i>Ukraine¹⁰</i>	License for electricity supply and/or generation (if performs supply and/or generation).

The authorization regime for CDS differs among CP. In **Albania** CDS operators should obtain a specific license. In **Moldova** CDS should obtain an authorization from the regulator and may distribute and/or supply electricity to closed distribution system's users without an electricity distribution license and/or an electricity supply license. In **Montenegro** the status of CDS operator is determined by the decision of the regulator and CDS operator shall pay the charge for determining the CDS status as well as an annual compensation for using the status of CDS. In **Serbia** the CDS should obtain a separate license for generation, distribution and supply if it performs these activities. In **Ukraine** CDS may perform distribution activities without distribution license (only after registration by Regulator as small-sized distributed system operator), but in case of electricity supply to customers or generation, CDS operator should obtain a supply license and generation license accordingly.¹¹

2.4. Regulation of CDS' activities

Contracting Party	Type of regulated activity	Comments
<i>Albania</i>		n/a
<i>Kosovo*</i>	Distribution	According to the Article 30, paragraph 1, the regulatory authority shall approve ¹² rules on the performance of distribution activities within a closed distribution system.

⁹ Licenses procedure prescribed by the Energy Law Art.19.-27. has to be applied to CDS

¹⁰ According to the Law the Regulator may classify electrical networks as a small-sized distribution system however as the secondary legislation is under development the form in which the classification will be made is under design.

¹¹ As regards generation license is required only if the installed capacity of generator exceeds capacity limits for licensing.

¹² Until now, Regulator did not developed such a rule that defines the activities regarding the CDS

Contracting Party	Type of regulated activity	Comments
Moldova	Distribution	The procedure has to be established in a special regulation, approved by NRA (ANRE). Also, ANRE has to elaborate and approve a separate methodology for calculation of the tariff for operating CDS ¹³ . The procedure has to be established in a special regulation, approved by NRA (ANRE)
	Supply	
Montenegro	-	No activity is regulated
Serbia	Distribution	
Ukraine	Distribution	According to the Law, small-sized distribution systems operators shall ensure non-discriminatory access of third parties to their electrical networks, as well as safety and reliability of functioning thereof in line with the distribution grid code, retail market rules and other rules and regulations.
	Supply	
	Generation	

In **most of the CPs** the distribution activity of CDSs is regulated either in separate rules/procedures for CDS (e.g. **Kosovo*** and **Moldova**) or by general legislation (e.g. Distribution Code in **Serbia** and in **Ukraine**). The supply activity of CDS are regulated in **Moldova** (by special regulation) and in **Ukraine** (by Distribution Grid Code and Retail Market Rules, license conditions for supply activity). In **Montenegro** CDS activities are not regulated.

2.5. Scope of regulation of CDS activities

Contracting Party	Type of regulated activity	What is regulated	Comments
Albania	Distribution	Tariff methodologies Distribution tariff rate	According to the Article 71 point 3: Where an exemption is granted under paragraph (2) above, the applicable tariffs, or the methodologies underlying their calculation, shall be reviewed and approved by ERE in accordance with Article 21 of this Law upon request by a user of the closed distribution system.

¹³ The specified regulations have not been approved yet, they are in the process of public consultations.

Contracting Party	Type of regulated activity	What is regulated	Comments
Kosovo*	Distribution	n/a	<p>In the Law on Electricity there is no specific article of what activities of CDS should be regulated but the CDS may be released by Regulator from the:</p> <ol style="list-style-type: none"> 1. obligation to purchase energy used for the coverage of electricity losses and reserve capacities in its system; 2. prices, respectively compensations or methodologies on which their calculation is based, are approved by the Regulatory prior to their entry into force. <p>If CDS is released from above mentioned cases than existing prices respectively compensation or methodologies on which the calculations are based, may be revised and adjusted with the pricing methodology approved by the Regulator, upon request of the users of such networks.</p> <p>Article 12 of the Rule on Maximum Allowed Revenues of Distribution System Operator, defines that: Distribution System Operator and Closed Distribution System Operator are market participants only for purchase of electricity for recovering the losses in the distribution network; as well as sale and purchase of balancing energy.</p>
Moldova	Distribution	Tariff methodologies Distribution tariff rate	<p>Has to be elaborated and approved by the regulator</p> <p>Only in case the CDS users disagree with tariffs applied by CDS operator, the regulator is obliged to verify the costs included in the applied tariff. If the Agency establishes that the tariff includes costs other than those specified in the methodology, the CDS is informed about the value of the tariff that should be applied. The revised tariff is approved by the Agency.</p>
	Supply	End-user electricity price	In case the operator of the CDS acts as a supplier.
Montenegro			

Contracting Party	Type of regulated activity	What is regulated	Comments
Serbia	Distribution	Tariff methodologies	CDS operator calculates distribution tariff rate based on the methodology issued by the Regulator.
		Third party access Connection to CDS network Distribution Code (Rules on the closed distribution system operation)	There are no separate rules for the access and connection to the CDS. The CDS operator regulates the specificity of its system in the distribution code - in terms of access to the CDS and technical conditions for connecting to the CDS. CDS operator shall issue the rules on the closed distribution system operation if there are any specific needs in relation to the rules on operation of the distribution system to which it is connected.
Ukraine	Distribution	Tariff methodologies	Methodology of calculation of marginal rate (a cap) for distribution service fee of small sized distribution system has to be elaborated and approved by the regulator.
		Third party access Connection to CDS network Distribution service provision conditions Distribution Grid Code	There are no separate documents, the specificity of CDS operation (including third party access, connection etc.) is regulated by the Distribution Grid Code.
		Supply	By license conditions for supply activity and Retail market rules if operator of small sized distribution system acts as a supplier
	Generation	Electricity production and sale of electricity on the market	By license conditions for generation activity and/or set of electricity market rules (wholesale and retail) if operator of small-sized distribution system acts as a producer.

Regulation of CDS distribution activity **in most of the CPs** covers tariff methodologies for calculation of charge for CDS service. In **Serbia**, access to the CDS and technical conditions for connecting to the CDS are regulated in the rules on the closed distribution system operation (distribution code), which shall be issued by CDS operator if there are any specific needs in relation to the rules on operation of the distribution system to which it is connected. If there aren't specific needs, CDS shall apply distribution code of the operator to whose system it is connected. In **Ukraine** specifics of third party access, connection and distribution

services rules are regulated by the Distribution Grid Code, approved by the national regulator.

3. CDS OPERATORS AND DSOs

3.1. CDS operation compared to DSO

Directive 2009/72/EC places requirements related to performance of DSO activities and their regulation, e.g. legal and accounting unbundling, approval of distribution tariffs (or at list their methodologies) by NRAs in advance of their entry into force, DSO third party access requirements, connection rules and connection fees, etc.

In **all CPs** requirements for CDS are not so strict compared to DSO but differ from country to country.

As regards **tariffs and their methodologies**, **all CPs** (except **Kosovo***) indicated the existence of a tariff methodology for CDS. In **Moldova** and **Ukraine** NRAs approve separate methodologies for CDS, in **Serbia** the methodology for tariff calculation for CDS is the same as for DSOs (but contains a separate article for CDS). In **Ukraine** the regulator approves the methodology for calculation of the cap of CDS tariffs. In **all CPs** tariffs are calculated and set by CDS operators. In **Albania, Kosovo*, Moldova and Montenegro** NRA may review and set the tariff in case of customer's request. Currently CDS are required to inform their customers about any change in tariffs in advance only in **Kosovo*** and **Serbia**.

In **all CPs** (except **Kosovo*** and **Serbia**) CDS are not covered by **DSO legal unbundling requirements**. In **Serbia** CDS operators should be unbundled if it services more than 100.000 connected customers. In **Montenegro and Serbia** CDS are required to implement accounting unbundling. In **Kosovo*** CDS operators have to be unbundled from generation or supply activities.

