



**COMPLIANCE PROGRAM**  
**OF AD MEPSO - SKOPJE**  
**IN RESPECT OF OBLIGATIONS ARISING**  
**FROM THE OWNERSHIP UNBUNDLING**

January 2019

According to Article 73 of the Energy Law (Official Gazette of the Republic of Macedonia No. 96/18), and in accordance with Article 19 of the Statute of AD MEPSO - Skopje ("Official Gazette of the Republic of Macedonia" no. 206/18) The Managing Board of the Electricity Transmission System Operator of Macedonia, Joint Stock Company for Electricity Transmission and Power System Management, in state ownership, Skopje, at 6-th meeting, held on the 18.01.2019 upon prior approval by the Energy Regulatory Commission by Decision No.02-90/1 from 18.01.2019, adopted

## **COMPLIANCE PROGRAM OF AD MEPSO - SKOPJE IN RESPECT OF OBLIGATIONS ARISING FROM THE OWNERSHIP UNBUNDLING**

### **1. Program Subject and Objective**

This Compliance Program (hereinafter: the Program) defines measures that exclude the possibility of the Electricity Transmission System Operator of Macedonia, Joint Stock Company for Electricity Transmission and Power System Management, in state ownership, Skopje (hereinafter: AD MEPSO-Skopje) for discriminatory behavior towards users of the electricity transmission system on any basis, define the obligations of the employees in the realization of the Program and determine the method for monitoring the the compliance of the operation of AD MEPSO Skopje with respect to the obligations for ownership separation and other obligations determined by the Energy Law and this Program.

The objective of this Program is to ensure transparent and objective treatment of AD MEPSO - Skopje towards the users of the electrical energy transmission system.

### **2. AD MEPSO - Skopje**

#### **2.1. Introductory information**

AD MEPSO - Skopje is a company that carries out the activity of electricity transmission, manages the electricity transmission system in the Republic of Macedonia and has an obligation to provide a public service and does not perform and is independent of the performance of other energy activities in accordance with the Energy Law. The main goals and tasks of AD MEPSO - Skopje are to provide unobstructed transmission of electricity and management of the power system, that is, security in the supply of electricity. With the adoption of the Law on the Transformation of the Electric Power Company of Macedonia from 2004 ("Official Gazette of the Republic of Macedonia" No. 19/04) in the Republic of Macedonia, conditions were created for restructuring the vertically integrated company for generation, transmission and distribution of electricity AD "Elektrostopanstvo na Makedonija" in three newly established enterprises: AD MEPSO - Skopje (electricity transmission and electricity market organization company), AD ELEM - Skopje (a company for production of electricity) and ESM (Enterprise for distribution and supply of electricity). With the functional separation of these activities, the first step towards the process of liberalization of the electricity market is made.

AD MEPSO - Skopje was established by a Decision of the Government of the Republic of Macedonia from 2004, and it is registered in the Trade Register of the competent court in Skopje on December 31, 2004.

AD MEPSO - Skopje owns a transmission network that consists of substations, line infrastructure facilities - transmission lines, plants, facilities and assets that are in function of performing the energy activity electricity transmission and management of the electrical energy transmission system.

AD MEPSO - Skopje starting November 14, 2005, is the holder of a license for performing the energy activity transmission of electricity with an evident number EE-01.02.1 / 05/2/17, which is valid until 14.11.2040.

AD MEPSO - Skopje is a member of the European Network of Electricity Transmission Operators (hereinafter: ENTSO-E) since its inception in 2009. In ENTSO-E, there are 43 transmission system operators from 36 countries in Europe. ENTSO-E was established in accordance with the Third package of legislation for the internal energy market of the European Union (hereinafter: Third Package). The main goal of ENTSO-E is to respond to the challenges of the changes in the power system while ensuring security of supply.

