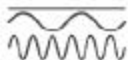


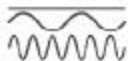
RELEVANT MACEDONIAN LEGISLATION CONCERNING ENERGY SECTOR

***Partnership Program
(ERC, R. Macedonia – PSB, Vermont)
Skopje, March 20 – 26, 2004***



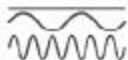
Relevant Macedonian Legislation Concerning Energy Sector

- Constitution of the Republic of Macedonia -1991
- Law on Trade Companies - 1996
- Law on Public Enterprises - 1996
- Law on Concessions - 2002
- Law on Energy - 1997



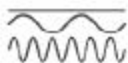
Constitution of the Republic of Macedonia

1. According to the Constitution of RM:
 - Legal protection of ownership and freedom of market and entrepreneurship are fundamental values of the legal system of RM
 - Restriction of these rights is only possible when a public interest is concerned
 - Equal position on the market is guaranteed (monopoly behavior is sanctioned)
 - Foreign investors have right to recoup its investments and profits (this right cannot be restricted by the law)



Law on Trade Companies

- Companies which perform certain business activities in the energy sector must be registered as trade companies at the court register
- There are two types of companies according to their legal status (personal and capital companies)
- Personal companies are : public trade companies and limited partnerships
- Capital companies are: limited liability companies and share holder companies
- Minimum capital required for establishment of limited liability company is 2 500 EUR or 12 500 EUR for shareholder company
- Foreign legal and natural persons have equal rights as domestic legal and natural persons



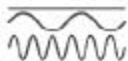
Law on Public Enterprises

- Public enterprises are established for performing of economic activities of public interest (including certain energy activities)
- Activities of public interest are those activities which are indispensable for normal functioning of life and work of the citizen, legal and natural persons as well as state institutions
- Public enterprises can be established by the Government of RM and Municipalities
- Public enterprises have status of legal persons
- Public enterprises are responsible for undertaken obligation with their property and assets
- Public enterprises can be re-organized into limited liability companies or share holder companies

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5



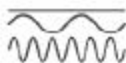
Law on Concessions

- Concession can be granted by the Government of RM and/or Municipalities
- Concessionaire can be any domestic or foreign legal and natural person
- Concession procedure is based upon principles of non-discrimination and transparency
- Concession contract can be concluded between the Government of RM/ Municipality and concessionaire for performing of certain public works and/or public services

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6



Law on Energy

1. Law on energy regulates:

- Conditions for performing of energy activities
- Manners and conditions for environment and equipment protection, etc
- Generation, transmission and distribution of electricity,
- production and processing of coal,
- Production, processing and transport of oil and oil derivatives,
- Generation, transport and distribution of natural gas,
- Generation, transport and distribution of heat and geothermal energy,
- Transit and trade with energy
- The establishment of Energy Regulatory Commission

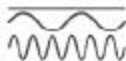
2. Energy activities of public interest are:

- Generation, transmission and distribution of electricity
- Generation, transport and distribution of natural gas,
- Generation, transport and distribution of heat and geothermal energy

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7



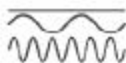
Responsibilities of Legal and Natural Persons Working in the Energy Sector

1. Energy activities can be performed by domestic and foreign legal and natural persons on the basis of license
2. Energy activities (generation, transmission, distribution and supply of energy) can be performed only if certain legal, technical and environmental conditions are fulfilled
3. Legal and natural persons which perform energy activities are obliged:
 - to submit information to the MoE necessary for preparation of energy balance
 - to prepare annual programs for implementation of the energy strategy
 - to ensure safe, continual and high quality of energy supply
 - to enable non-discriminatory conditions for access of third parties to their system
 - to protect environment and equipment
 - to send monthly, quarterly and annual reports to MoE and ERC regarding generation/production and distribution of energy (large energy consumers are obliged to submit reports on the quantity of consumed energy and to foresee their future needs for energy supply)
 - to notify the MoE and ERC if certain interruption of energy supply occurs

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8



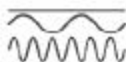
Responsibilities of the State Authorities in the Energy Sector

1. According to the Law on Energy the Government of RM is responsible to:
 - enact strategy for development and promotion of energy sector
 - enact long-term program on energy efficiency for implementation of the strategy
 - enact annual energy balance, upon previously given opinion of ERC
 - establish Fund on Energy Efficiency
2. According to the Law on Energy the ERC of RM is responsible to:
 - ensure safe, continual and high quality supply of energy;
 - ensure the advancement of the competitive market of energy;
 - prescribe conditions for energy supply, methodologies and tariffs for the fixing of prices of different types of energy;
 - enact Decisions on the prices of different types of energy;
 - issues, changes and revokes and monitors the enforcement of licenses;
 - prescribes rules for connecting to the energy supply network;
 - take care for the advancement of the protection of rights of energy consumers;
 - participate in dispute resolution

05.03.2004

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9



Law on Energy and Acquis Communautaire

1. Current Law on Energy should be harmonized with the provisions of Acquis Communautaire and Athens Memorandum
2. The Law on Energy should regulate:
 - public service obligation and consumer protection,
 - unbundling of energy companies,
 - cross-subsidization,
 - third party access,
 - market liberalization,
 - transmission and distribution system operator,
 - construction of new energy facilities,
 - maintaining of security of supplies, etc
3. MoE is responsible authority to draft new Law on Energy

05.03.2004

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10