

Pursuant to Article 4.2, 4.3. and 7 of the Law on Transmission, Regulator and Electricity System Operator in Bosnia and Herzegovina ("Official Gazette of BiH" No. 7/02 and 13/03), Article 14 of the Statute of the State Electricity Regulatory Commission ("Official Gazette of BiH" No. 41/03 and 58/04) and Article 50 of the Procedural Rules of the State Electricity Regulatory Commission ("Official Gazette BiH" No. 2/05), the State Electricity Regulatory Commission, at its session held on April 21, 2005 issues

LICENSING RULE

I GENERAL PROVISIONS

Article 1

Subject of the Rule

This Rule shall define procedure and criteria for the license issuing by the SERC, including procedure for filing the application, review of the application and its issuance, as well as deadlines for decision making on the application, and essential criteria for approval or rejection of the application for obtaining the license, and the content and requirements of the license.

The Rule shall define the manner of modification, suspension, and revocation of the license, as well as procedures for sale, granting, lease or transfer of the license.

The licensing procedure shall be public, and shall be led in a non-discriminatory and transparent manner in accordance with criteria that are objective and known to the public.

Article 2

Definitions

Definitions of the terms which are used in this Rule, including those from the Law and Procedural Rules of the SERC shall be the following:

'SERC' shall mean the State Regulatory Commission for the Electricity in Bosnia and Herzegovina,

'FERC' shall mean Regulatory Commission for electricity of the Federation of Bosnia and Herzegovina,

'RCERS' shall mean Regulatory Commission for Electricity of Republika Srpska,

'ISO' shall mean Independent System Operator for operation with the transmission system in Bosnia and Herzegovina,

'Transmission' shall mean transport of electricity via the high voltage inter-connected system for the delivery to end users, distributions and neighboring electricity systems,

'License' shall mean the document issued by the SERC which shall authorize the licensee to carry out the activity specified in the license under conditions prescribed in the requirements for the license usage,

'Rule on hearings procedure' shall mean the rule of the SERC in accordance to which public hearings are held,

'Eligible customer' shall mean a customer who shall be free to purchase electricity from suppliers at his/her own choice, in accordance with the law,

‘International Trade’ shall mean purchase, sale or delivery of electricity where one of the locations of purchase, sale or delivery is outside of Bosnia and Herzegovina,

‘Purchase of electricity for own needs’ shall mean purchase of electricity at the market by eligible customer for the needs of consumption at facilities, based on which he/she has been granted such status,

‘Public Service’ shall mean service available at all times to all customers and energy entities by the regulated price and according to regulated conditions for access and utilization of the service, taking into consideration safety, regularity and quality of the service, environmental protection, energy efficiency and climate protection, and which shall be performed in accordance with the principles of the transparency and monitoring of the bodies determined by the Law,

‘Procedural Rules of the SERC’ shall mean procedural rules of the State Electricity Regulatory Commission,

‘Licensee’ shall mean a person, who holds one of the licenses defined in Article 4 of this Rule,

‘Person’ shall mean any natural or legal person with any type of ownership and organization,

‘Law’ shall mean Law on Transmission, Regulator and Electricity System Operator in Bosnia and Herzegovina (The “Official Gazette BiH”, No 7/02 and 13/03),

‘Law on Transco’ shall mean Law on establishment of the Company for transmission of electricity in Bosnia and Herzegovina (The “Official Gazette BiH”, No 35/04),

‘Law on ISO’ shall mean the Law on Establishment of the Independent System Operator in BiH for transmission system in BiH (The “Official Gazette BiH”, No 35/04);

‘License Applicant’ shall mean a person filing the application for issuance of license in accordance with this Rule and the Law,

‘Public hearing’ shall mean any hearing organized by the SERC, open to the public, and which may be general, formal or technical.

Article 3 ***Licensing***

No legal or natural person may perform the activity of transmission of electricity, independent system operator, international trade of electricity or other activities related to transmission of electricity which, according to the Law and this Rule shall require license, without the license issued according to this Rule.

The licensing application shall be considered by the SERC, in accordance with criteria as referred to in the Law and this Rule. When interpreting these criteria the SERC shall act with the view to create conditions for unlimited and free trade and continuous supply of electricity with defined quality standards for the benefit of BiH citizens, and creation of the electricity market. Thus, the SERC may take into consideration all relevant directives of the European Union and agreements on electricity when interpreting these criteria.

The license applicant shall have the obligation to prove that it meets all criteria for license issuance and to comply with all license standards.

The SERC shall include in the license all conditions necessary to ensure the fulfillment of objectives stated in the Law, this Rule and other documents of the SERC.

Article 4
Types of Licenses

The SERC shall grant the following licenses within its competence:

- a) License for transmission of electricity;
- b) License for the activity of the Independent System Operator,
- c) License for International Trade.

Article 5
Validity Period of the License

The license shall be issued for a defined time period, not shorter than 5 and not longer than 40 years.

