



Republika e Kosovës
Republika Kosova
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Zyra Kombëtare e Auditimit
Nacionalna Kancelarija Revizije
National Audit Office

AUDIT REPORT

I - GIVING CONSENTS FOR CONSTRUCTION/USE OF PROPERTY
OF POE KOSST BY OTHER PARTIES

II - AGREEMENTS FOR THE PURCHASE OF PRODUCED ENERGY
BETWEEN POE KOSST AND COMPANIES OPERATING WITH
RENEWABLE SOURCES RELATED TO INCENTIVE
PAYMENTS/TARIFFS

Compliance Audit

Prishtina, November 2021

CONTENT OF THE REPORT

Executive Summary	4
I - Giving consents for construction/use of the property of "POE KOSST" J.S.C by other parties.....	6
II - Agreements for the purchase of produced energy entred into between POE KOSST JSC and companies operating with renewable sources, regarding incentive payments/tariffs.....	16
Appendix I. Letter of Confirmation	19

The National Audit Office of the Republic of Kosovo is the highest institution of financial control, which for its work is accountable to the Assembly of Kosovo.

Our mission is to strengthen accountability in public administration, through quality audits, for an effective, efficient and economic use of national resources. The reports of the National Audit Office directly promote accountability of public institutions as they provide a sustainable base for holding managers' of individual budget organisations to account. We are thus building confidence in the spending of public funds and playing an active role in securing taxpayers' and other stakeholders' interests in enhancing public accountability.

This audit has been carried out in line with the International Standards of Supreme Audit Institutions, and good European practices.

The Auditor General has decided on the content of the audit report "Giving consents for construction/use of property of POE KOSST by other parties and Agreements for the purchase of produced energy between poe kosst and companies operating with renewable sources related to incentive payments/tariffs".

The first part of the report is a result of the audit carried out by Faruk Rrahmani (team leader), Bujar Bajraktari and Ajtene Llapashtica (team members), whilst the second part of the report is a result of the audit carried out by Florim Beqiri (team leader), Sabile Muli and Lavdim Maxhuni (team members), under the management of the Assistant Auditor General, Emine Fazliu, who supervised the audit.

Executive Summary

This report is performed based on the recommendations of the Assembly of Kosovo dated 12 August 2021 to the National Audit Office (NAO). Report is divided into two parts, the first part is a summary of audit issues related to 'Giving consents for construction/use of the property of "POE KOSST" JSC by other parties', while the second part is a summary of the audit of all 'Agreements for purchase of energy produced between POE KOSTT JSC and companies operating with renewable sources, related to incentive payments/tariffs'.

Transmission, System and Market Operator JSC (hereinafter: KOSTT) operates as a public enterprise in accordance with the Law on Public Enterprises and relevant applicable legislation. The Assembly of the Republic of Kosovo discharges the shareholder rights for KOSTT.

In this context, NAO has conducted the audit in accordance with International Standards on Supreme Audit Institutions (ISSAI). Our approach included the tests and procedures that we think were necessary to reach a conclusion about compliance and management of this process.

Summary for the first part of the report: Audit of decisions for giving consents for construction/use of the property of "POE KOSST" JSC by other parties

Based on the applicable local rules, constructions under the transmission system and in certain vicinity are prohibited as KOSTT has expropriated these spaces and reserves the right of servitude.

Our audit focused on assessing whether the responses (consents/refusals) that KOSTT returned to the parties regarding construction, relocation and ground cabling were in accordance with internal rules, applicable legislation and standards applied for this purpose. We have also evaluated the process of renting out premises and fiber optics.

The main conclusions and recommendations are:

First - The management of the response process (consents/refusals) for the parties was accompanied by time delays in handling cases, and non-application of fees for public institutions. Also, the process was inconsistent in terms of signatures from management which in one period were applied and in another were not applied.

To address these shortcomings we recommend that the Board through the Chief Executive Officer ensure the elimination of delays in handling cases, the application of fees for all and the establishment of written procedures regarding the necessary approvals.