Contracting Party	Albania	Kosovo* ¹⁴	Moldova	Montenegro	Serbia	Ukraine
Tariffs and methodologies		There is no specific article in the Law on Electricity that defines what activities should be regulated.				
a) Tariff methodology is the same as for DSO	-	-	NO	-	YES, But there is separate article which regulates CDS	NO
b) Separate tariff methodology for CDS	-	-	YES, a separate Methodology for CDS has to be approved by NRA	-	NO Depending on NRA decision, tariff methodology can be separate document (or not). Nowadays, tariff methodology is the same as for DSO but there is separate article which regulates CDS.	YES
c) Tariffs are set by the Regulator	-	-	NO, Only in case if NRA stated, after a CDS customer request, that tariffs, applied by CDS operators	-	NO	NO, only a cap according to the methodology

¹⁴ There is no specific article in the Law regarding the unbundling of the CDS.

Contracting Party	Albania	Kosovo* ¹⁴	Moldova	Montenegro	Serbia	Ukraine
d) Tariffs are calculated and set by CDS itself	YES	YES	was calculated and applied incorrect. YES	YES	YES	YES
e) Regulator sets the tariffs in case of request from the customer	YES The applicable tariffs, or the methodologies underlying their calculation, shall be reviewed and approved by ERE in accordance with Article 21 of Law on Power Sector, upon request by a user of the closed distribution system.	YES In cases when customer in a CDS may request the Regulator to review the methodology or rates for use of the system than existing prices respectively compensation or methodologies on which the calculations are based, may be revised and adjusted with the DSO pricing methodology approved by the Regulator	YES Only in case if upon the examination of a request from CDS users, NRA stated that applied tariffs were calculated and applied incorrectly by the CDS operator.	The customer in a closed distribution system may request the regulator to review the methodology or rates for use of the system. In that case, the operator of the closed distribution system is obliged by the regulator to submit the methodology for establishing the prices for the use of the system, with the necessary documentation, especially for the calculation of operating costs, depreciation, accrued profit, or revenue. The regulator is required to make a decision within six months from the date of submission of the customer request.	YES	NO
f) Regulators sets the cap for end-user price and CDS operator charges its customers at the	-	NO	NO	-	NO	YES, in a form of methodology

Contracting Party	Albania	Kosovo* ¹⁴	Moldova	Montenegro	Serbia	Ukraine
price up to this cap						
g) Tariffs are not regulated and set solely by CDS	-	NO	YES, but CDS calculate tariffs in accordance with the methodology, approved by NRA	-	NO	NO
h) Is CDS operator obliged to inform customers about any change in price/tariff in advance	-	YES	No requirements are defined	-	YES	YES
i) Other	-	-	-			
Unbundling regime for the CDS	n/a	There is no specific article in the Law regarding the unbundling of the CDS	No requirements are defined			
a) CDS operator should comply with DSO legal unbundling requirements ¹⁵	-	YES	NO	-	Only in a case when on its system more than 100.000 customers are connected	NO
b) CDS operator should comply with DSO accounting unbundling requirements	-	YES	NO	YES	YES	Not defined yet

¹⁵ Should be legally unbundled from supply/generation activities.

Contracting Party	Albania	Kosovo* ¹⁴	Moldova	Montenegro	Serbia	Ukraine
c) CDS operator may at the same time provide distribution and supply service or generation	Distribution and Supply	NO	YES CDS operator can act as a supplier	YES	YES	YES
d) In case CDS is a part of vertically integrated undertaking (VIU), are the CDS customers considered when calculating the number of connected customers for VIU ¹⁶	-	n/a	n/a	-	n/a	Not defined yet
e) Other	-	-	-	-	-	-
Connection		Regulator still did not developed the rules on the performance of distribution activities within a closed distribution system but rule on General conditions specifies cases when Distribution system may or may not refuse applicant for the	Rules for connection to a CDS network will be established in a separate chapter of the Regulation on connection to electricity network, which is now in the process of elaboration.			Rules for connection including connection to CDS network are defined in Distribution Grid Code

¹⁶ Article 26 Directive 2009/72/EC - CPs may decide not to apply paragraphs 1, 2 and 3 to integrated electricity undertakings serving less than 100 000 connected customers, or serving small isolated systems.

Contracting Party	Albania	Kosovo* ¹⁴	Moldova	Montenegro	Serbia	Ukraine
a) CDS operator is obliged to provide connection to his network (e.g. for new users)	-	new connection. YES	NO No requirements are prescribed by the Law, but some rules will be established in the Regulation, approved by ANRE.	The closed distribution system operator is obliged to provide the rights to connection to the user equal to those of users who are connected to the distribution system in accordance with Energy law, except that the charge for the connection can determine, independently and without the methodologies or approval.	YES, except for households and small consumers	NO
b) CDS operator may not refuse connection to his network (e.g. for new users)	YES	YES	NO No requirements are prescribed by the Law, but some rules will be established in the Regulation, approved by ANRE.	YES	-	NO
c) CDS operator may refuse connection to his network in specific cases (e.g. due to capacity shortage)	-	YES	n/a	YES	-	No requirements

Contracting Party	Albania	Kosovo* ¹⁴	Moldova	Montenegro	Serbia	Ukraine
d) CDS operator may refuse connection to his network without any reasoning (e.g. for new users)	-	NO	No requirements	NO	-	No requirements
e) Other	-	-	-	-	-	-
Third party access		Regulator still did not develop the rules on the performance of distribution activities within a closed distribution system, but Law on Electricity and rule on general conditions, rule on connection and disconnection determinate obligations regarding the third party access to network.	No requirements			
a) CDS operator is obliged to provide third party access to his network (e.g. for suppliers, producers)	-	YES	Yes, the CDS users may enter into an electricity supply contract with any supplier and in this case the CDS operator will	YES Access of third party is possible if the user of CDS decides to procure the energy from third parties.	YES	YES

Contracting Party	Albania	Kosovo* ¹⁴	Moldova	Montenegro	Serbia	Ukraine
			provide only distribution service through its CDS and the CDS user will pay only the tariff for the operation of the CDS which doesn't include the electricity price.			
b) CDS operator may refuse third party access to his network in specific cases	-	<p>YES</p> <p>According to Article 45 of the Electricity Law, the TSO or DSO may refuse access to the transmission system or distribution system if the necessary capacity is not available, and the lack of necessary capacity can be justified objectively based on technically and economically</p>	<p>No requirements. The CDS operator cannot refuse TPA to the CDS user that signed a contract for supply of electricity with chosen supplier.</p>	-	<p>YES,</p> <p>According to the Article 161 of the Energy Law, the electricity transmission, i.e. distribution system operator may deny access to the system only if there are no technical capacities due to:</p> <ol style="list-style-type: none"> 1) the lack of capacities; 2) disturbances in the operation or overloaded system; 3) endangered safety 	<p>Yes.</p> <p>Only in case of the lack of capacities</p>

Contracting Party	Albania	Kosovo* ¹⁴	Moldova	Montenegro	Serbia	Ukraine
		justified criteria, taking into considerations security of supply or quality of supply, taking into account the standard of service and reliability requested by the person requesting access, and all applicable codes and rules			of the system operation.	
c) CDS operator may refuse third party access to his network without any reasoning	-	NO	No requirements	-	NO	NO
d) CDS operator is not allowed to disconnect existing users from his network (if they comply with their obligations)	Not defined by the Law	NO	No requirements	-	YES	YES
e) CDS operator is not allowed to disconnect existing users from his network if there is a complaint handling procedure open at the request of customer (e.g. customer does not agree with service	-	NO	No requirements	-	YES	NO. But CDS operator is not allowed to disconnect user if trial procedures start

Contracting Party	Albania	Kosovo* ¹⁴	Moldova	Montenegro	Serbia	Ukraine
conditions) f) CDS operator is not allowed to disconnect only household users	Not defined	NO	No requirements	-	NO Household users are in the same regime as those connected to DSO	NO
g) CDS operator is allowed to disconnect existing users from his network (if they do not comply with their obligations)	-	YES	No requirements	YES	YES	YES
h) CDS operator is allowed to disconnect existing users from his network at any time without any reasoning	-	NO	No requirements	-	NO	NO
i) Is CDS obliged to inform his customers about the disconnection in advance?	-	YES	No requirements	-	YES The same regime as for DSO related to its customers	YES
j) Other	-	-	-	-	-	-
Quality of service	n/a	There is no specific article in the Law that defines the obligation of the CDS for quality of	No requirements are prescribed by the Law	-	-	-

Contracting Party	Albania	Kosovo* ¹⁴	Moldova	Montenegro	Serbia	Ukraine
a) CDS operator should comply with quality of service requirements/standards ¹⁷ for his customers (reliability, commercial quality) (same as DSO)	-	supply. YES	No requirements	The operator of a closed distribution system shall provide reliable and efficient operation of the system, the long-term ability of the system to meet the real demands for the distribution of electricity, safety and reliability of electrical power to the measuring points of system users, as well as to meet other conditions and obligations established by the Law for distribution of electricity with restrictions related to a closed distribution system. The operator of the closed distribution system is required to maintain the facilities, devices and installations that make up the infrastructure of the closed distribution system, in perfect working order, to continuously have suitably qualified	YES	YES

¹⁷ Reliability and commercial quality.