The licensing applicant may state in his/her application the period of time for which the license shall be requested.

The SERC shall decide on the validity period of the license, and when deciding on the validity period, besides the proposal of the applicant, the SERC shall use the following non-binding norms:

- | | |
|---|-----------|
| - license for electricity transmission | 25 years, |
| - license for activities performed by the ISO | 7 years, |
| - license for international trade | 5 years. |

Prior to issuing the first licenses, the SERC may issue the temporary license in order to collect data necessary for the final decision on the license, in accordance with Article 38 of this Rule.

The SERC may issue first licenses for the minimum validity period prescribed by the Law.

The SERC may include in the licensing requirements the conditions which enable SERC to extend the validity period unilaterally, and may order the licensee to continue to provide compensated services temporarily if exigencies require, despite the expiry date of the license.

II PROCEDURE FOR FILING LICENSE APPLICATION

Article 6
Applicant

License applicant may be:

- a) for electricity transmission licenses – Elektroprenos BiH established in accordance with the Law on Transmission, Regulator and System Operator in BiH (“Official Gazette BiH”, No. 7/02 and 13/03) and the Law on Establishment of the Company of Transmission of Electricity in BiH (“Official Gazette BiH”, No. 35/04),
- b) for license for activities of the Independent System Operator – Independent System Operator established in accordance with the Law on Transmission, Regulator and System Operator in BiH (“Official Gazette BiH”, No. 7/02 and 13/03) and the Law on Establishment of the Independent System Operator for Transmission System in BiH (“Official Gazette BiH”, No. 35/04), and
- c) for international trade license - All persons registered for trade in electricity if they meet conditions for engagement in electricity trade prescribed by legal regulations and this Rule.

The SERC may establish simplified procedure of issuing a license for the international trade for the applicants with the status of eligible buyer directly connected to transmission network, who apply for the import of electricity exclusively for their own needs. If the SERC establishes such procedure, the eligible buyers may file an application for issuing a license in accordance with this procedure.

Article 7

Procedure for Application Filing

The applicant shall be required to file the application in the manner, format and application form defined by the SERC.

Application forms shall be obtained at the seat or at the web site of the SERC.

The application with attachments shall be filed in writing, verified and signed by the applicant, and it shall be submitted by mail, in person or in another appropriate manner. All documents from the application shall also be submitted electronically as determined by the SERC. It shall be required to attach to the application a statement confirming that the documents submitted in the electronic form fully correspond to the submitted original.

The applicant shall submit with the application evidence on payment of the application fee prescribed by separate decision of the SERC.

The applicant shall be required to sign a statement on accepting obligation to pay the regulatory fee, as well as the statement that the information submitted to the SERC is true and correct to the best of his/her knowledge.

The SERC shall consider the license application only if the application is complete, and includes all requirements from the previous paragraph.

If the applicant intends to engage into more licensed activities, s/he will be required to file a separate application for each activity.

Article 8

Completeness of the Application

The SERC shall determine completeness of the application in accordance with prescribed procedure no later than 30 days from the day of receipt of the application.

After the received application is checked, the SERC shall submit to the applicant a written notice on completeness of the application.

If it is established that the documentation is not complete, the SERC shall specify its shortcomings in the abovementioned notice.

Article 9

Requests for Additional Information

During the procedure for establishing facts on fulfillment of requirements prescribed for granting the license, the SERC shall be entitled to verify all the information, and examine premises, facilities and equipment, documentation, as well as to ask for additional information at any time from the moment of the filing of application until a final decision has been reached, as well as during the validity period of the license.

The applicant shall be required to submit the data and the information from the previous paragraph within the deadline determined by the SERC, and to cooperate with the SERC.

III PROCESSING OF THE APPLICATION AND DECISION-MAKING

Article 10

Announcement of the Application

After the application is received as complete, the SERC shall issue a short public notice in print media and on its web site, presenting a summary of the license application.

The notice shall also contain the manner in which the interested party may obtain information and instructions to interested parties for submitting written comments on the license application before the deadline for submission of comments, which shall be given in the summary, expires.

The public may submit comments in writing at the address of the SERC within 15 days upon the issuance of the public notice.

The public notice shall contain criteria for acquiring the status of intervener, information on when and how to submit applications for acquiring the intervener status, and a notification stating that only applicant and intervener shall be allowed to participate in discussions during the licensing procedures.

Article 11

The Role and Responsibility of Intervener

The SERC may grant the status of intervener to a person who demonstrates direct interest in the procedure for licensing, which differs from general public interest for granting of the license. In certain cases, the SERC may limit the extent of participation of interveners in accordance with its demonstrated interest.

In a case described in the previous paragraph, the intervener shall be allowed to participate in the procedure, testify and request information from the applicant through the SERC.

Written or verbal statements of the intervener at hearings for granting of the license must be true and correct to the best of the intervener's knowledge.

