

## **COMPLIANCE PROGRAMME**

**of the activities of EVN Elektrodistribucija Ltd,  
Skopje providing for objectivity, transparency  
and prevention of discrimination in electricity  
distribution**

**Skopje, 2017 година**

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# **1 Introduction**

The programme for compliance of the activities of EVN Elektrodistribucija Ltd, Skopje (hereinafter referred to as: EVN Elektrodistribucija) providing for objectivity, transparency and prevention of discrimination in electricity distribution (hereinafter: the Programme) is aimed at providing for an equal and transparent access of all electricity market participants to the services provided by the electricity distribution system operator (hereinafter referred to as: DSO). The present Programme lays down measures for prevention of discriminatory behaviour and the relevant obligations of the employees of EVN Elektrodistribucija.

## **1.1 Legal grounds for the adoption of the Programme**

The present Programme of EVN Elektrodistribucija has been adopted in accordance with article 78, paragraph 3 of the Energy Law (Official Gazette of the Republic of Macedonia no. 16/11, 136/11, 79/13, 164/13, 41/2014, 151/14, 33/15, 192/15, 215/15, 6/16, 53/16 and 189/16), under which EVN Elektrodistribucija, in its capacity of a DSO, i.e. holder of a license for electricity distribution is obliged to develop a Compliance Programme that shall provide for fair and equal conditions for the users of the distribution network. The Programme shall be approved by the Energy Regulatory Commission of the Republic of Macedonia (hereinafter referred to as: ERC) prior to its entry into force.

## **1.2 Objective of the Programme**

The objectives of this Programme are to provide:

- reliable, safe and high quality delivery of electricity to/from the distribution network users, and
- prevention of discrimination, objectivity and transparency in the provision of the public service of electricity distribution by the DSO.

## **1.3 Application of the Programme**

The present Programme shall be applied in order to provide for objectivity, transparency and prevention of discrimination in the pursuit of the electricity distribution activity by EVN Elektrodistribucija in its capacity of a DSO, and it shall be adhered to by the persons in charge of the governance and management of EVN Macedonia and the employees in EVN Elektrodistribucija.

The persons in charge of the governance and management of EVN Elektrodistribucija, according to the present Programme, shall be: Managing directors, Advisory committee, the authorised signatories assigned by the company, as well as managers of the departments and customers energy centers which are part of the company. The organizational units of EVN Elektrodistribucija, as a part of the vertically integrated undertaking EVN Macedonia JSC Skopje (hereinafter: EVN Macedonia) is present on the Figure 1 in the following text of this document.

## **2 Internal processes**

EVN Elektrodistribucija shall ensure that the internal operational and organizational processes shall not provide a preferential treatment of separate market participants to the detriment of other market participants. EVN Elektrodistribucija shall monitor and provide for equal treatment of the electricity market participants in the following activities/processes:

- Planning and development of the distribution grid
- Operation and maintenance of the distribution system
- Billing/invoicing of the delivered electricity
- Delivery/interruption of the delivery of the electricity
- Removal of defects
- Supplier switching
- Usage of the grid
- Connection of the users to the distribution grid
- Contacts with customers
- limitation of the excessive power consumption
- metering, reading, control, monitoring, changing and maintenance of the metering devices
- Management with data from metering devices.

## **3 Measures for prevention of discrimination**

In order to provide for objectivity, transparency and prevention of discrimination in the fulfilment of the obligation for provision of a public service, EVN Elektrodistribucija, in its capacity of DSO on the territory of the Republic of Macedonia, shall comply with the following rules:

- DSO is independent in the performance of the public service of distribution of electricity.
- The use of the distribution grid shall be exercised in accordance to the General terms for access to the distribution grid.
- DSO, within its scope of operations, shall undertake measures to remove any type of discrimination in the electricity market.
- No market participant shall receive any preferential treatment to the detriment of any other electricity market participant.