Contracting Party	Albania	Kosovo* ¹⁴	Moldova	Montenegro	Serbia	Ukraine
				employees or a contract with a third party which has personnel with the appropriate skills, in accordance with the law and Rules, to cooperate with other operators, in particular with the operator on whose network it is connected to maintain the liquidity of bank accounts for doing business, as well as to meet other requirements based on which it is determined as the operator.		
b) CDS operator should comply with voltage quality requirements/standards for his customers (same as DSO)	-	YES	No requirements	-	YES	YES
c) There are specific quality of service/voltage requirements/ standards for CDS operator	-	NO	No requirements	-	NO	NO
d) DSO is responsible for quality of service and voltage quality for CDS customers	-	NO DSO is obliged to provide voltage	No Only in the point of connection of CDS	-	NO DSO is obliged to provide voltage level in	NO. Only in connection point of CDS

Contracting Party	Albania	Kosovo* ¹⁴	Moldova	Montenegro	Serbia	Ukraine
		level in connection point with CDS, in accordance to bylaw and Distribution Code.	network to the DSO network		connection point with CDS in accordance to bylaw and Distribution Code.	
Investments	n/a	Regulator still did not developed the rules on the performance of distribution activities within a closed distribution system				No requirements
a) CDS operator should have network development plan		NO	NO	NO	NO	-
b) CDS operators network development plan should be approved by the Regulator		NO	NO	NO	NO	-
c) CDS operator should have an investment plan		NO	NO	NO	YES	-
d) CDS operators' investment plan should be approved by the Regulator		NO	NO	NO	NO	-
e) other			-	-		-
CDS network losses	ERE may exempt the	Law on Electricity defines that CDS	The method of calculation and			Not defined

Contracting Party	Albania	Kosovo* ¹⁴	Moldova	Montenegro	Serbia	Ukraine
	operator of a closed distribution system from the obligations, stipulated in Article 69 of this Law, to procure the energy it uses to cover energy losses and reserve capacity in its system according to transparent, non-discriminatory, not competitive and market based procedures;	Operator, Is electricity market participant only for purchases for covering losses in the distribution network, and purchases and sale of balancing energy.	inclusion of losses in the tariff for CDS users shall be described in the Methodology for calculating the tariff for the operation of the closed distribution system, which has to be approved by ANRE.			yet
a) There are regulatory rules for procurement of losses by CDS operator	-	NO Law on Electricity defines that CDS Operator is an electricity market participant only for	NO, the tariff for the distribution service, provided by the CDS operator, shall be determined based on the	The operator of a closed distribution system is required to conclude contracts with a supplier on mutual rights and obligations regarding	NO Defined by the Article 155 of the Energy Law:	NO

Contracting Party	Albania	Kosovo* ¹⁴	Moldova	Montenegro	Serbia	Ukraine
		<p>electricity purchases for covering losses in the distribution network, and purchases and sale of balancing energy</p>	<p>substantiated expenses of the respective CDS operator, needed for the maintenance and operation of the system and for carrying out its distribution activity, the expenses needed to cover the technological consumption and electricity losses in the CDS</p>	<p>purchase of electricity to cover losses in the system and supply their customers..</p>	<p>A closed electricity distribution system operator without the license for electricity supply may procure electricity only for the compensation of losses in the closed distribution system, and participate in the organized electricity market and procure electricity there, to optimize in the most effective manner the procurement of electricity necessary for the compensation of losses in the closed distribution system.</p> <p>The Agency may release a closed distribution system operator from the obligation to procure electricity for the compensation of losses in the distribution network in a transparent and non-</p>	

Contracting Party	Albania	Kosovo* ¹⁴	Moldova	Montenegro	Serbia	Ukraine
					discriminatory manner and under market conditions.	
b) Regulatory rules for procurement of losses by CDS operator are the same as for DSO	-	-	NO, there are no special rules for procurement of losses for CDS.	-	NO	-
c) other	-	Law on Electricity defines that the Regulatory may relieve the Closed Distribution System Operator from the obligation to purchase energy used for the coverage of electricity losses and reserve capacities in its system, on the basis of transparent, non-discriminatory and market-based procedures;	-		-	-
Metering and billing	n/a					

Contracting Party	Albania	Kosovo* ¹⁴	Moldova	Montenegro	Serbia	Ukraine
a) Should customers of CDS have individual meters?	-	YES	Yes, rules are the same as for DSO	YES	YES	YES
b) Is CDS operator responsible for metering services ¹⁸ for customers inside CDS?	Not defined yet	YES	Not defined yet, but customer has to support all the expenses related to metering	YES	YES	NO. CDS may be responsible for metering services only in case of registration as Metering Service Provider and concluding Metering Service contract with customer.
c) Are customers of CDS entitled to choose a metering service provider?	-	NO	NO	NO CDS operator is responsible for metering	NO	YES
d) Should customers of CDS have individual EIC codes?	Not defined yet	YES	NO	YES All customers should have their own meters	NO Except if customers of CDS is balancing responsibility party or	Not defined yet

¹⁸ Installation, periodic checking, metering data management

Contracting Party	Albania	Kosovo* ¹⁴	Moldova	Montenegro	Serbia	Ukraine
					participate on cross border auctions	
e) Are there any requirements for billing in CDS?	Not defined yet	NO	NO	The operator of a closed distribution system determines the price and charge a fee for the use of a closed distribution system in accordance with the contract on the use of the system with the user. The operator of a closed distribution system, when supplying customers connected to its system, charges consumed electricity, system use and fees, based on the supply contracts with customers. When the customer connected to a closed distribution system is supplied by another supplier, charging of electricity consumed and fees in accordance with the law performs that supplier.	NO	NO



In **Kosovo*** and **Montenegro** the CDS operator is obliged to provide **connection** to his network, in **Serbia** this obligation relates to all customers except households and small consumers. In **Montenegro** the connection charge for CDS can be determined independently and without methodology or approval. In **Ukraine** CDS operator may refuse connection to his network without any reasoning.

In **Kosovo***, **Montenegro**, **Serbia** and **Ukraine** the CDS operator is obliged to provide **third party access** to his network and in case of rejection should provide reasons. CDS are allowed to **disconnect** users if they do not comply with their obligations in **Kosovo***, **Montenegro**, **Serbia** and **Ukraine**. In case of disconnection the CDS operator must inform users in advance in **Kosovo***, **Serbia** and **Ukraine**. In **Moldova** no requirements as regards third party access to CDS is determined, however the CDS user may choose any supplier and sign a contract for supply of electricity and in this case the CDS user will have to pay to the CDS operator only the tariff for the operation of the CDS that does not include the price for electricity.

CDS operators should comply with the same **quality of service** requirements as DSOs including voltage quality standards in **Kosovo***, **Serbia** and **Montenegro**, **Ukraine**.

CDS operators usually are not required to have **network development plans**, except for **Serbia**.

As regards **procurement of losses** in **Moldova** the CDS operator procures electricity for its own consumption from the retail electricity supplier. In **Serbia** the CDS operator may procure electricity only to cover losses in CDS and participate in organized market for this purpose. In **Albania**, **Kosovo***, **Montenegro** and **Serbia** NRAs have the right to release CDS operators from the obligation to procure electricity for the compensation of losses in their networks in a transparent and non-discriminatory manner and under market conditions.