Article 12

Cooperation with Other Regulatory Commissions

The SERC shall exchange necessary information with the FERC and RSERC on submitted license applications and rulings upon them, as well as on issues of monitoring and license enforcement.

Article 13

Preparation of the License Draft

Following the procedure for review of the completeness of the application filing from Article 8 of this Rule, the SERC shall verify correctness of the data, documents and information submitted with the application.

On the basis of the processed application from the previous paragraph, and after the assessment of public comments on the summary of the license application, the SERC shall recommend whether a hearing should be held before a recommendation is prepared concerning a draft of the license or a proposal for refusal of the license. Where SERC determines that no hearing should be held, the SERC shall prepare a draft license or a proposal for refusal of the license.

Article 14
Public Hearing

The SERC may conduct a general hearing, formal hearing and technical hearing, in accordance with the Procedural Rules of the SERC.

The SERC shall determine the type of the hearing.

No later than five (5) working days before the public hearing, the SERC shall issue a public notice on any public hearing concerning licenses, and invite interested parties to provide their comments on the draft of the license.

Article 15
Formal Hearing

A formal hearing shall be held only if it is deemed necessary to resolve disputed legal and other issues.

The hearing shall be held in accordance with the Rule on Hearings Procedure.

Article 16
Decision-making

Following completion of hearing, a proposal of the decision on granting of the license shall be prepared, including all supporting documents.

A copy of the proposal of the decision on the license application shall be submitted to the applicant and the intervener. The applicant and the intervener shall provide their comments within 8 days.

Following the deadline for receiving of public comments, comments of the applicant and the intervener, the Commission shall discuss the proposal of the decision at an internal meeting.

The decision of the SERC on license application shall be made at a regular session of the Commission.

The deadline for issuance of a final decision upon a request for issuance of the license shall depend on complexity of the application, but the SERC shall try to issue the decision as efficiently as possible.

The decision on the license application, as well as the license itself, unless another date is determined, shall enter into force on the day of passing, and it shall be published in the "Official Gazette BiH" and the entities, and on the website of the SERC.

The decision of the SERC on the license application shall be submitted to the applicant and the intervener at the same time.

Article 17
Regulatory Fee

The amount of regulatory fee and the application fee by the type of the license shall be established by a separate decision of the SERC.

The application fee shall be paid before filing the license application, and the evidence of payment shall be attached to the application.

The regulatory fee shall be paid during the term of the license, as well as in the case of extension of the license as referred to in Article 5, Paragraph 6 of this Rule.

IV SUBMISSION OF DATA

Article 18 *Required Documents*

The license application shall be submitted in the form prescribed by the SERC, and the following documents must be attached:

1. Excerpt from the relevant registry of legal persons,
2. Registration and tax number,
3. Statute,
4. Organizational structure,
5. Professional structure of employees or consultants along with the explanation of their technical qualifications for performance of the licensed activity,
6. List of management with references for performance of activities or consultants along with the explanation of their technical qualifications for performance of the licensed activity,
7. Audited financial annual statements for previous three years for the existing companies and the initial balance sheet for newly formed companies;
8. Business plan for the following three years,
9. List of fixed assets as per depreciation groups and the last annual statement of depreciation,
10. Certificate from the relevant court confirming that the bankruptcy or liquidation procedure has not been initiated against the applicant,
11. Statement on opened transaction accounts at commercial banks and the bank certificate on their status (the bank certificate of the status assumes the scope of transaction on the account in the past month as well as indicators of possible freezing of the account),
12. Certificate from an independent institution for accrediting on the quality insurance system or plan and the time schedule of activities for introduction of such system;
13. Statement on the status of compliance with all regulations pertaining to environment and their implementation,
14. Evidence on payment of the application fee,
15. Evidence on payment of previous regulatory fees if the applicant was in possession of a license issued by the SERC,
16. Statement on the current issued licenses or license applications submitted to the FERC or RSERC, as well as to any other regulatory body outside of BiH,
17. Statement on accepting of payment the regulatory fee in accordance with the decisions of the SERC, and
18. Any other information deemed by the SERC as necessary for decision making process at any phase of the proceedings.

All documents shall be attached as originals or certified copies, and any certification and statements must not be older than 60 days.

Article 19
Additional Documents for Certain Licenses

a) License for transmission of electricity

Along with the required documents stated in Article 18 of this Rule, the following documents must be attached to the license application for transmission of electricity:

1. Technical data on the network and facilities owned by the applicant and used for the activity of electricity transmission with data on the permits on use,
2. Technical data on the network and facilities, which are not the property of the applicant, but which are used for the purpose of conducting electricity transmission activities, including details on ownership of the aforementioned assets,
3. Layout map and block functional scheme of the electricity transmission network,
4. Specification and technical characteristics of metering devices at the electricity receipt points,
5. List of communication assets used for performance of the core activity of the applicant with specified ownership for those assets,
6. Plan for construction of new facilities and major refurbishment of the existing ones for the next three years,
7. Extract or a summary of the plan for maintenance of power facilities for the next three years,
8. Overview of customers directly connected to the transmission network with their consumption in the last three years,
9. Overview of maintenance of facilities for the last three years,
10. Overview of the manner of monitoring of the accompanying transmission network and the overview of manner of operation of specified high voltage transmission facilities that are not required to allow electric energy from significant power sources to move freely on the interconnected transmission system, which are potentially granted to the applicant for operation by the ISO,
11. List and description of software functions require for performance of the core activity which the applicant has at his/her disposal, and
12. Statement on capability and readiness to meet obligations pertaining to public service.

