

**LICENSE
FOR PERFORMING ENERGY ACTIVITY
NATURAL GAS TRANSMISSION**

1. Name and registered office of the license holder

Joint Stock Company for performing energy activity natural gas transmission NOMAGAS
Skopje in state ownership

2. Energy activity for which the license is issued

Natural gas transmission

3. Date of issue of the license: 25 October 2005

4. License expiry date: 25 October 2040

5. Registration number of the issued license: ППОПЦ-02-2005

6. Company's registration number: 7649401

7. Unique tax number: 4080022611460

8. Area where the energy activity is carried out

The license holder performs the energy activity natural gas transmission through the transmission and management system of the natural gas transmission system, on the territory of the Republic of North Macedonia.

9. Facilities and equipment carrying out the energy activity

The license holder performs the activity natural gas transmission, through the transmission network which consists of:

- high-pressure gas pipeline from the Macedonian-Bulgarian border near Deve Bair to Skopje, as well as the high-pressure distribution gas pipelines from the main gas pipeline to the main metering and regulating stations located near Kriva Palanka, Kratovo, Kumanovo, Skopje - North and Skopje - South;
- main transmission station at the entrance to the Republic of Macedonia near the village of Zidilovo on the Macedonian-Bulgarian border;
- main metering and regulating stations at Kriva Palanka, Kratovo, Kumanovo, Skopje-North and Skopje-South;
- gas transmission networks in the cities of Kriva Palanka, Kratovo, Kumanovo and Skopje;
- metering and regulating stations connected to the natural gas transmission system intended for direct consumers and distribution systems.

10. General obligations of the license holder

The license holder is obliged to:

- maintain, upgrade and expand the natural gas transmission network, manage the natural gas transmission system, and provide connections to other systems including natural gas transmission systems of other countries;
- contribute to the security of natural gas supply, by providing reliable, safe, economically viable and quality transmission and delivery of natural gas through the transmission system,
- ensure reliable and safe functioning of the natural gas transmission system and improvement of the operativeness;
- at all times to have available material, technical and human resources, as well as financial means needed to fulfill its obligations regarding the development, upgrading and maintenance of the natural gas transmission system;
- to provide the users with all the information needed for access and legalization of the natural gas transmission system and to provide access to the users of the natural gas transmission system;
- to approve users' requests for connection to the transmission system in accordance with the network code for natural gas transmission, if it is economically justified;
- to publish on its website the transmission tariffs, previously approved by the Energy Regulatory Commission;
- to build new and upgrade the existing interconnection capacities with the neighboring countries, taking into account the efficient use of the existing interconnection capacities and the balance between investment costs and benefits for consumers;
- to ensure the cross-border flows of natural gas through its transmission network within the available transmission capacity;
- to prepare an annual plan for the maintenance of the transmission system and, after its approval by the Energy Regulatory Commission, publish it on its website;
- to prepare a final daily schedule for transmission and loading of the natural gas transmission system and to record and store the data obtained in the process of preparing the final daily schedule;
- to ensure daily dispatching and real-time management of the flow of natural gas taking into account internal and cross-border transactions through the natural gas transmission system, based on the final daily schedule;
- to ensure synchronized operation of the natural gas transmission system with the transmission systems to which it is directly connected, as well as to cooperate and exchange data with the operators of other natural gas transmission systems;
- to publish data and promptly provide information from the operators of neighboring natural gas transmission systems on the available transmission capacities of interconnecting pipelines or transnational gas pipelines, in order to ensure efficient, non-discriminatory, objective and transparent access and use of the natural gas transmission system;
- to ensure the installation and maintenance of measuring devices and to measure the flow of natural gas at all measuring points in the reception and delivery points in the transmission system and to deliver the measurement data to users of the system and to the operator of the natural gas market;
- to provide access to the users of the natural gas transmission system to the measuring devices that are in his possession;