In order to fulfill the provisions of the Energy Law regarding the ownership separation of the energy providers, a procedure for transferring the ownership of the shares from the Government of the Republic of Macedonia pursuant to Article 237 of the Energy Law was implemented. On 24.07.2018 the Government of the Republic of Macedonia adopted a Decision for transfer of shares owned by the Government of the Republic of Macedonia to the Ministry of Transport and Communications No.44-6841 / 1 dated 24.07.2018, according to which the ownership division was made to AD MEPSO - Skopje as an operator of the electricity transmission system of the Republic of Macedonia.

The shares of AD MEPSO-Skopje are owned by the Ministry of Transport and Communications and they are registered in the Central Securities Depository of the Republic of Macedonia on 01.08.2018. The Ministry of Transport and Communications as the sole shareholder in the Shareholders Assembly of AD MEPSO Skopje may not ask for or accept instructions from the Government of the Republic of Macedonia or other state authority. The Assembly of shareholders is chaired by the Minister of Transport and Communications or by a person authorized by him / his / her authority.

## **2.2. Organizational structure of AD MEPSO-Skopje**

The management of AD MEPSO - Skopje is organized in a two-level system with the Supervisory Board and the Board of Directors. The Supervisory Board, on the basis of the Law on Trade Companies and the Statute of the Company, conducts control and supervision over the work of the Board of Directors, which, on the basis of the Statute, has the broadest powers for decision making and management of AD MEPSO - Skopje. The members of the Supervisory Board are elected by the Shareholders Assembly of AD MEPSO-Skopje, while the members of the Board of Directors are elected by the Supervisory Board. The Board of Directors is composed of the President of the Board of Directors, who is also the Director General, the Deputy General Director, as well as the directors of the departments and subsidiaries within AD MEPSO - Skopje:

- sector for legal and general affairs,
- sector for financial affairs,
- sector for information technologies and telecommunications,
- a subsidiary of a transmission network operator and
- a subsidiary of an electricity transmission system operator.

Pursuant to the Energy Law, AD MEPSO - Skopje, as holder of a license for electricity transmission, can not have licenses and be involved in the activities of production, distribution, trade and supply of electricity, and can not have a license for organizing and managing the electricity market. Bearing this in mind, AD MEPSO Skopje is the owner of the Macedonian Electricity Market Operator - Memo DOOEL Skopje, registered in the Central Register of the Republic of Macedonia on October 8, 2018.

### **2.3. Independence of the Management Board and Supervisory Board of AD MEPSO-Skopje**

In order to ensure the independence of the electricity transmission system operator, the same person or persons are not entitled at the same time:

- directly or indirectly participate in the management and management of a company that carries out some of the activities of generation and / or supply of electricity, and at the same time directly or indirectly manage or exercise another right in the electricity transmission system operator,
- directly or indirectly participate in the management and management of the electricity transmission system operator and at the same time directly or indirectly manage or exercise another right in a company that carries out any of the electricity generation or supply activities, and
- to appoint members of the supervisory body, managing authority of the electricity transmission system operator, and at the same time directly or indirectly manage or exercise another right in a company that carries out some of the activities of generation and / or supply of electricity.

The above limitations in particular refer to the use of the right to vote, election and appointment of members of the Board of Directors and Supervisory Board of AD MEPSO - Skopje or possession of a majority stake.

Members of the Management and Supervisory Board of AD MEPSO-Skopje:

- in a procedure for making decisions in accordance with the law, they must not seek nor accept instructions or guidelines from the Government or other state authority, except in the cases stipulated in the Energy Law, and
- they must not be elected as members of a supervisory body or a management body of companies that produce, supply or trade electricity or companies that have the possibility of directly or indirectly influencing decision-making in those companies.

As a company that carries out some of the activities, production or supply is also a company that carries out some of the natural gas production or supply activities, and does not include consumers who perform some of the activities of producing and / or supplying electricity directly or through a company in who participate in the management, individually or together, if:

- on average annually, net electricity consumers taking into account their share in the electricity generated by the companies in which they participate in the management,
- the value of electricity sold to third parties is insignificant in relation to their other business activities.