b) License for activities of the independent system operator

Along with the required documents stated in Article 18 of this Rule, the following documents shall be attached to the license application for activities of the independent system operator:

1. Methodology and the criteria for network operation with the functional scheme of activities,
2. List of communication assets used for performance of the core activity of the applicants with specified ownership for those assets,
3. List and description of functions of software required for performance of the core activity which the applicant has at his/her disposal,
4. Overview and timeline of development of technical and commercial rules necessary for unhindered performance of activities by the ISO,

5. Overview and timeline of signing contracts with other entities in BiH, or abroad necessary for performance of activities by the ISO,
6. Overview and summary of international organizations in which the applicant wishes to participate or is obligated to participate, and
7. Statement on capability and readiness to meet obligations pertaining to public service.

c) License for international trade

Along with the required documents as referred to in Article 18 of this Rule, the following documents shall be attached to the license application for international trade:

1. The current trading, generation or supply license issued by the FERC or RSERC, if the applicant is already a participant in the domestic electricity market or the evidence that the applicant shall be granted such a license prior to commencement the activity of international trade in accordance with the SERC license,
2. Evidence of the applicant's solvency,
3. Evidence on equity of the applicant with the overview of owners or shareholders with participation higher than 5%,
4. Statement of commercial bank or another organization on readiness to provide financial guarantees or the performance guarantees on the amount of planned or contracted transaction (suitability and quality of the guarantee shall be evaluated by the SERC), and
5. Applicant's information on other electricity markets outside BiH at which the applicant operates, with the name and contact information of regulatory authorities competent for those markets (if the applicant also performs the activities abroad).

Article 20

Confidential Information

All parties involved in the procedure for granting of the license shall keep confidentiality of all required data and information which are considered trade secrets or confidential, except in cases where such information shall be published in accordance with law.

The SERC shall determine whether confidential information submitted by the applicant as part of the application should be available to other parties.

Data obtained during the license application procedure may be used only for the purpose of granting the license and its monitoring.

Each party which shall have access to the data and information which is known to be confidential shall be obligated to protect confidentiality of these data or information, except in cases where it is required by law to submit such data or information.

The SERC shall issue regulations on handling confidential information in separate rules.

V CRITERIA FOR LICENSING

Article 21

General Criteria

In accordance with the Article 7.2. of the Law, general criteria for licensing, shall, among others, be based on the following:

- a) security of transmission network, installations, and adjacent equipment,

- b) protection of public health and security,
- c) environmental protection,
- d) land usage and location,
- e) public property usage,
- f) energy efficiency,
- g) criteria which particularly refer to the applicant, such as technical, economical and financial capability, and
- h) capability and readiness to serve all obligations which refer to public service.

The SERC shall consider that criteria referred to in the paragraph 1 of this Article, as well as other criteria, are fulfilled if the applicant proves that:

1. He/she shall fulfill conditions of safety by providing evidence that all of his/her buildings, facilities and activities possess necessary permits and fulfill all applicable standards,
2. He/she shall submit the statement on harmonization of normative acts with all regulations related to environmental protection and their implementation, as well as on fulfillment of all determined criteria for environmental protection and for keeping permanent control over environmental impact,
3. Public property, including land, shall be used with due attention to the extent to which the permission for usage of such property has been issued, and the applicant has demonstrated sufficient right and entitlement to use private property involved in the project,
4. He/she shall comply his/her activities with all regulations related to energy efficiency,
5. He/she shall fulfill all applicable technical criteria for owned or leased facilities, appliances and equipment for performing of the activity,
6. He/she has demonstrated financial capacity and/or provided appropriate financial guarantees of performance to assure that license will fulfill all license conditions,
7. He/she shall have sufficient number of employees with the relevant professional degree to perform the activities,
8. The organizational structure of the applicant shall provide the quality performance of the licensed activity;
9. He/she shall submit the statement on capability and readiness to fulfill all duties which relate to the public service,
10. He/she has not experienced license termination of the same type by any regulatory institution within the last ten years prior to submitting the license application,
11. The applicant or their management board members do not have criminal records,
12. He/she has proved capability to provide accounting statements in the form and with details required by the SERC, and
13. He/she is ready to comply with all proposed license conditions, which shall be included in the license.