- to procure system services for balancing the natural gas transmission system, in accordance with the rules for balancing the natural gas transmission system;
- to establish and maintain a register of balancing service providers and a register of balance responsible parties;
- to prepare rules for natural gas procurement to cover losses in the natural gas transmission system and submit them to the Energy Regulatory Commission for approval;
- to procure natural gas to cover losses in the natural gas transmission system in order to ensure reliable and safe functioning of the natural gas transmission system under market conditions in a transparent, non-discriminatory and competitive manner;
- to solve the overloads in the natural gas transmission network, in accordance with the network code for transmission of natural gas;
- to ensure balancing of the natural gas transmission system and settlement of deviations and balancing services, in relation to providers and users of balancing services, as well as to ensure the calculation, invoicing and payment of balancing services;
- to keep records and schedule of physical transactions and determine the necessary changes in the natural gas dispatching schedule in the event of a threat to the supply of natural gas, breakdowns or major deviations of the consumption of natural gas from the determined quantities within the technical capabilities of the natural gas transmission system, whereby the costs of purchasing natural gas, by applying the balance mechanism, are reimbursed by the participants in the natural gas market who caused the deviation;
- to ensure the confidentiality of the business data of the users of the natural gas transmission system;
- to participate in the work of regional and international organizations, and to promptly provide information to the operators of the transmission and distribution systems of natural gas with which it is connected, for the purpose of secure and efficient functioning of the systems and interconnection lines;
- to make available to the participants of the natural gas market, at all entry and exit points, the overall capacity of the system, taking into account the integrity of the system and the efficient functioning of the network;
- to keep a dispatch book, records on the reliability of the transmission system, data from the supervision and management system and measurement data and to keep those books, records and data for at least ten years;
- to keep records of the operation of the transmission system in the manner determined by the network code for natural gas transmission and to report this to the Energy Regulatory Commission, upon its request;
- temporarily stop the delivery of natural gas from the transmission network that it manages, during planned inspections, tests, control measurements, repairs, maintenance, reconstructions and expansions of facilities, devices and installations, connection of new users, as well as in case of the need to prevent risks of disruption in the natural gas transmission system, in accordance with the network code for natural gas transmission;
- every year to prepare a plan for the development of the natural gas transmission system for a period of the next ten years and to submit the plan for approval to the Energy Regulatory Commission no later than October 31 of the calendar year and after the approval received to adopt and publish the plan on its website;

- prepare and submit, by 31 October every calendar year at the latest, one-year, five-year and ten-year forecasts of the needs of natural gas in the Republic of Macedonia to the Ministry and the Energy Regulatory Commission;
- for each regulated period to prepare and submit to the Energy Regulatory Commission for approval a plan for investments in the transmission system, which shall, in particular, present the expected increase of efficiency in the operation of the system as a result of the planned investments;
- provide continuous or interruptible access services to a third party and ensure that the price for capacity subject to interruptions reflects the likelihood of interruptions;
- to offer system users long-term and short-term services;
- to offer natural gas transmission services to the users of the system by applying equal contractual conditions, previously approved by the Energy Regulatory Commission and published on its website;
- to grant access to a third party as long as the access requester provides guarantees for the payment of the service, which are determined based on the principles of non-discrimination, transparency and proportionality and do not represent an obstacle to enter the natural gas market.

11. Obligation to submit an Annual work report

The license holder is obliged to submit an annual work report, including the report on the financial and business operations of the previous year, to the Energy and Water Services Regulatory Commission of the Republic of North Macedonia no later than March 31 of the current year.

The annual report with all attachments must also be submitted in electronic form. The annual report should contain data on:

- 1) description and scope of energy activity during the year,
- 2) annual final account with all attachments,
- 3) measures taken during the reporting year for:
 - protection of facilities and equipment from external influences and accidents and insurance of facilities and equipment for performing energy activity;
 - occupational safety and health;
 - staffing, training and professional development of employees;
 - protection of the environment, human life and health;
 - performance of operation monitoring;
 - performance of the activity in conditions of crisis, change in the conditions of the world market, as well as military and state of emergency;
- 4) execution of the annual overhaul program;
- 5) implementation of the work plan that refers to the corresponding year;
- 6) performed inspections and controls by competent inspection and other state authorities, with attached photocopies of the minutes, reports and decisions of the performed inspections and controls.

12. Confidentiality of information

The license holder is obliged, in accordance with the law, to ensure and guarantee the confidentiality of business data and information when performing the energy activity natural gas transmission.

13. Ensuring connection and use of the transmission system

The license holder is obliged to ensure the connection of all consumers of natural gas or heat energy and all users of the natural gas transmission system and natural gas or heat energy distribution systems, as well as access of third parties to use the transmission system in accordance with the law, other regulation and general act, as well as based on the Network Code for the transmission of natural gas, approved by the Energy Regulatory Commission based on objective, transparent and non-discriminatory principles.

14. Quality of service

The license holder is obliged to ensure the necessary level of reliability and availability of the transmission system as a condition for the quality of delivered natural gas, in accordance with the prescribed conditions for transmission and delivery of natural gas and the Network Code.

15. Amendment, extension, transfer, termination, suspension and revocation of the license

Amendment, extension, transfer, termination, suspension and revocation of this license shall be carried out in accordance with the provisions of the Energy Law and the Rulebook on Licenses.

16. Measures in case of non-fulfillment of obligations of the license holder

If the license holder fails to fulfill the obligations contained in this license, the Energy and Water Services Regulatory Commission of the Republic of North Macedonia shall take the measures in accordance with the Energy Law and the Rulebook on Licenses.