#### **2.4. Enabling transparent, objective and non-discriminatory treatment towards users of the electricity transmission system by AD MEPSO – Skopje**

AD MEPSO-Skopje is obliged to act in accordance with the Energy Law in a manner that will ensure a transparent, objective and non-discriminatory approach to all users of the electricity transmission system, without creating a privileged position of certain users of the electricity transmission system towards the other users of the electricity transmission system.

AD MEPSO-Skopje provides equal treatment of the users of the electrical energy transmission system in the following activities / processes:

- planning and development of the electricity transmission network through the construction of new and upgrading of the existing interconnections with the neighboring countries, taking into account the efficient utilization of the existing interconnection capacities and the balance between the investment costs and the benefits for the consumers,
- publication of data and timely provision of information on the timing and manner of allocation of cross-border transmission capacities of interconnection transmission lines under market conditions in a transparent and non-discriminatory manner,
- supply of electricity for covering the losses in the electricity transmission network and electricity for own needs, supply and sale of electricity for compensation, in order to ensure reliable and reliable functioning of the electrical energy transmission system, under market conditions, in a transparent and non-discriminatory manner ,
- provision of system services for balancing the electricity transmission system and ensuring balancing of the electricity system and settlement of deviations and balancing services as well as provision of calculation, invoicing and collection of balancing services,
- provision of installation and maintenance of measuring devices for measuring electrical energy at all measuring points in the points of reception and delivery of the electrical energy transmission system and delivery of data from the measurements to the users of the system,
- provision of access of the users of the electrical energy transmission system to the metering devices owned by AD MEPSO-Skopje, and
- other activities and processes in order to provide a transparent, objective and non-discriminatory approach to all users of the electricity transmission system, while not creating a privileged position of certain users of the electricity transmission system for the account of the other users of the electricity transmission system.

## **2.5. Measures applied by AD MEPSO-Skopje for achieving a transparent, objective and non-discriminatory treatment towards users of the electrical energy transmission system**

In order to ensure transparency, objectivity and prevention of discriminatory behavior in fulfilling the obligation to provide a public service, AD MEPSO - Skopje, in the capacity of an electricity transmission system operator on the territory of the Republic of Macedonia, undertakes measures for removing any type of discrimination of the users electricity transmission system as follows:

- 1) provides the right of access, connection and use of the transmission network in accordance with the network rules for transmission of electricity, the general conditions for access and use of the electricity transmission network, the agreement on the manner and conditions for using the electricity transmission network and the charge for using the electricity transmission system and the license for performing an energy activity electricity transmission with the evident number EE - 01.02.1 / 05/2/17.

*The administrative management of the procedure for joining the applicant (user) of the electricity transmission network is within the strategic planning, developmental analysis and attachments department of the investment and development department, while the procedure in AD MEPSO - Skopje is carried out by the department for investments and development , a subsidiary of a transmission network operator, a subsidiary operator of a transmission system, an information technology and telecommunications sector, a general and legal affairs department and a financial affairs department.*

- 2) allows equal treatment of all users of the electricity transmission system, ie when performing procedures related to the purchase of electricity for losses, for own needs, for compensation and balancing of the system, no user will be in a privileged position at the expense of another user,
- 3) explain and specify the reasons for which the request for access to the electricity transmission network has been rejected,
- 4) to guarantee the right to appeal against the decisions of the operator of AD MEPSO - Skopje, which is submitted to the Energy Regulatory Commission,
- 5) to provide clear, precise, explanatory and deadline decisions for granting the right to use the electricity transmission system adopted by AD MEPSO - Skopje.

*These activities are carried out in accordance with the rules for electricity supply for covering the losses in the electricity transmission system, the rules for purchasing electricity for own needs, the rules for procurement of electricity for compensation, the rules for balancing, the network rules for transmission of electricity, the rules for the electricity market and the rules for the allocation of available cross-border transmission capacities (specific for each border), made by a subsidiary electricity operator driven system, adopted by the Board of MEPSO - Skopje and approved by the Energy Regulatory Commission. The procedures and activities arising from these rules are carried out by the department for the management of the electric power system.*

- 6) to ensure confidentiality of business data and information and to prevent the misuse of business secrets and information obtained during the performance of the activity of electricity transmission and management of the electricity transmission system for the purpose of gaining

business benefit and to prevent the taking of discriminatory actions in favor of third parties persons in accordance with the Law on Access to Information of Public Character and the Rulebook on Business Secret of AD MEPSO - Skopje.