- The access and the connection to the distribution grid shall be made in accordance with the applicable laws and regulations that are in force.
- DSO shall grant priority access to the distribution grid to generation facilities utilizing renewable energy resources.
- Any denial of access to the distribution grid shall be adequately substantiated, stating precisely the reasons for the denial.
- The right to appeal the decisions of the DSO before the ERC shall be guaranteed. Prior to initiating the complaints procedure, the DSO shall make efforts to resolve the disputed issues amicably.
- The decisions taken by the DSO have to be clear, concise and substantiated in detail within the relevant time limits.
- The termination of the electricity supply shall be made in accordance with the applicable laws and regulations that are in force.
- The maintenance and the upgrading of the distribution grid shall be carried out in accordance with the annual investment plans approved by the ERC.
- The DSO shall remove the defects in the distribution grid as soon as possible, taking into account the weather conditions, the extent of the defect, the accessibility of the terrain and the cooperativeness of the citizens and the institutions.
- DSO shall perform its obligations in the process of change of a supplier in a transparent and non-discriminatory manner, in accordance with the applicable laws and regulations.
- The confidentiality of the business data and information that DSO receives from its customers in the course of its operation shall be guaranteed in accordance with the law.
- Any misuse of business secrets and confidential information received in the course of the operation for the purposes of obtaining business gain or undertaking discriminatory actions to the benefit of third parties shall be prohibited. The obligation for confidentiality of the information shall not apply to:
  - information that are publicly available,
  - information for which the person concerned provided a written consent for disclosure,
  - information that the holder of a license for pursuit of energy activity has to provide in accordance with the obligations set forth in the license, a decision by a competent court or upon request of a state authority, and
  - Information necessary for the performance of the obligations under the license for pursuit of energy activity.
  - Information revealed in criminal charges, misdemeanour or law-suit for debt, damage compensation, blocking of access, acquisition of benefits without legal basis.

## **4 Unbundling of the activity**

In order to provide for the full adherence to the principles of objectivity, transparency and prevention of discrimination, EVN Macedonia has carried out a legal, functional, managerial, financial and information separation of the energy activities: production of electricity, electricity supply and distribution of electricity.

### **4.1 Legal unbundling**

For the realization of the obligation for legal unbundling of the DSO, EVN Macedonia as a vertically integrated undertaking which performed energy activities generation, distribution and supply of electricity in accordance with the Law on Energy established a special trade companies for generation, distribution and electricity supply. In this context, starting from 2012 electricity generation from 11 small hydro power plants owned by EVN Macedonia is performed by EVN Macedonia Power plants LTD, while EVN Macedonia electricity supply LTD was established for performing energy activity of electricity supply to consumers the open market. As for the activity of electricity distribution, this activity from 2017 is carried out by EVN Elektrodistribucija. All the above mentioned companies have obtained the appropriate licenses for energy activities from the ERC, and EVN Macedonia continues to be a holder of licenses for electricity supply to tariff consumers and electricity supply for last resort.

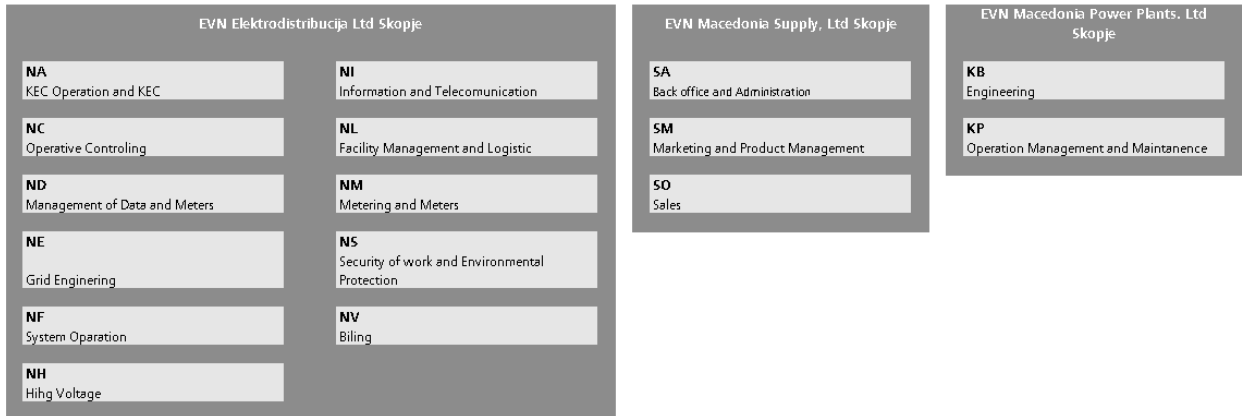
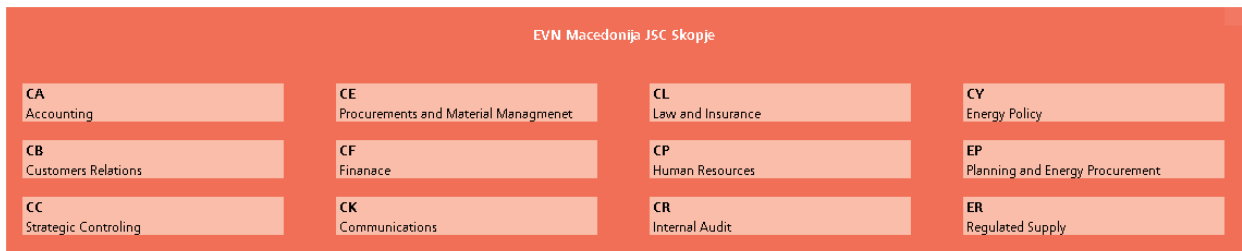
The appointment and dismissal of managers of holders of licenses for generation, distribution and supply of electricity is carried out by the founder on the prior consent of the Supervisory Board pursuant to the Company's Statute. The persons responsible for the management and governance of the DSO do not participate in the governance and management structures of companies for generation, electricity supply, electricity supply to tariff consumers and electricity supply in last resort. Also persons appointed to manage the companies for electricity generation, electricity supply to tariff consumers and electricity supply in last resort and electricity supply are not included in the performance of activity performed by EVN Elektrodistribucija.