In **most of the CP** customers of CDS should have individual **meters**. In **Kosovo***, **Montenegro** and **Serbia** the CDS operator is responsible for metering service for customers inside the CDS. Only in **Kosovo*** customers of CDS should have EIC. As regards **billing in most of CP** there are no requirements for billing in CDS.

3.2. Agreements of CDS operator with network operators (TSO/DSO)

Contracting Party	<i>connection agreement</i>	<i>distribution service agreement</i>	<i>transmission service agreement</i>	<i>operational agreement</i>	<i>other</i>
Albania	n/a	n/a	n/a	n/a	n/a
Kosovo*	YES (as consumer or generator (if injects energy to the system))	YES (as consumer or generator (if injects energy to the system))	YES (as consumer or generator (if injects energy to the system))	YES (as consumer or generator (if injects energy to the system))	
Moldova	YES, before requesting the authorization, the owner of the CDS has to obtain the compliance act from the state energy inspection body (According to the Energy Act this is also ANRE now.)	NO	NO	NO	
Montenegro	YES (as consumer), The operator of a closed distribution system of electricity is required to conclude contracts on mutual rights and obligations regarding connection to the system, with the operator of the system to which it is connected;	YES, contract on the use of the system, with the operator of the system to which it is connected.	YES, contract on the use of the system, with the operator of the system to which it is connected.	-	-
Serbia	YES	YES	YES	YES	-
Ukraine	YES (for new connection of CDS)	YES	YES (if CDS is connected to the	-	Other not defined

		transmission system)	
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In **Kosovo***, **Montenegro**, **Serbia** and **Ukraine** CDS should have a connection agreement with the operator to whose network the CDS is connected. In **Kosovo***, **Montenegro**, **Serbia** and **Ukraine** CDS operators should also have distribution/transmission service (use-of-system) contract with the relevant operator. In **Serbia** also an operational agreement is concluded with the DSO or TSO, details of the agreement are defined in the DSO's distribution code or TSO's network code. In **Moldova**, after the connection, CDS acts as a final customer, who can procure electricity from any supplier. According to the Law on electricity, suppliers are obliged to have contracts for distribution and transmission of energy.

As regards CSD users, in **all CPs** users of CDS don't have any agreements with network operator (TSO/DSO).

4. CDS OPERATOR IN THE WHOLESALE ELECTRICITY MARKET

Contracting Party	Albania	Kosovo*	Moldova	Montenegro	Serbia	Ukraine
a) Is CDS recognized as separate participant of the electricity market	YES	YES	NO	YES	YES	YES (it can solely participate on the wholesale market)
b) CDS is recognized as DSO on the electricity market	YES	NO	NO	-	NO	Not defined yet (it functions as DSO in relation to the users of CDS on retail market)
c) CDS is recognized as supplier on the electricity market	Not defined	NO	NO	-	NO	YES (if it performs supply activities)
d) Should CDS be a balancing responsible party?	YES	YES	NO	YES	YES	YES
e) CDS cannot participate on the wholesale electricity market (it is considered as consumer)	NO	NO	YES The operator of the closed distribution system procures electricity for its own consumption and for supply of system users, from the retail electricity market.	-	NO	NO (in particular it can participate on the wholesale market solely as consumer purchasing electricity for its own consumption; as supplier purchasing electricity for its customers;)



In most CPs the CDS operator can participate in the wholesale market and should be a balance responsible party. In **Kosovo***, **Montenegro** and **Serbia** CDS operators are recognized as separate market participants. In **Moldova** the CDS operator does not participate on the wholesale market and is considered as consumer.

5. RELATIONSHIPS INSIDE CDS

Contracting Party	Contracts concluded between CDS operator and its customers
Albania	YES
Kosovo*	connection agreement
Moldova	YES
Montenegro	The operator of a closed distribution system is required to determine and conclude a standard form contracts with users of the system in which it: 1) regulates the connection of the system; 2) regulates the use of the system.
Serbia	Standard Connection Agreement and standard Agreement on access to the system.
Ukraine	YES. Connection agreement (for new users), agreement for distribution services

As regards contractual relations inside the CDS, the operator should conclude a connection contract (in **Kosovo***, **Montenegro**, **Serbia**, **Ukraine**), a contract for use of system (in **Montenegro**), an agreement on access to the system (in **Serbia**), agreement for distribution services (in **Ukraine**) with its customers. In **Montenegro and Serbia** these contracts are standardized.

6. CONSUMER ISSUES

6.1. Supplier switching

Contracting Party	Albania	Kosovo*	Moldova	Montenegro	Serbia	Ukraine
a) Customers of CDS are eligible to switch their supplier (e.g. to choose any other supplier than CDS operator)	YES	YES	YES	YES	YES	YES
b) The supplier switching rules are the same as for other customers	YES	YES	YES	YES	YES	YES
c) Customers of CDS may be supplied	NO	NO	NO	NO	NO	NO

only by CDS operator						
Contracting Party	Albania	Kosovo*	Moldova	Montenegro	Serbia	Ukraine
d) In case of bankruptcy (or other default) of CDS, customers of CDS will be supplied by supplier of last resort	YES	YES	NO	YES	YES	YES
e) In case of bankruptcy (or other default) of CDS, customers of CDS will stay without electricity	NO	NO	No rules	NO	NO	NO

In **all CPs** consumers inside CDS are eligible to switch their supplier following the same supplier switching rules as for other consumers. In case of dissolve of CDS operator its customers will be transferred to the supplier of last resort in **most of the CPs**, thus consumers will not stay without electricity in such situations.

6.2. Customer protection issues

Contracting Party	Albania	Kosovo*	Moldova	Montenegro	Serbia	Ukraine
a) Customer of CDS can file a complaint for CDS actions to CDS?	YES	YES	YES	YES	YES	YES
b) CDS operator is obliged to handle the complaint?	YES	YES	YES	YES	YES	YES
c) Procedure of complaint handing by CDS is prescribed?	Not defined	YES	YES ¹⁹	YES	YES	YES. The same as for DSO
d) Customer of CDS can file a complaint for CDS actions to the Regulator as any other customer?	YES	YES	YES	YES	YES	YES

¹⁹ There are no special rules for CDS, but a common rule, prescribed by the Law on petitioning, is applied for CDS users.

e) If yes, what can be objected:						
- network use charge	YES	YES	YES	The customer in a closed distribution system may request the regulator to review the methodology or rates for use of the system.	YES	YES
- end-user price	YES	YES	YES	NO	NO	YES (if CDS perform supply activity)
- Connection/disconnection issues	YES	YES	YES	YES	YES	YES
- quality of supply (incl. voltage quality)		YES	YES	YES	NO	YES
f) Customer of CDS cannot file a complaint for CDS actions to the Regulator and may object his actions only in the court?	at first consumers have to complain to the Regulator and then if they do not find the right solution, they should address their complain to the court	NO	NO	NO		NO
g) Does the Regulator have the power to issue binding decisions for CDS operator?	According to the Article 20 of the Law on Power Sector: The Regulatory makes binding decisions for all licensees	YES	YES	The operator of a closed distribution system of electricity is required to apply the cost for use of the system within 30 days from receipt of the decision of the regulator,	YES	YES

	operating in the power sector; and article 16, point 6 of the 43/2015 Law On power Sector determined that : All ERE's Board decisions are subject of appeal to Tirana Administrative Court, within 30 (thirty) calendar days , starting from the date when the decision is published in the "Official Journal".			which is made upon a request from a customer.		
h) Does the Regulator have the power to penalize CDS operator?	YES	YES	NO	NO	NO	YES (if CDS performs supply activity)
i) other			Withdrawal of the authorization			

In **most CPs** customers of CDS may file a complaint to the CDS operator and the CDS operator has an obligation to handle it. The complaint handling procedure is prescribed for CDS operators in **Kosovo***, **Montenegro** and **Serbia**. Customers can file a complaint for CDS actions to the regulator and to object the network use charge (in **Albania**, **Kosovo***, **Moldova**, **Montenegro**, **Serbia** and **Ukraine**), the end-user price (in **Albania**,

Kosovo and Moldova), connection/disconnection issues (**in Albania, Kosovo*, Montenegro, Serbia and Ukraine**), quality of supply (**in Kosovo* and Montenegro and Ukraine**).

