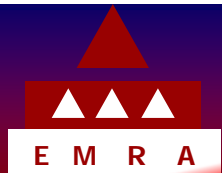


ELECTRICITY MARKET LICENSING REGULATION



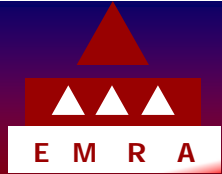
Licensing

- **All market activities are conducted under particular licenses obtained from EMRA.**
- **Separate licenses are required for each market activity and for each facility where the activity is carried out.**
- **Separate accounts are required:**
 - **for all licensed activities and facilities**
 - **for sales to eligible and sales to captive consumers**
 - **for non - market activities**

License Types

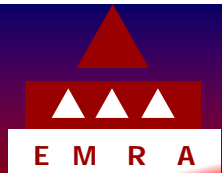
- **Generation License**
 - **Autoproducer License**
 - **Autoproducer Group License**
 - **Transmission License**
 - **Distribution License**
 - **Wholesale License**
 - **Retail License**
-
- **The import and export activities to be undertaken by the wholesale licensees and the import activities to be undertaken by the retail licensees are regulated within the scope of their wholesale or retail licenses and no separate license is required.**

- **All legal entities subject to private law and applying for a license in order to operate in the market, are required to have been established as joint stock or limited liability companies in accordance with the provisions of the Turkish Commercial Code No. 6762 (except autoproducers).**
- **If established as joint stock companies, all shares of the company must be registered shares.**



Licensing

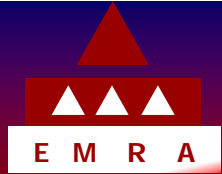
- Under no condition can the licenses be transferred.
- The rights of the licensee within the scope of its license may not be transferred to third parties without Board approval.



Licensing

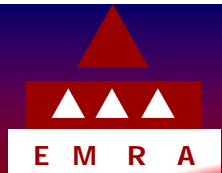
- **The real persons or legal entities generating electricity for their own needs and having facilities or equipment which are not operating in parallel to the transmission and distribution network are not required to obtain a license so long as they remain disconnected to the transmission and distribution network and do not engage in wholesale or retail activities to sell the electricity and/or capacity generated in these facilities.**

- **During the review and evaluation of applications, the following basic issues for all types of licenses are taken into consideration:**
 - **Conformity with the objectives set forth in the applicable legislation,**
 - **The opinions on the written objections made within the allowable period regarding the publicized applications**
 - **Its impact on the protection of consumer rights, the promotion of competition and the development of market,**
 - **The financial strength of the legal entity and/or its shareholders, and its financial resources,**
 - **If any, the experience and performance of the applicants in the domestic and international markets.**



Licensing

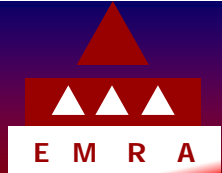
- **Licensees may not be engaged in non-market activities.**
This is not applicable to autoproducer licensees.



Licensing

- **The direct or indirect acquisition, by a real person or legal entity, of shares that amount to more than ten percent of the capital of a licensee (five percent for publicly traded companies), and share acquisitions that result in the increase in a partner's shares to above ten percent of the licensee's capital or a transfer of shares that leads to the fall of a partner's share to below the above-mentioned rate, are subject to Board approval.**

This provision is also applicable for acquisition of right to vote and pledging the shares.



Licensing

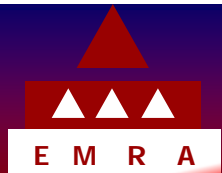
- In cases where a single legal entity wishes to take over all assets and liabilities of one or more licensee as a whole, Board approval for such a merger is obligatory.

Generation License

The generation licensees may engage in the activities of construction and commissioning of generation facilities, electricity generation, sale of the generated electricity and/or capacity to customers.

The generation companies may enter into affiliate relationships with distribution companies without having control over them.

The total share of any private sector generation company, together with its affiliates, in the market may not exceed twenty percent of the total installed capacity of Turkey for the previous year, as published by TEIAS.



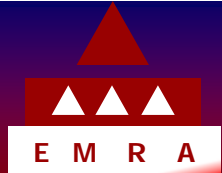
Generation License

The generation licensees may not be engaged in any other market activity other than those indicated in the Licensing Regulation.

The activities that may be performed by a generation licensee without requiring further Board approval are indicated in their licenses.