Article 22
Specific Criteria

In addition to general criteria for issuance of the license from the previous paragraph, the applicant for a specific type of license shall fulfill specific criteria related to the license for which s/he has applied.

a) License for transmission of electricity

Criteria specific for the license for the activity of electricity transmission are the following:

- usage of the electricity network with the appropriate characteristics for safe and reliable transmission of electricity,
- possession and implementation of the plan for regular maintenance of his/her facilities, and
- proved financial and technical ability for dismantling and /or removing of all the facilities in accordance with the technical requirements for environment after the expiry of the license, and in cases as listed in the license.

b) License for activities of the Independent System Operator

Criterion specific for the license for the activities of the ISO is the following:

- ability to adequately perform the function of the independent system operator in accordance with the law.

c) Licenses for international trade

Criteria specific for the license for international trade are the following:

- the applicant has had no history of criminal or civil adjudications for fraud, financial impropriety or serious license violations at electricity markets inside and outside of BiH,
- proved ability to provide appropriate financial and performance guarantees for his/her business activity,
- the applicant has given a statement that he/she will comply with the market rules,
- registered capital in the amount of at least one (1) million KM, and
- the applicant has provided the evidence that he/she shall get the appropriate trading license from the FERC or the RSERC prior to commencement of the activity of the international trade in accordance with the SERC license.

Article 23
Reasons for Refusal of the License Application

The applicant shall not be granted the license in the following cases:

- if the application is incomplete, and requested data are not submitted after expiration of the deadline for filing the complete application,
- if applicant fails to demonstrate that it meets the criteria for license issuance,
- if submitted data on financial and technical capacities are not a sufficient guarantee that the applicant shall perform requested activity in an appropriate manner,

- if the applicant has a history of criminal or civil adjudications for fraud, financial impropriety, or serious license violations in the electricity markets inside and outside of BiH,
- if the applicant or any of the applicant's management members have been banned to perform the activity in accordance with the law,
- if the applicant does not show that he/she fulfills all license criteria and conditions which are deemed by the SERC as necessary to meet the objectives of the Law,
- if the previous records on applicant's licenses do not justify renewal of the license,
- if, when extending the license, in the previous period the applicant did not submit requested data to the SERC, which relate to the previously issued license,
- if the applicant did not pay application fee or regulatory fee to the SERC for the previously issued license, and
- if a bankruptcy or liquidation procedure has been initiated against the applicant.

VI FORM AND CONTENT OF THE LICENSE

Article 24

Form of the License

The license shall be issued in the form defined by the SERC.

Conditions for license usage shall be part of the license.

Article 25

Content of the License

License shall contain the following information:

- activity for which the license is issued,
- register number of the license,
- date of issuance of the license,
- name and address of the headquarters of the licensee,
- register number of the licensee, and
- validity period for issuance of the license.

Article 26

Content of the Conditions for License Usage

Conditions for license usage shall contain, but shall not be limited to:

- request to the licensee to permanently work towards fulfillment of the conditions prescribed by Articles 21 and 22 of this Rule,
- possibility of opening the process for re-defining of the license during the validity period upon a request of the licensee or at the initiative of the SERC in order to change the conditions of the license due to the significant changes in the law or factual circumstances,
- obligation to constantly prove financial integrity and stability of the licensee,

- provisions on obligations of the licensee to comply with regulations pertaining to international trade, to follow changes of international technical requirements related to trade in electricity and to harmonize its operations with the changes,
- provisions on the quality of services provided by the licensee,
- manner of resolving disputes,
- request for establishment of the code of ethics and the obligation to comply with the code,
- obligations related to the accounting standards of the licensee,
- obligation to protect customers which shall be used to ensure fair and equal treatment, high quality of services, competition and prevention of anti-competitive activities,
- obligation to comply with the Grid Code and Market Rules,
- principles of control and monitoring of performance of the licensed activity by the SERC,
- obligation to regularly deliver data to the SERC, FERC or the RSERC in a manner and form prescribed by the SERC, and data delivery upon a request of the SERC,
- obligation to deliver data upon a separate request by the SERC,
- obligations for performance of public service in order to assure the continuous supply with electricity for the eligible and non-eligible (tariff) customers, and
- any other condition or requirement that SERC deems important to meet the objectives of the Law and SERC regulations.

Article 27

Specific Content of the Conditions for License Usage for Certain Licenses

License for electricity transmission and license for the activity of the Independent System Operator shall contain conditions which shall provide access to the transmission network to competitive suppliers of electricity and shall provide fulfillment of the conditions from the Law and regulations of the SERC.

a) License for transmission of electricity

Besides the content from Article 26 of this Rule, licensing conditions for the electricity transmission shall contain, but shall not be limited, to the following:

- provisions which shall provide equal access to the electricity transmission network to all electricity suppliers, which have the physical access to the system,
- obligation to obey the applicable tariffs,
- obligation to obey provisions which relate to the technical standards, commercial code and the grid code,
- obligation to plan system expansion in order to meet the needs of the customers,
- obligation to comply with quality standards for the electricity supply, regulation of voltage and improvement of characteristic parameters for the quality of services provided to the system users by the licensee,
- tabular overview of the licensees with which the licensee performs the licensed activity,