*The implementation of these activities in AD MEPSO - Skopje is carried out by an official for mediation with information of public character.*

### **3. Compliance officer**

The realization of this Program is monitored by a Compliance Officer in accordance with the Energy Law and the Statute of AD MEPSO - Skopje.

During his term of office, the Compliance Officer may not engage in any other professional activity, nor have any interest or business relationship, directly or indirectly, with undertakings in the energy sector or with their shareholders or shareholders.

The procedure for appointment and dismissal, mandate, scope of work, work obligations and authorizations, rights and obligations regarding education and training of employees, prohibition to perform other professional activity, free access to information to Compliance Officer of AD MEPSO is prescribed by the Rulebook on the work, powers, rights and obligations of the Compliance Officer.

### **4. Areas in which compliance is monitored**

The Compliance Officer monitors the implementation of the Program from the aspect of:

- independence, transparency, objectivity and impartiality in the work of AD MEPSO - Skopje,
- disabling discrimination against the users of the electrical energy transmission system on any ground,
- confidentiality of the business data of the users of the electricity transmission system,
- coordination and cooperation of AD MEPSO - Skopje with other operators of electric power systems, exchange of data with the operators of other transmission systems and participation in the work of regional and international organizations,
- educating and informing the Board of Directors of AD MEPSO - Skopje and the Supervisory Board of AD MEPSO - Skopje and the employees of AD MEPSO - Skopje regarding the actions in accordance with the principles of independence, transparency and impartiality.

### **5. Method of monitoring of compliance**

AD MEPSO - Skopje is obliged to give the Compliance Officer all the data and information necessary for the exercise of his powers, and upon his request, to enable him access to all the premises and premises in which he / she carries out his / her activity.

The Compliance Officer shall be obliged to act in accordance with the provisions of the Energy Law, this Program, the Statute of AD MEPSO - Skopje and the Rulebook on the Operations, Authorizations, Rights and Obligations of the Compliance Officer, according to which:

- monitors the implementation of the Program and prepares an annual report on the measures undertaken for its implementation, which it submits to the Energy Regulatory Commission,
- submit reports to the Supervisory Board of AD MEPSO - Skopje and make recommendations regarding the Program and its implementation,
- informs the Energy Regulatory Commission of significant violations in the implementation of the Program.

## **6. Measures against corruptible behavior**

Any type of corruptible behavior within AD MEPSO - Skopje is prohibited, that is, AD MEPSO - Skopje will take measures to prevent any kind of corruptible behavior.

Corrupt behavior of an employee, a member of the Board of Directors, a Supervisory Board or a Compliance Officer shall include:

- a direct or indirect claim or receipt of a gift or other benefit or the receipt of a promise for a gift or other benefit for himself or for another, in order to carry out an official act that should not have been performed or the official action that had to be performed had not taken place ,
- giving, promising or offering a gift or other benefit to himself or to another in order to perform an official act that should not have been performed or an official action that should have been performed or a mediator in these actions should not be performed.

Each employee of AD MEPSO - Skopje, a member of the Board of Directors, the Supervisory Board and the Compliance Officer shall be obliged to report the same as corrupt behavior if he / she finds out or in any other way recognizes this type of behavior.

## **7. Final provisions**

This Program is an act of AD MEPSO - Skopje and has a mandatory application for the members of the Board of Directors of AD MEPSO - Skopje, the members of the Supervisory Board of AD MEPSO - Skopje, the employees of AD MEPSO Skopje and the Compliance Officer.

This Program will be published on the bulletin boards of AD MEPSO - Skopje and on the web page of AD MEPSO - Skopje.

All amendments to this Program are implemented in the same procedure with which the Program is adopted.

This Program shall enter into force on the day of its adoption and shall be applied on the day of its approval by the Energy Regulatory Commission.