In **all CPs** the regulators have the power to issue binding decisions for CDS operators, but only in **three CP** (Albania, Kosovo* and Ukraine) the regulator may penalize CDS operators. In **Moldova** the NRA has no tools to penalize CDS operators directly. However in case CDS operator refuses to comply with a NRA's decision according to the Law, the regulator has the right to withdraw the authorization.

6.3. Information on CDS monitored by NRAs

	Albania	Kosovo*	Moldova	Montenegro	Serbia	Ukraine
1) The number of CDS	YES	YES	NO	YES	YES	NO
2) The number of users of CDS	YES	YES	NO	YES	YES	NO
3) The number of customers of CDS	YES	YES	YES	YES	YES	NO
4) The functioning of CDS	YES	YES	NO	YES	YES	NO

Regulators in **Albania, Kosovo*²⁰, Montenegro and Serbia** monitor CDSs, the number of their customers and users as well as CDS functioning. In **Montenegro** the CDS operator generating electricity also should make and publish annual report on electricity volume generated by its system and electricity volume consumed by the system, by customer category and type of generator.

In **Moldova** the regulator can monitor the functioning of CDS in case the regulator issues a number of authorizations for such systems. According to the law, after receiving the authorization for CDS, every CDS has to inform the NRA about the number of its customers and about the changes in the number of customers. As regards **Ukraine**, the Distribution Grid Code, that determined the classification and criteria for small-sized distribution systems, was approved in March, 2018. So Regulator has not registered any small-sized distribution system operator yet.

²⁰ However in Kosovo* there is no CDS.

SUMMARY

1. In all CPs there is a definition of CDS in primary legislation (in national laws) and it is mainly based on the provisions of Article 28 of Directive 2009/72/EC.
2. In most of the CPs the criteria for classification of system as CDS are stated in the definitions of CDS. In **Montenegro** legislation sets more clear criteria for CDS such as a limited volume of annual consumption by households (20%) compared to the total consumption of all CDS users. In **Ukraine** CDS may be classified as such if they distribute electricity to a limited number of household customers prescribed in the Distribution Grid Code; also the volume of electricity distributed by CDS and the connected capacity to DSO/TSO networks are used as additional criteria.
3. In all CPs national legislation defines some specifics of CDS functioning compared to DSOs. Mostly these specifics relate to the exemption from energy and reserve capacity procurement rules, tariffs (or their methodologies) approval by the regulator etc. In **Moldova and Montenegro** legislation regulates in more details the relations between CDS operator and its customers (users), their contractual relationships, CDS operator obligations with respect to third party access, customers' protection, and rights of CDS users.
4. In **all** CPs CDS operator performs distribution activity. As regards **supply and generation**, CDS operator may also provide these activities in **Montenegro, Serbia and Ukraine** (subject to obtaining a separate licenses for each activity in the last two CP); in **Moldova** CDS may also supply electricity, and in **Kosovo*** CDS operator may also generate electricity.
5. Authorization regime for CDS is different among CP. It varies from specific license for CDS operator (in **Albania**), to obtaining an authorization from regulatory authority to operate as CDS operator (**Moldova, Montenegro**) without having any additional licenses. In **Kosovo*** and **Serbia** CDS should obtain the distribution license and in **Ukraine** CDS may perform distribution activity without distribution license.
6. In **most of the CPs** the distribution activity of CDS is regulated either by separate rules/procedures for CDS (e.g. **Kosovo*** and **Moldova**) or by general legislation (e.g. Distribution Code in **Serbia** and in **Ukraine**). Supply activity of CDS is regulated in **Moldova** (by special regulation) and in **Ukraine** (by license conditions for supply activity and Retail Market Rules). In **Montenegro** no activity of CDS is regulated.
7. Regulation of distribution activity of CDS in most of the CPs covers tariff methodologies for calculation of charge for CDS service. In **Serbia and Ukraine** specifics of access to the CDS and technical conditions for connecting to the CDS also regulated. As regards supply activity of CDS operator, in **Moldova** it covers end-user price regulation, and in **Ukraine** – conditions of provision of supply service.

8. **Compared to DSO regulation**, in all CPs requirements for CDS are not so strict but differ from country to country:
- a) As regards **tariffs and their methodologies**, all CPs (except **Kosovo***) indicated the existence of tariff methodology for CDS. In **all CPs** tariffs are calculated and set by CDS operators. In **Ukraine** the regulator approves the methodology for calculation of the cap on CDS tariff. In **Albania, Kosovo*, Moldova, Montenegro** and **Serbia** NRA may review and set the tariff in case of a customer request. The requirement for CDS operators to inform their customers about any change in tariffs in advance is placed only in **Kosovo*** and **Serbia**.
 - b) In **most of the CPs** CDS operator is not obliged to be **legally unbundled** from generation and/or supply. In **Serbia** CDS operator should be unbundled when more than 100.000 customers are connected to its system. In **Kosovo*** CDS operator has to be unbundled from generation and supply activities. In **Montenegro** and **Serbia** CDS are required to implement **accounting unbundling**.
 - c) As regards **connection**, CDS operator is obliged to provide connection to his network in **Kosovo*** and **Montenegro**. In **Serbia** such obligation relates to all customers except households and small consumers. In **Montenegro** CDS operator determines the connection charge independently.
 - d) In most CPs CDS operator is obliged to provide **third party access** to his network and, in case of rejection, should provide reasons. In case of disconnection, CDS operator must inform users in advance in **Kosovo* and Serbia**. In **Moldova** no requirements as regards third party access to CDS are determined, however the CDS user may choose any supplier and sign a contract for supply of electricity and in this case the CDS user will have to pay to the CDS operator only the tariff for the operation of the CDS that does not include the price for electricity.
 - e) CDS operators should comply with **quality of service** requirements including voltage quality standards, the same as DSOs, in **Kosovo*, Serbia, Montenegro and Ukraine**.
 - f) As regards network development plans, CDS operators are usually not required to have network development plans, but in **Serbia** they should have investment plans.
 - g) In most of the CPs NRAs have the right to release CDS operators from the obligation to procure electricity for the compensation of **losses** in their networks in a transparent and non-discriminatory manner and under market conditions. In **Moldova** CDS operator procures electricity for its own consumption from the retail supplier. In **Serbia** CDS operator may procure electricity only to cover losses in CDS and participate in organized market for this purpose.

- h) Usually customers of CDS should have individual meters. In **Kosovo***, **Montenegro** and **Serbia** CDS operator is responsible for metering service for customers inside the CDS. In **Kosovo*** and **Serbia** (in specific cases) customers of CDS should have EIC.
 - i) In most of the CPs there are no requirements for **billing** in CDS.
9. In **most of the CPs** CDS operator should have connection agreement and distribution/transmission service (use-of- system) contract with operator to whose network a CDS is connected.
10. In **most of the CPs** CDS operator can participate in wholesale market and should be a balance responsible party. In **Moldova** CDS operator does not participate in the wholesale market and is considered as consumer.
11. As regards contractual relations inside the CDS, the operator should conclude connection contract (in **Kosovo***, **Montenegro**, **Serbia**, **Ukraine**), contract for use of system (in **Montenegro** and **Serbia**), agreement on access to the system (in **Serbia**), agreement for distribution services (in **Ukraine**) with its customers. In **Montenegro and Serbia** these contracts are standardized.
12. In **all CPs** consumers inside CDS are **eligible to switch** their supplier following the supplier switching rules that are the same as for other consumers. In case of default of CDS operator, its customers will be transferred to supplier of last resort in most of the CPs.
13. In **most CPs** customers of CDS may **file a complaint** to CDS operator and CDS operator has an obligation to handle it. In **all CPs** customers can also file a complaint on CDS operator actions to the regulator.
14. In **all CPs** regulators have the power to issue binding decisions for CDS operators but only in three CPs (**Albania**, **Kosovo*** and **Ukraine**) the regulator may penalize CDS operator.
15. **All CPs** (except Moldova and Ukraine) **monitor** a number of CDSs, number of their customers and users as well as CDS functioning. In **Moldova** and **Ukraine** regulators have plans to introduce such monitoring after authorization of CDS operators.