Second - The energy transmission security zone was affected by the constructions of previous periods which were mainly illegal constructions, but this phenomenon still continues to occur even though with a lower intensity. However, there were cases when, despite definition of the technical conditions set by KOSTT, they were not respected and the constructions, the relocation of the pillars were within the security zone (where constructions are prohibited).

In some cases, KOSTT had informed the competent bodies (municipalities) to stop the works, but the actions taken were insufficient.

To address these shortcomings, we recommend that the Board, through the Chief Executive Officer, ensure a more effective cooperation with the municipality and other stakeholders to fully prevent this phenomenon.

Third - KOSTT provided answers (consents/refusals) and determined the technical conditions for the relocation of poles and ground cabling based on international standards, but which had no internal regulations. A draft regulation is in process, but has not yet been approved by the Board.

To address the issue of regulating the process of relocation of poles and ground cabling, the Board, in accordance with the statute must approve regulations that clearly define all the processes to be applied for this purpose.

Summary for the second part of the report: 'Audit of all agreements for the purchase of energy produced between POE KOSTT JSC and companies operating with renewable sources, regarding incentive payments/tariffs.'

The audit focused on managing agreements for the purchase of energy produced from renewable sources, verifying whether the payments made are in accordance with the tariffs set by the Energy Regulatory Office (ERO) as well as the process of inspecting the metering system.

The result obtained from our audit samples shows that the internal controls imposed by KOSTT JSC in relation to this area have functioned effectively.

We thank the management and support staff of KOSTT for the cooperation provided throughout the audit process.

I - GIVING CONSENTS FOR CONSTRUCTION/USE OF PROPERTY OF POE KOSTT BY OTHER PARTIES

Introduction

Transmission, System and Market Operator - KOSTT, operates as an independent entity since December 2005 from the transformation of the Kosovo Energy Corporation. Mission of KOSTT is the safe and reliable operation of the transmission system, guaranteeing the security of supply, as well as the efficient operation of the electricity market based on transparency and non-discrimination, in support of the economic and social development of the Republic of Kosovo.

As the Transmission System Operator (TSO), KOSTT is responsible for the efficient, economical and coordinated operation of the electricity transmission system in Kosovo, and is responsible for managing energy flows in the transmission network that serves for supply of national consumption and cross-border trade.

In addition to its primary responsibilities, KOSTT has other responsibilities that relate to its activities and some of which were the objective of this audit such as:

- Providing professional services to third parties (connection of renewable energy sources) as well as construction of facilities near the transmission network affected by construction; and
- Providing services to stakeholders to use the free capacity of optic fibers (commercialization of optic fibers) in the telecommunications infrastructure.

The management of the process of granting consents/technical conditions for applicants is based on AI no. 2005/7; AI 03/2017 on Rules for Security zones, Instruction no. 278 on Issuance of Consents for construction of facilities in the vicinity of Substations & Transmitters and under Transmission; KOSTT Code of Electrical Equipment and Technical Rules for Construction and Maintenance of Power Facilities - substations and lines¹.

¹ Official Gazette of the former SFRY No. 65/88 and Official Gazette No. 19/68.

Audit Objectives

Based on the request of the Assembly of Kosovo dated 12.08.2021 with no. 08-Re 007, the meeting held with the Committee on Industry, Economy and Entrepreneurship and meetings with the management of KOSTT, including the information received in the planning process, we have set the objective of this audit as follows:

- The first objective of this audit is to assess whether the responses, which relate to the granting of consents or their refusal to use KOSTT properties to other parties, are in line with the criteria set out in the relevant laws, standards and in accordance with the statute of the enterprise, internal regulations and other acts. Process management will also be evaluated; and
- The second objective of this audit is to evaluate the leasing of property (shops and optic fibers).

The audit report assesses compliance with whether the granting of property (right of servitude) building permits to other parties complies with the criteria set out in applicable regulations, relevant laws, or even international standards.