- tabular overview of the facilities which are not owned by the licensee, and which are necessary for performance of the licensed activity,
- permission for performance of electricity transmission and transmission related activities on the territory of BiH by using the facilities from the previous tabular overviews,
- criteria under which the licensee may perform the transmission activity and transmission related activities in the neighboring electricity networks,
- provisions on prohibition of activities of generation, supply, trade or distribution of electricity, or any other activity which is outside the scope of the transmission or transmission-related activities, without an explicit approval of the SERC, in accordance with Article 2 of the Law on Establishment of the Transmission Company,
- obligation of the licensee to have separate accounts for the transmission activity and other activities in the manner and within the scope specified in the conditions,
- obligation of the licensee not to make any modifications of the network which may influence the compatibility of the network with generators, distribution and neighboring networks as well as the facilities which are the property of the third persons, thus affecting security and safety of supply,
- obligation of the licensee to manage, maintain (including repairing and replacing if needed) and protect the network in order to provide adequate, efficient, reliable and safe transmission of electricity, in accordance with the grid code,
- obligation to harmonize planning of development of its network with other networks and the neighboring systems,
- obligation to design, build and use facilities and lines in such a manner so that the effect of their usage shall not harm the health of the population of the affected area, and which shall as least as possible alter the environment and the value of the landscape,
- obligation to obey the rules or standards approved by the SERC, which relate to the safety zone,
- obligation to have an appropriate accounting system and prepare it in accordance with the specified principles, and
- provisions that prohibit quitting or changing the licensed activity or a transmission asset without a prior approval by the SERC.

b) License for activity of the Independent System Operator

Beside the content of Article 26 of this Rule, licensing conditions for the activities of the ISO shall contain, but shall not be limited to the following:

- provisions enabling equal access to the transmission network to all electricity suppliers, which have the physical access to the system,
- obligation to obey the applicable tariffs,
- obligation to comply with provisions on the technical standards, commercial and grid code,
- obligation to plan system expansion in order to meet the needs of the customers,
- obligation to comply with quality standards for the electricity supply, maintenance of the frequency and regulation of voltage and improvement of characteristic parameters for the quality of services provided to the system users by the licensee,

- permission to perform activities of an ISO for the transmission system in BiH,
- provisions on prohibition of activities of generation, supply, trade or distribution of electricity, or any other activity which is not approved by the Law on Establishment of an ISO,
- the manner of performing activities of operating the transmission system in order to provide reliability,
- the manner of operating assets and devices in the central control center,
- the manner of operating the balance market,
- the manner of providing system and ancillary services,
- obligation to develop and apply reliability standards,
- obligation to develop and manage the rules which regulate the usage of transmission system,
- obligation to develop and apply market rules which govern provisions related to system and ancillary services over the transmission system,
- obligation to perform activities to the best interest of all parties in the electricity system, and
- obligation to consult all licensed generators and network operators when establishing or changing operational protocols, and the manner of dispatching or the system safety.

c) License for international trade

Besides the content of article 26 of this Rule, licensing conditions for international trade shall contain, but shall not be limited to the following:

- permission to perform international trade of electricity with the description of transactions which are allowed to be performed,
- obligations to obey the commercial code, grid code and market rules,
- provisions which define relations and obligations towards the ISO and the Transmission Company including, but not limiting to production of data, documents and other information,
- provisions requiring periodic monitoring or other information concerning the status of license holder activities in other jurisdictions,
- provisions prohibiting abuse of the market power, and
- the manner of ensuring guarantees for each transaction performed.
- Conditions for all types of the licenses shall also contain any other conditions which are deemed as needed by the SERC in order to ensure harmonization with the objectives or requirements of the Law and regulations of the SERC.

VII CHANGES OF THE LICENSE STATUS

Article 28

Renewal of the License

The licensee who intends to continue the licensed activity shall be obliged to file an application at least 180 days before expiration of the license. Renewal of the license shall be done in the same manner as issuance of the license.

The SERC shall decide on licensing renewal in accordance with the provisions of this Rule, and shall submit decision to the applicant at least 90 days prior to the expiration date for the previously issued license.

The SERC may request the licensee to continue providing services on the temporary basis, despite the expiration of the validity period of the license, if exigencies require.

Article 29
Modification of the License

The SERC may re-open and modify the license upon a request of the licensee or, after the licensee has been provided with a reasonable notice and a possibility of hearing, due to the needs caused by clear and unpredictable changes in circumstances.

The licensee shall file an application for the modification of the license in a written form, citing the part of the license desired to be modified, and citing a new proposal of the text with submitted evidence for such modification.

In case that the SERC initiates a modification of the license, the licensee shall be informed in writing of any change of the circumstances, reasons for making modifications and modifications themselves. Such notice should contain the overview of activities of the SERC in the process of license modification.