CONCLUSIONS

1. Directive 2009/72/EC sets some exemptions for CDS as regards losses procurement and tariff regulation. According to the European Commission's 'Clean Energy for All Europeans' proposal for a revised Directive on common rules for the internal market in electricity²¹ presented in 2016 (Article 38) "*Closed distribution systems shall be considered as distribution systems for the purpose of the Directive.*" The proposal also introduces (Article 16) a new type of network/supply organization like "Local energy communities".

2. According to the regulatory framework applied in CPs, CDS should ensure basic customer rights (e.g. supplier switching, complaint handling, third party access). Also CDSs may operate not only as distribution network. Thus, CDSs in CPs already operate more as DSOs (with some exemptions) and have some features of new local energy communities. In both cases, that requires customers of CDSs to negotiate some conditions with CDS operators

3. With the further development of EU and Energy Community legislation more precise definitions and criteria for different types of networks organization is desirable in order to ensure clear and transparent handling of customers inside such networks.

²¹ http://eur-lex.europa.eu/resource.html?uri=cellar:c7e47f46-faa4-11e6-8a35-01aa75ed71a1.0014.02/DOC_1&format=PDF.

ANNEX

Contracting party	Provisions form national Laws
Albania	<p>Article 71 Rights concerning closed distribution systems</p> <ol style="list-style-type: none"> 1. ERE may classify a system which distributes electricity within a geographically confined industrial, commercial or shared services site and does not, without prejudice to paragraph 4 of this Article, supply household and small non households customers, as a closed distribution system if: a) for specific technical or safety reasons, the operations or the production process of the users of that system are integrated; or b) this system distributes electricity primarily to the owner or operator of the closed system or companies linked to the closed system. 2. ERE may exempt the operator of a closed distribution system from: a) the obligations, stipulated in Article 69of this Law, to procure the energy it uses to cover energy losses and reserve capacity in its system according to transparent, non-discriminatory , not competitive and market based procedures; b)the obligations that fees or their calculation methodologies under the provisions of Article 21of this Law, as approved by ERE, should already be adopted before their entry into force. 3. Where an exemption is granted under paragraph (2) above, the applicable tariffs, or the methodologies underlying their calculation, shall be reviewed and approved by ERE in accordance with Article 21of this Law upon request by a user of the closed distribution system. 4. The exemption in accordance with point 2 of this article, could be given in the cases when the electrical energy is used by a small number of household and small non-household clients located within the covered area served by a closed distribution system and are employed by or in similar relations with the owner of the distribution system. 5. The Operator of a closed distribution system exercise its activity in accordance with the issued license for the closed distribution system and respective rules for its functioning approved by ERE
Kosovo	<p style="text-align: center;">Law on Electricity Article 30 Closed Distribution Systems</p> <ol style="list-style-type: none"> 1. The Regulatory shall approve rules on the performance of distribution activities within a closed distribution system. 2. The Regulatory may relieve the Closed Distribution System Operator from:

	<p>2.1. the obligation to purchase energy used for the coverage of electricity losses and reserve capacities in its system, on the basis of transparent, non discriminatory and market-based procedures;</p> <p>2.2. the obligation that prices, respectively compensations or methodologies on which their calculation is based, are approved by the Regulatory prior to their entry into force.</p> <p>3. In the event that any release from obligations, as determined in paragraph 2. of this Article, is affected, existing prices respectively compensation or methodologies on which the calculations are based, may be revised and adjusted with the pricing methodology approved by the Regulatory, upon request of the users of such networks.</p> <p>4. Incidental use by the small number of households with employment or similar associations with the owner of the distribution system and located within the area served by a closed distribution system shall not preclude an exemption under paragraph 2. of this Article being granted.</p> <p>Also In the Law on Energy Regulator it is article regarding the Closed Distribution System, specifically article 41.</p> <p style="text-align: center;">Article 41 Closed Distribution systems</p> <p>1. The Regulator approves rules on performance of distribution activities within a closed system, taking into consideration that this system acts as an isolated group within a confined geographical location, in which industrial or commercial economic activities ore performed, excluding household customers.</p> <p>2. The Regulator may release the Closed Distribution System Operator from the following:</p> <p>2.1. obligation to purchase the energy used for covering electricity losses and reserve capacities in its own system, based on transparent, non-discriminatory ad market-. based procedures;</p> <p>2.2. obligation to have the Regulator approve prices, respectively compensations or methodologies on which their calculation is based, prior to their entry into force.</p> <p>3. In the event relief from obligations envisaged in paragraph 2 of this Article is applied, existing prices, respectively compensations or methodology on which their calculations are based, could be reviewed and adjusted with the methodology and prices approved by the Regulator, upon request by new users of such networks.</p> <p>4. The Regulator approves rules on the performance of closed energy distribution system operator, in accordance with provisions of the Law on Electricity.</p> <p>Article 12 of their Rule on Maximum Allowed Revenues of Distribution System Operator (Rule on DSO Revenues), covers also the Closed Distribution System.</p>
Moldova	Law of electricity

Article 50. Closed distribution systems

- (1) Individuals or legal entities can be supplied electricity either through the connection to the electric networks or through the connection to the electrical facilities of a closed distribution system operator.
- (2) The supply of electricity to the closed distribution system's users shall not imply the need to obtain the electricity distribution license, the electricity supply license. The closed distribution system operator must obtain an authorization from the Agency in this regard.
- (3) The Agency shall grant the authorization for a closed distribution system if:
 - a) for specific technical or safety reasons, the activity or the production process of the closed distribution system users are integrated;
 - b) the respective distribution system supplies electricity primarily to the person who shall own or operate this system or their related undertakings.
- (4) To obtain the authorization for the closed distribution system, the applicant or the legal entity must submit to the Agency the copy of the decision on undertaking registration, the electric scheme of the electric networks in the closed distribution system, the act of compliance issued by the State Energy Surveillance Authority confirming the conformity of the closed distribution system with the security requirements and information on the closed distribution system users.
- (5) The closed distribution system can also supply electricity to a limited number of small customers whose electrical facilities are placed in the geographical area of the closed distribution system or in the immediate vicinity of the closed distribution system or who are in employment relationship or other similar relationship with the closed distribution system owner, under conditions, specified in a regulation, approved by the Agency.
- (6) If the number of the closed distribution system users changes, the operator of the respective distribution system must notify the Agency thereof.
- (7) The operator of the closed distribution system procures electricity for its own consumption and for supply of system users, from the retail electricity market.
- (8) If the operator of the closed distribution system fails to fulfill its obligations established by this Article and Art. 51, the users of the closed distribution system shall be entitled to file a complaint with the Agency in compliance with this Law.
- (9) The operator of the closed distribution system does not respect conditions, imposed by this article and art. 51, the users of the closed distribution system have the right to address a complaint to the Agency, according to this law.
- (10) The Agency shall be entitled to withdraw the authorization, if the operator of the closed distribution system repeatedly breaches its obligations under this Law and refuses to comply with the decisions of the Agency.
- (11) Issuing, renewal, reperfusion, suspension, resumption of validity or withdrawal of authorization for the closed distribution system

and the issuance of a duplicate of the authorization, shall be done under the conditions set out in this article and in accordance with the Law on the regulation of the entrepreneurial activity.

(12) Allotment association, garage building cooperatives, other associations of co-owners, that do not constitute a closed distribution systems within the meaning of par. (3) may, upon request, obtain an authorization for the closed distribution system, under all condition laid down in this Article. If the association (cooperative etc) does not request the authorization for the closed distribution system, the legal relationships within allotment association, garage construction cooperatives, other associations of co-owners, are established on the basis of the constitutive act and the decisions, taken at the assembly of the associates.

(13) The operator of a closed distribution system, allotment association, garage building cooperatives, other associations of co-owners shall have the right to transmit their electrical installations free of charge to the system operator, provided that the requirements of the connection permit, issued by the system operator for the connection of the electrical installations, are met, and comply with the conditions laid down in Art. 48 par. (9).

Article 51. Legal relationship between the operator and users of a
closed distribution system

(1) In order to supply electricity to the users of the closed distribution system, the operator is entitled to charge only the tariff, calculated in accordance with the methodology for calculating the tariff for the operation of the closed distribution system, approved by the Agency, published in the Official Monitor of the Republic of Moldova and on the official website of the Agency.