### **4.2 Functional unbundling**

In order to ensure objectivity, preventing discriminatory behavior and transparency in the conduct of the energy distribution of electricity to all participants on the electricity market, EVN Elektrodistribucija will provide independent performance of the distribution of electricity from other activities carried out in within the vertically integrated undertaking.

From the organizational structure of vertically integrated undertaking EVN Macedonia is given in Figure 1, the network functions are clearly separated from the functions performed by other organizational units of affiliated companies within the EVN Macedonia.

**Figure 1.** Organizational structure of EVN Macedonia



The persons charged with governance and management of EVN Elektrodistribucija shall be the sole persons who can influence the performance of the functions exercised by the DSO. Any interference by other persons in the daily activities of the performance of the activity by the DSO is not allowed.

All operational decisions relating to the management, maintenance and development of the distribution system are taken exclusively by the persons charged with governance and management of EVN Elektrodistribucija, in a non-discriminatory manner, without any influence by the other electricity market participants and the other energy activities from the vertically integrated undertaking.

All decisions related to the approval of financial assets for the operation of the distribution network as well as maintenance and development of the same are taken directly by managers of EVN Elektrodistribucija, stating that certain decisions are subject to approval by the Advisory Committee and the only founder in the company, EVN Macedonia, taking into account that they are free from the influence of the interests of participants in the electricity market.

EVN Elektrodistribucija shall ensure separate financial report on the pursuit of the energy activity of electricity distribution.

### 4.3 Managerial unbundling

In order to ensure managerial unbundling of the DSO, the person responsible for managing of the EVN Elektrodistribucija in terms of this Program:

- shall not be appointed to participate in the governance and management structures of the legal entities that are holders of licenses for generation, transmission, trading, supply of electricity to

tariff customers, electricity supply in last resort and electricity supply within vertical integrated undertaking,

- shall not receive compensation or other allowance of legal entities that are holders of licenses for generation, transmission, trading, supply of electricity to tariff customers, electricity supply in last resort and electricity supply within the vertically integrated undertaking,
- remuneration must not depend on the financial results of other legal entities that are holders of licenses for generation, transmission, trading, supply of electricity to tariff customers, electricity supply in last resort and electricity supply within the vertically integrated undertaking,
- shall act and take decisions independently,
- shall be independent of the interests of the vertically integrated undertaking to which the operator belongs or of the interested of the associated company when taking decisions concerning the financial funds required for the operation, maintenance and development of the system.

#### **4.4 Financial and accounting unbundling**

EVN Elektrodistribucija has separate accounting records in relation to the performance of the energy activity, distribution of electricity.

EVN Elektrodistribucija takes into account the removal of cross-subsidies, preventing distortion of competition and the proper allocation of costs associated with the operation of the distribution system.