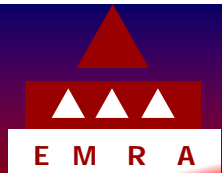
The sale of electricity and/or capacity by public Electricity Generation Company (EUAS) and/or its affiliates in a competitive environment shall not discriminate between public sector institutions and private sector companies and under no condition shall the sale price of EUAS and/or its affiliates be subsidized in any manner.

The generation licenses can be issued for a maximum of forty-nine years and a minimum of ten years, at a time.



Transmission License

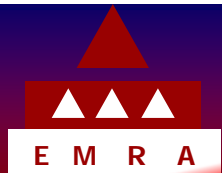
Turkish Electricity Transmission Company (TEIAS) is in charge of all transmission activities to be performed over the existing transmission facilities and those to be constructed as well as the activities pertaining to the operation of national transmission system via the National Load Dispatch Center and the regional load dispatch centers connected to this center and the operation of Market Financial Settlement Center.



Distribution License

The distribution licensees are obliged to perform distribution activities in the regions specified in their licenses.

The distribution licensees are entitled to be engaged in retail and / or retail service activities on condition to obtain retail licenses; excluding public legal entities, to set up and operate generation facilities in the region specified in their licenses provided that they obtain a generation license and that the amount of the annual electricity they generate does not exceed 20 percent of the total amount of electricity supplied for consumption in the relevant region within the previous year.



Distribution License

In case, in the region where a distribution licensee operates, there are consumers who cannot obtain electricity and/or capacity from another supplier, the distribution licensees are obligated to obtain a retail license and provide retail electricity sale and/or retail service to such consumers.

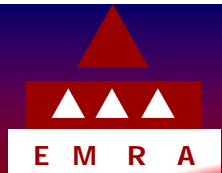
Distribution licensees are obligated to enter into last resort agreements with their current supplier and/or other suppliers to fulfill these obligations. Such last resort agreements shall cover the supply of the electricity and/or energy committed to such eligible consumers.

Wholesale License

The wholesale licensees may engage in the wholesale of electricity and/or capacity and its direct sale to eligible consumers.

Wholesale licensees may perform import and export activities in the market provided that their licenses contain the relevant provisions.

The total share of any private sector wholesale company, together with its affiliates, in the market may not exceed ten percent of the total energy consumed in the market in the previous year.



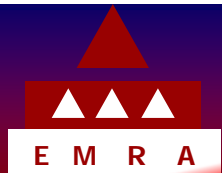
Retail License

The retail licensees may engage in the sale of electricity and/or capacity to consumers in the market.

The retail licensees may also be engaged in import of electricity and/or capacity at the distribution level provided that their licenses contain the relevant provisions.

The retail licensees are engaged in retail and retail services without any limitation of regions.

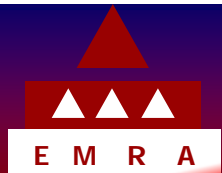
The distribution companies holding retail licenses shall only be entitled to sell electricity and/or capacity to eligible consumers located within the authorized area of another distribution region, provided that their retail licenses include related provisions.



Retail License

In addition to retail of electricity, other retail services such as meter reading and invoicing shall be provided by retail licensees and/or distribution companies holding retail licenses, provided that their licenses contain the relevant provisions.

Retail licenses may be obtained with the sole purpose of providing retail services.



Autoproducer and Autoproducer Group Licenses

Autoproducer licensees may engage in the establishment of generation facilities in order to meet their own needs and, in cases of excess generation, the sale of the generated electricity and/or capacity to other licensees and eligible consumers.

Autoproducer group licensees may engage in the establishment and operation of generation facilities primarily to meet their partners' needs, sale of the generated electricity and/or capacity to the group partners and sale of the excess generation to other licensees and eligible consumers, if any.

Autoproducer and Autoproducer Group Licenses

The amount of electricity to be sold by autoproducer or autoproducer group licensees to customers through bilateral agreements within a competitive environment shall be determined by a Board decision on condition not to exceed twenty percent of the electricity they have generated in their generation facility or facilities in a calendar year.

The autoproducer groups shall be obligated to prepare invoices for the sale of electricity to their group partners, as well as for their sales to eligible consumers within the framework of the legislation in effect.

The autoproducers, autoproducer groups and their affiliates shall be subject to the limitations indicated in the Law for private sector generation companies and the provisions and limitations of the Licensing Regulation regarding the affiliate relations of the private sector generation companies.