(2) The Agency elaborates and approves a methodology for calculating the tariff for operation of the a closed distribution system, which will be based on the following principles:

a) the cost of supplied electricity shall be determined based on the tariff or price of purchasing the electricity from the supplier or producer;

b) the tariff for the distribution service, provided by the operator of the closed distribution system, shall be determined based on the substantiated expenses of the respective operator needed for the maintenance and operation of the system and for carrying out its distribution activity, the expenses needed to cover the technological consumption and electricity losses in the closed distribution system, and on applying a reasonable margin of profit, not more than 5% from the net value of assets, used by the operator of the closed distribution system for this activity. The profit cap is applied if the operator of the closed distribution system practices entrepreneurial activities.

(3) Upon the request of one of the users of the closed distribution system, the Agency shall verify if the tariff, applied by the closed distribution system operator, complies with the principles set out in the methodology for calculating the tariff for the operation of the closed

	<p>distribution system. The Closed Distribution System Operator is required to provide the Agency with all the necessary documents in order to verify if the operator has complied with the approved methodology. If the Agency finds that the tariff includes more than the costs set out in the methodology, it will present the tariff to be applied by the closed system operator in relation to the users of its system. The revised tariff is approved by the Agency's decision.</p> <p>(4) The Closed Distribution System Operator is not entitled to receive any other payments, related to the activity under the Closed Distribution System Authorization.</p> <p>(5) The user of the closed distribution system shall be entitled to conclude the electricity supply contract with any supplier. In this case the operator of closed distribution system is obliged to recalculate the applied tariff for this user, and to include in the tariff only the costs, related to provided service. It is forbidden for the operator of the closed distribution system to prevent in any way the user from exercising the right to change the supplier. The legal relationship between the operator of the closed distribution, the system user who opted for switching the supplier and the supplier shall be established in a regulation approved by the Agency.</p>
Montenegro	<p style="text-align: center;">Energy law</p> <p style="text-align: center;">Article 117</p> <p>(1) Closed electricity Distribution System, pursuant to this Law, shall be used to distribute electricity in geographically limited area, composed of installations, lines and transformers running from the point of connection to the transmission or distribution system to the connection points of system users, as well as of facilities, telecommunication and information equipment and other infrastructure necessary for its functioning;</p> <p>(2) The closed distribution system can include facilities, transformers and lines of voltage level higher than that envisaged by article 115, paragraph (2) of this Law.</p> <p>(3) At the request of the owner of infrastructure referred to in paragraph (1) herein, the Agency can determine the status of closed Distribution System for geographically limited commercial systems or joint service systems, and it shall identify the closed distribution system operator, in the following cases</p> <ol style="list-style-type: none"> 1) in case of integration of operation and generating processes, trade or service activities of users of the concerned system due to technical or safety reasons, or 2) if the system distributes electricity primarily to the system owner or system operator or their entities related to them; <p>(4) The system referred to in paragraph (3) of this article may also comprise limited number of households that reside on that area.</p> <p>(5) In addition to the application from paragraph (3) of this article, the system owner shall provide the following evidence confirming that:</p> <ol style="list-style-type: none"> 1) it has been registered to perform electricity distribution; 2) it possesses energy facilities and other instruments, devices and installations necessary to perform energy activity, which meet conditions and requirements defined by engineering regulations, regulations on energy efficiency, regulations on protection against

fire and explosion, as well as by regulations on environmental protection;

3) it has employed persons to perform engineering management, maintenance, exploitation and handling of energy facilities, who passed professional exam or signed contracts for performance of such activities with third parties;

4) it meets other conditions so as to determine the status of a closed distribution system defined in regulations from article 43, paragraph (4), clause 11) herein.

(6) The Distribution System Operator shall pay the charge for determining the status of the closed distribution system and it shall pay annual compensation for use of status of a closed distribution system, in the amount defined by the Agency's decision referred to in article 51, paragraph (5) herein.

Duties of Closed Distribution System Operator

Article 118

- (1) Operator of the closed Distribution System shall provide rights to connection of users which are equal to rights of those that are being connected to Distribution System as regulated by this Law, except for the fact that charge for connection may be set independently, without the methodology or approval.
- (2) The Closed Distribution System Operator shall be the only system operator and the only undertaking that is allowed to identify the price and charge the distribution network use, in compliance with the contract on system use signed with the user.
- (3) While supplying customers connected to the distribution system, the Closed Distribution System Operator shall charge electricity consumption, use of the system and the relevant charge, based on the supply agreement signed with the customer.
- (4) If the customer connected to the closed distribution system is supplied by another supplier, electricity consumption and charges shall be collected by that supplier in line with the law.
- (5) The Closed Distribution System Operator shall provide connection to the system, based on individual contract, access to Distribution and Transmission System to which closed Distribution System is connected, including unrestricted right to select the supplier;
- (6) If technical capacity of closed Distribution System allows connection of new customer or increase of capacity of the existing customer, the customer shall be connected to closed Distribution System by the distribution system operator or shall be allowed to increase capacity.
- (7) In addition to the amount referred to in paragraph (2) hereof, customer shall pay for use of the system to which closed Distribution System is connected, i.e. use of transmission System and use of Distribution System in line with the voltage level, as well as other amounts defined by this law in compliance with the connection agreement.
- (8) The Closed Distribution System Operator shall pay to the competent system operator the charge for use of transmission and/or distribution system.

Determination of Charge for System Use

Article 119

(1) The Closed Distribution System Operator shall not be obliged to:

- 1) prepare ten-year development plan or investment plans;
- 2) procure reserves and energy for covering network losses in line with transparent and non-discriminating procedures;
- 3) publish or ask for the Agency's approval of methodology or price/charge for network use.

(2) The customer in the closed Distribution System can require the Agency to revise methodology or prices for the network use.

(3) In the case referred to in paragraph (2) of this article, the Agency shall require from the Operator to submit its methodology on the basis of which prices for use of the grid were determined, together with all the documents necessary for calculation of operating costs, depreciation, calculated profit and revenues;

(4) The Agency shall pass the decision upon the request referred to in paragraph (2) of this article within six months following the day of the request submission.

(5) The Agency's decision on approval of methodology and prices or on determining prices for use of the system referred to in paragraph 4 of this article shall be based on principles which are used by the Agency for other Distribution Systems, at least with reference to the following:

- 1) Justification of operating costs (related to control and maintenance of the closed Distribution System);
- 2) Actual level of depreciation and value of assets;
- 3) Return on assets;
- 4) Quality of service.

Prices

Article 120

(1) Closed Distribution System Operator shall implement the prices for the system use within 30 days following the day of receipt of the Agency's decision referred to in article 119, paragraph (4) of this Law;

(2) In case circumstances on the basis of which the Agency defined prices have changed, the closed distribution system operator may identify

new prices independently, in line with article 118, paragraph (2) of this Law and it shall inform the Agency accordingly.

Conclusion of Agreements, Reporting and Mutual Relations

Article 121

- (1) The closed Distribution System Operator shall conclude agreements on mutual rights and obligations, regarding the following:
- 1) agreement on connection to the system with the system operator to which they are connected;
 - 2) agreement on the system with the operator of the system to which they are connected;
 - 3) procurement of electricity for covering network losses and supplying their customers;
- (2) The Closed Distribution System Operator shall define and conclude standard agreements with system users which regulate:
- 1) connection to the closed distribution system;
 - 2) use of the closed distribution system.
- (3) Closed distribution system operator generating electricity shall make and publish annual report on electricity volume generated by its system and electricity volume consumed by the system, by customer category and type of generator;
- (4) In case generation referred to in paragraph (3) of this article includes generation of electricity from renewable energy sources, the closed distribution system operator shall present in the Report volumes of electricity generated from renewable energy sources classified into categories in accordance with article 98, paragraph 1) of this Law.
- (5) The closed distribution system operator shall be entitled to the same rights of using transmission and/or distribution system and it shall have the same obligations arising from the system use like other users connected to the corresponding voltage level.
- (6) The Closed Distribution System Operator shall have the same obligations towards system users like other distribution system operators.