The procedure for the license modification shall be conducted in the same manner as the licensing procedure.

Clear and unpredictable changes referred to in paragraph 1 of this Article, shall include, but shall not be limited, to the following:

- restructuring of the energy sector,
- change of the position and the role of the licensee, regionally and internationally,
- major changes in the legal framework, judicial decisions, events or contracts which substantially influence the licensing activities,
- change in conditions which have great influence on performance of the licensed activity,
- financial insolvency or bankruptcy,
- changes in the corporative structure of the licensee (separation, privatization),
- changes which cause that fulfillment of the licensing conditions is deemed as impossible,
- repeated failure to comply with the existing license conditions,
- repeated complaints of the consumers of the service related to the performances of the licensee,
- change in the regulations of the SERC, and
- protection of public interest.

In the event that changes of the license are of such extent that the content of the license is substantially different, the SERC shall inform the licensee that it shall be necessary to file a new licensing application during the procedure of license opening.

Article 30
Suspension or Revocation of the License

The SERC may suspend the license for a definite or an indefinite period, or revoke the license permanently in the following cases:

- a) upon a request of the licensee or
- b) if, after the hearing performed in accordance with this Rule and Procedural Rules of the SERC, the SERC determines that:
 - Licensee has failed to comply with the licensing conditions,
 - Licensee has failed to submit data and information as required by the SERC, the ISO, Transmission Company or the Ministry of Foreign Trade and Economic Relations. during the validity period,
 - Licensee has intentionally delivered incorrect data and information to the SERC, the ISO, Transmission Company or the Ministry of Foreign Trade and Economic Relations,
 - Licensee has prevented direct access to the equipment, documents or other facilities which are owned or are controlled by the licensee, or the licensee does not comply with the monitoring conditions,
 - Unauthorized sale, grant or transfer of licensed activities to a third party without SERC transfer approval, and
 - Licensee has failed to pay the regulatory fee within the deadline determined by the SERC.

The SERC shall initiate suspension proceedings for the license by submitting a notice to the licensee on initiation of suspension proceedings, along with the written statement of rationale which contains reasons for initiation of such proceedings.

The suspension procedure shall be conducted in the same manner as the procedure for granting the license.

Should the licensee fulfill requested conditions during the proceedings, the SERC may terminate the suspension procedure.

If the SERC suspends the license for a definite or an indefinite period, and if the licensee does not comply with the request of the SERC for termination of suspension, the SERC may revoke the license within six month from the day of issuance of the decision on suspension of the license.

By revocation of the license, the licensee shall lose his/her right to re-apply to the SERC for any type of licenses for the period of ten years.

Article 31
Transfer of Authority

After suspension or revocation of the license, the SERC may authorize another licensee to perform the activity defined by the suspended or revoked license, along with the usage of facilities, installations, and networks of the previous licensee.

Article 32
Transfer of the License

If the licensee wishes to sell, grant, transfer, lease or in another manner perform the transfer of his/her license, activities which are subject to the license or assets from the license, he/she must obtain permission by the SERC for such act. Unauthorized sale, grant or transfer of the licensed activities to a third party without prior SERC transfer approval shall be grounds of SERC suspension of the existing license.

In case the process of the transfer of the license has been approved, the licensee shall be obliged to continue performance of his/her duties in accordance with the requirements from the license until the transferring procedure is completed.

The new licensee must obtain permission for transfer of the license issued by the SERC, before he/she starts performing the activity.

The procedure of transfer shall be conducted in the same manner as the licensing procedure. The SERC shall decide whether the person to whom the license shall be transferred is able to fulfill licensing requirements.

The validity period, as well as the content of the licensing requirement shall remain unchanged.

VIII LICENSING REGISTER

Article 33
Licensing Register

The SERC shall be obliged to keep the licensing register.

All the documents related to a particular license shall be entered into the register.

The documents which must be entered into register are the following:

- license application,
- documents attached to application,
- decision which confirms completeness of the application,
- documents which relate to public hearings,
- decision on granting or revoking of the license,
- license with conditions for usage,
- decision on amendments and modifications, suspension or revocation of the license,
- decision on transfer of the license to a third party, and
- decision on providing services on a temporary basis from Article 28 of this Rule.

The SERC shall keep the summary of the register in the electronic form, which shall comprise the following data:

- register number of the license,
- the date of entry into the licensing register,
- name of the licensee,
- place and address of the licensee,
- date of issuance of the license,

- date of expiry of the license, and
- date of issuance of a decision on modifications, amendments, suspension, revocation or transfer of the license.

Summary of the register in the electronic form from the previous paragraph shall be published at the web site of the SERC.

Register number shall be assigned to each license issued by the SERC and shall consist of:

- ordinal number of entry into the Docket Book of the SERC,
- number of document under classification, and
- year.