After the end of each business year, on the basis of separate accounting records, EVN Elektrodistribucija prepares an annual financial report that is subject of audit by an independent auditor. Audited financial report shall be submitted to the ERC in line with the obligations of the license for energy activity carried out by the EVN Elektrodistribucija.

#### **4.5 Information unbundling**

EVN Elektrodistribucija provides for complete information separation of the energy activities it pursues, taking into account the following, in particular:

- The DSO shall provide for the collection and processing of data made available to it in accordance with the applicable laws and regulations.
- DSO shall treat any commercially sensitive information on third parties that are available to it as confidential in accordance with the applicable laws and regulations and shall not disclose such data to other electricity market participants. DSO may disclose commercially sensitive information solely upon a prior consent of the third party to which that information refers.
- DSO shall treat as commercially sensitive information those information that have been made available to it by an electricity market participant with a designation that such information are commercially sensitive or deemed to be business secrets. If the information are not specifically designated as a commercially sensitive information, DSO shall treat as commercially sensitive those information that are relating to the financial and other terms of the electricity supply



activity, such as: information on individual electricity supply contracts, information on the behaviour of the electricity market participants in relation to the payment for the services provided to DSO and third parties, etc.

- DSO shall provide a non-discriminatory access to any data of public character that are at its disposal, under equal terms to all electricity market participants.
- DSO shall fully comply with the applicable rules on the exchange of data and information. Such rules should guarantee the access to the public data at the disposal of the DSO under equal conditions, procedures, costs and quality for all electricity market participants.
- Employees who have access to information and data with commercially sensitive nature should not be used for gaining competitive advantages of other participants in the electricity market.

## **5 Providing of the common services**

Due to optimization of the capacities in order to reduce costs in the electricity sector and reduce the pressure on the tariffs for electricity distribution, EVN Elektrodistribucija has no substantial administrative staff. Administrative and other general activities that are characteristic solely for the distribution of electricity (eg, human resources, communications, financial services, controlling etc.) will be provided by organizational units within the vertical Integrated undertaking EVN Macedonia. The scope and content of these administrative and other common services shall not apply to activities directly related to performance of distribution of electricity and must not impair independence in the functioning of EVN Elektrodistribucija.

On the other hand, the transfer of certain units within EVN Elektrodistribucija previously performed activities and other energy activities will continue to carry out within a vertically integrated undertaking EVN Macedonia, EVN Elektrodistribucija can provide common services within the vertically integrated undertaking. In case EVN Elektrodistribucija provides such services, they should be based on agreements defining the characteristics of services and manner of securing and their prices. Should an interest occurs with other participants in the electricity market; at their request such service will be available in accordance with available capacities of EVN Elektrodistribucija, under identical conditions.

## **6 Anti-corruption**

Any type of corruptive behavior within EVN Elektrodistribucija shall be prohibited. EVN Elektrodistribucija shall undertake measures to prevent any corruptive behaviour. Every employee of EVN Elektrodistribucija shall be obliged to report any noticed corruptive behaviour. The term corruptive behaviour shall include

- directly or indirectly requiring or accepting a gift or other benefit received or promising a gift or other advantage for himself or for another to perform an official act that one should not perform or not to perform an official act which he should perform
- giving , promising or offering a gift or other benefit to it or another to perform an official act that one should not perform or not to perform an official act which he should perform or that he mediate this

## **7 Implementation of the Programme**

EVN Elektrodistribucija shall implement the Programme continuously. In order to provide for a greater efficiency, EVN Elektrodistribucija shall appoint a Person in charge of monitoring of the Programme according to the company acts, who shall have the following competencies:

- monitoring and implementation of the Programme, complying the internal acts and processes of the company with the Programme
- proposing measures for improvement of the Programme,
- updating the Programme,
- Drafting an annual report on the implementation of the Programme.

Following the approval by the ERC, EVN Elektrodistribucija shall inform all of its employees about the adoption of the Programme and shall require from its employees to strictly adhere to the principles defined in the Programme. For not complying with the provisions of this program, employees of EVN Elektrodistribucija may face proceedings for establishing disciplinary responsibility in accordance with the acts of the company.

## **8 Entry into force**

The present Programme shall enter into force on the day of its approval by the ERC, and EVN Macedonia shall publish the Programme at its web page.