Serbia

Closed electricity distribution system

Article 148

A closed electricity distribution system is a system used for electricity distribution in a geographically limited industrial zone, trade zone or a zone of common services, if:

the business operations or the production process of the user of that system are connected for specific and safety reasons;

electricity is primarily distributed to the system owner or operator, their associated enterprises and other system users.

End customers from the household category may not be connected to a closed distribution system, except in the case of a small number of households that are related to the owner or user of the closed distribution system operator by employment or otherwise, and are located in the area of that system.

Article 149

Users whose facilities are connected to a closed distribution system shall not be discriminated in relation to users of other distribution systems in terms of electricity delivery and supply.

Article 150

The owner of a closed distribution system, if not interested in performing the activity of distribution and management of the closed distribution system, may sell the system through a legal transaction or give it for use to another interested legal entity.

In the case under Paragraph 1 of this Article, the operator of the system to which the closed distribution system is connected, i.e. the operator of the distribution system to which the closed distribution system is connected, shall have the pre-emption right, i.e. the right of first use.

In case that the operator of a closed distribution system under Paragraphs 1 and 2 of this Article is not provided, the Government shall, temporarily, for a period that may not be longer than two years, designate the territorially competent distribution system operator for performing the activity of distribution and management of the closed distribution system.

In the case under Paragraph 3 of this Article, the owner of the closed distribution system and the territorially competent distribution system operator shall regulate all the issues referring to the fee for the closed distribution system use, by an agreement.

Article 151

The Agency shall adopt the methodology for calculation of the price of access to a closed distribution system.

The closed distribution system operator shall issue a decision on the price of access to the closed distribution system on the basis of methodology under Paragraph 1 of this Article, and shall publish it on its website.

Upon a request of a closed distribution system user, the Agency shall check the method for determining the price of access to that system, and in case that it finds that the prices have not been determined in accordance with the methodology, the Agency shall require the closed distribution system operator to correct the prices.

Responsibilities and duties of the closed electricity distribution system operator

Article 152

The closed electricity distribution system operator shall be responsible for:

safe and reliable operation of the closed distribution system and electricity delivery quality;

non-discriminatory and cost-effective access to the closed distribution system;

fulfilment of rational requirements for an increase of its system power;

fulfilment of rational requirements for the construction, i.e. harmonisation of the existing connections of the closed distribution system users with the needs of the system users;

accuracy and reliability of electricity measurement at the points of delivery from the closed distribution system.

Article 153

The closed electricity distribution system operator shall:

maintain the network;

- pass the rules on the closed distribution system operation if there are any specific needs in relation to the rules on operation of the distribution system to which it is connected;
- prepare the plan of investments in the closed distribution system, harmonised with the needs of the system users;
- make a decision on the price of access to the closed distribution system, pursuant to this Law;
- monitor the losses in the closed distribution system and adopt a plan for the reduction of electricity losses;
- procure electricity for the compensation of losses in its network;
- provide the closed distribution system users with information needed for efficient access to the closed distribution system, based on the principles of transparency and non-discrimination;
- conclude an agreement on facility exploitation with the operator of the system to which it is connected;
- ensure confidentiality of commercially sensitive information obtained during performing the activity and publish information that may ensure advantage in the market in a non-discriminatory manner;
-) collect and publish data and information necessary for the fulfilment of prescribed obligations in terms of transparency and supervision of the electricity market;
 -) verify and submit to the transmission system operator the data necessary for administering the electricity market, in accordance with the rules on the electricity market operation, on the basis of the measured hourly values, or hourly values calculated on the basis of the measured monthly values, and the consumption profile;
 -) verify and submit data to the supplier on the customers supplied by them, on the basis of the measured hourly values, or hourly values calculated on the basis of the measured monthly values, and the consumption profile;
 -) ensure the right to access to electricity consumption data pursuant to Article 56, Paragraph 1, Item 11) hereof;
 -) take the prescribed safety measures;
 -) take measures for an increase in energy efficiency and environmental protection;

) regulate other matters necessary for the closed distribution system operation and market functioning.

Rules on the closed distribution system operation

Article 154

The closed distribution system operator shall abide by the rules on operation of the system to which it is connected.

The closed distribution system operator may regulate the specificity of its system by the rules on the closed electricity distribution system operation, in terms of:

technical and other conditions for reliable and secure operation of the closed distribution system;

technical conditions for connecting to the closed distribution system;

access to the closed distribution system;

utilisation and maintenance of facilities;

special procedures in case of any disturbances of operation;

other matters necessary for the closed distribution system operation.

The rules under Paragraphs 1 and 2 of this Article shall be published on the website of the closed electricity distribution system operator.

Upon a request of a user of the closed distribution system, the Agency shall reconsider the rules on the closed distribution system operation.

In case that the Agency determines that the rules on the closed distribution system operation have not been passed in accordance with this Law, it shall require the closed distribution system operator to amend the rules.

Article 155

	<p>A closed electricity distribution system operator without the license for electricity supply may procure electricity only for the compensation of losses in the closed distribution system, and participate in the organised electricity market and procure electricity there, to optimise in the most effective manner the procurement of electricity necessary for the compensation of losses in the closed distribution system.</p> <p>The Agency may release a closed distribution system operator from the obligation to procure electricity for the compensation of losses in the distribution network in a transparent and non-discriminatory manner and under market conditions.</p> <p style="text-align: center;">Article 156</p> <p>The closed distribution system operator may supply electricity to end customers whose facilities are connected to that system if it holds a license for electricity supply, but it may not contract conditions in an agreement on electricity supply that would impede the right of the end customer to change the supplier.</p> <p>In the case under Paragraph 1 of this Article, the end customer is entitled to change the supplier under the general conditions for changing suppliers prescribed by this Law and regulations passed on the basis hereof.</p>
Ukraine	<p>Article 49. Distribution of electricity by electrical networks of the main consumers</p> <p>1. For the purpose of this Article, main consumer shall be a consumer and/or owner of electrical networks, who is not a distribution system operator, whose electrical networks are used for distribution of electricity to other consumers, as well as for transportation of electricity to the distribution system operator's networks.</p> <p>2. Relations between the main consumer, who is the owner of electricity networks, and consumers feeding from its networks, and distribution system operator and/or transmission system operator shall be regulated by the distribution system code, transmission system code, retail market rules and contracts concluded on their basis.</p> <p>3. The main consumer shall undertake to conclude with the distribution system operator, on whose territory of conducting licensed distribution activity its networks are located, a contract on joint use of electrical networks as per template approved by the Regulator.</p> <p>The cost of services under such contract shall be defined based on the methodology approved by the Regulator.</p> <p>The cost of services paid by the distribution system operator under the contract on joint use of electrical networks shall be included into the tariff for</p>

distribution of the corresponding distribution system operator.

4. The Regulator may classify electrical networks distributing electricity within the restricted territory of a business establishment, public service establishment, residential complex, other facilities as a small-sized distribution system, provided that at least one of the following conditions is observed:

- 1) production processes of users in such system are interconnected technologically or for safety reasons;
- 2) these networks provide for distribution mainly for the owner of the networks or for legal entities connected with such owner by relations of control;
- 3) these networks provide for distribution of electricity to a quantity, which is less than the marginal quantity, of household consumers, who are related with the owners of such system by means of contractual relations or on other legal grounds, and/or this system is in joint ownership of such household consumers.

Classification and criteria of defining small-sized distribution systems shall be determined by the distribution system code, specifically based on the quantity and category of users of the small-sized distribution system, volumes of distribution of electricity through the small-sized distribution system, capacities of connection to the transmission and/or distribution system.

5. Small-sized distribution system operators shall perform the functions, have the rights and obligations of the distribution system operator with regard to the users of the small-sized distribution system with the account of the specifics defined by the distribution system code and retail market rules, without appropriate licenses.

Maximum (marginal) fee for the services of distribution through small-sized distribution systems shall be defined according to the methodology approved by the Regulator.

Requirements of part three of this Article and provisions of Article 47 of this Law shall not apply to the small-sized distribution system operators.

6. Main consumers, small-sized distribution systems operators shall ensure non-discriminatory access of third parties to their electrical networks, as well as safety and reliability of functioning thereof in line with the distribution system code, retail market rules and other laws and regulations.