Article 34 ***Register of Applications***

The SERC shall create a list-register of all filed licensing applications, which are currently in the procedure, and which are still to be decided upon, and the estimation of the time period required to decide on every individual application. The list shall enable the SERC to have a more efficient licensing procedure and shall offer information to interested parties.

The list of filed applications shall be published on the web page of the SERC.

Article 35 ***Content of the Publication in the Official Gazettes***

Publications of issued licenses shall be presented in the “Official Gazette BiH” and Official Gazettes of the entities.

The SERC shall publish the following data for each granted license:

- registration number of the licence,
- date of issuance of the license and the validity period of the license,
- name and address of the licensee,
- description of the activities for which the license has been granted, and
- summary of the content of the license.

IX MONITORING

Article 36 ***Monitoring Conditions***

The SERC shall monitor performance of the licensed activity.

The Licensee must submit reports to the SERC as stated in the licensing conditions or upon a request of the SERC during the validity period of the license.

The SERC may perform announced and unannounced inspections of the facilities and documents related to the licensed activity.

The SERC shall monitor all aspects of compliance of the licensee with the conditions from the license, as well as with all provisions of the relevant laws and regulations of the SERC.

The SERC may initiate emergency proceedings as a reaction to any doubts pertaining to violation of licensing obligations it issued, at its own initiative or as a response to a request of any person.

Article 37
Sanctions

Should the licensee fail to obey licensing conditions or the Law, criminal provisions provided by the law shall be applied.

The SERC may submit, but shall not be obligated to do so, an administrative notice to the licensee on failing to fulfill the conditions, and may call him/her to an administrative settlement due to a failure of the licensee to fulfill the conditions from the license, before the criminal provisions are applied.

Prior to application of this measure, if possible, the SERC shall warn the licensee in writing, and shall determine deadlines for removal of shortcomings.

The SERC may apply provisions of Article 30 from this Rule when determining sanctions i.e. may suspend or revoke the license.

X TRANSITIONAL AND FINAL PROVISIONS

Article 38
Transitional Provisions

In order to perform its activities in accordance with this Rule, the ISO shall file the application for the issuance of temporary license for the activities of the independent system operator at latest on the day of filing the application for approval of initial tariffs in accordance with Article 42 of the Law on Establishment of the ISO. The SERC shall issue the temporary license with appropriate conditions within the 60 days period from the day the application has been filed for the validity period of maximum two years.

The ISO shall file the licensing application within six months from the registration day in accordance with Article 45 of the Law on Establishment of the ISO. The issued license shall replace the temporary license.

In order to perform its activities in accordance with this Rule, the Transmission Company in BiH shall file the application for transfer of the temporary license for performance of electricity transmission activities from the existing power utilities (EPs), at latest on the day of filing the application of approval of initial tariffs in accordance with Article 46 of the Law on Establishment of the Transmission Company. The SERC shall issue the decision on transfer of the temporary license within the 60 days period from the day of filing of the application.

The SERC shall adjust the conditions from the temporary license referred to in the previous paragraph and prescribe the validity period of the temporary license which is not longer than two years. The transmission company shall file the application for issuance of the license within the six months from the registration day in accordance with Article 49 of the Law on Establishment of the Transmission Company. The issued license shall replace the temporary license.

In order to harmonize their activities with this Rule, the existing entities engaged in international trade shall file the application for issuance of the temporary license within the 60 days period from the day this Rule becomes effective. New entities for performance of activity of international trade may file an application for issuance of temporary license from the day this Rule becomes effective. The SERC shall issue the temporary license with appropriate conditions within the 60 days period from the day the application has been filed for the validity period of maximum two years.

The persons performing the activity of international trade shall file licensing application no later than 180 days prior to expiry of the temporary license or from the deadline as prescribed in the separate decision of the SERC which reflects creation of all formal conditions for performance of the activity.

The temporary license referred to in this Article shall contain the conditions relating to accounting, monitoring, reporting and other conditions required for collection of data which are necessary for the final quality decision of the Commission on the licensing application.

The SERC shall issue temporary licenses referred to in this Article in the shortened procedure.

Article 39
Legal Remedy

The decisions with regard to license issuance or denial pursuant to Article 16 of this Rule, or concerning license renewal, modification, suspension, revocation, or transfer of the license pursuant to Part VII of this Rule shall be considered final decisions by the SERC.

It shall be possible to file a lawsuit before the Court of Bosnia and Herzegovina, within sixty (60) days from the day of delivery of the decision.

Prior preliminary procedural decisions by SERC, a Presiding Officer, or SERC staff shall not be considered final decisions.

Article 40
Interpretation and Other Documents of the SERC

The SERC shall provide interpretation of this Rule.

Should a certain issue not be part of this Rule, the SERC shall decide upon its resolution in each particular case.

Article 41
Entering into Force

This Rule shall enter into force on the eighth day upon its publishing in the "Official Gazette BiH".

No: 05-02-39/05
April 21, 2005
Tuzla

Chairman of the Commission

Mirsad Salkić