Audit Scope and Methodology

This audit focused on the evaluation of all responses (consents/refusals) which were issued from 01 January 2015 until the end of August 2021, regarding the issuance of consents for construction/use of KOSTT properties by the other parties.

A more special focus is given to the answers (consents/refusals) of KOSTT that have to do with setting the technical conditions for the relocation of the transmission network or with the underground cabling and their implementation.

Projects related to KOSTT capital investments were not subject to this audit as part of the recommendation/request of the Assembly of Kosovo for audit, as this part will be covered by a separate audit in the annual audit plan of NAO for the season 2021/2022.

Also, two cases² were processed for investigation to the state prosecutor's office and in accordance with the audit methodology not to affect the investigation will not be part of the audit report.

The audit methodology was designed to respond to specific objectives regarding responses (consents/refusals) for the construction or use of KOSTT properties by other parties if they were made in accordance with legal requirements and the enterprise plan.

² The CC Apartments case and the Ex-FIS case

In order to ensure that the analyzes resulting from this audit are in the direction of reaching adequate audit conclusions, it is considered useful to establish an audit design and approach, which will lead to the identification of possible deficiencies in the response process (consents/refusals) for construction, as well as lease contracts signed with users of KOSTT properties.

The audit was performed in accordance with ISSAI 100 - Basic Auditing Principles in the Public Sector, ISSAI 400 - Basic Auditing Principles of Compliance, and ISSAI 4000 - Compliance Auditing Standards, NAO Code of Ethics, and other relevant requirements for compliance audit. NAO is independent of the audited entities. We believe that the audit evidence we have obtained is sufficient and appropriate to provide conclusions.

Our approach to this audit is oriented towards obtaining relevant and sufficient evidence for audit security purposes and will be combined including several audit techniques such as:

- Analysis and evaluation of legal and statutory requirements for giving answers (consents/refusals) for construction as well as for giving KOSTT properties for use/rent;
- Interview with relevant KOSTT officials who have managed this process (including the management) and eventual discussions as needed;
- Meeting and discussion with the MPs - members of the Committee on Economy, Industry, Entrepreneurship and Trade of the Assembly of Kosovo;
- Analysis of the minutes of the meetings of the Board of Directors if the transfer of the use of the properties to other parties has been reviewed;
- Analysis of responses (consents/refusals) regarding the determination of technical conditions for construction, relocation or cabling, if they are in compliance with the applicable legislation;
- Testing of all answers (consents/refusals)³ on construction near transmission and review of optic fibers leases and rented out premises;
- Physical examination of a number of cases which were subject to audit; and
- Analysis of the process of approvals/signatures regarding the provision of responses (consents/refusals) to the requesting parties.

³ 111 responses (consents/refusals) were audited excluding 2 cases that were in the process of investigation

Findings and recommendations

During the audit, we noticed areas for improvement, which we presented in the form of findings and recommendations. Through concrete recommendations, we aim for the management of the process of giving answers (consents/refusals) to the parties to be framed with relevant regulations, to be managed efficiently, and to have consistency in the treatment of the parties.

The process of giving consent/refusals to the requesting parties

From 2015 to August 2021, KOSTT had received 113 different requests, to which KOSTT responded to the parties based on their request. Of these, 96 were for constructions near the transmission, 10 for relocation of electric poles and 7 requests for ground cabling. It is worth mentioning that only 4 pole relocation and 2 ground cables were implemented. The following shortcomings were identified from the case testing:

Issue 1 - Delays in returning response to the requesting parties

Point 5 of Article 10 (Procedure regarding the submission of a construction application in the security zone) of AI 03/2017 (MED) on Security zone Rules, stipulates that - The energy enterprise must give its approval or refusal for the construction provided, in writing within 15 days after the submission of the request.

Out of 111 cases tested, we have identified delays in 11 cases when KOSTT's response was beyond the set deadline. In 9 cases, the delays range from 10 to 25 days, while in two cases the delays were 4 and 7 months respectively for the providing of the answer.

The reason for not giving the response when the delays were up to 25 days was mainly the negligence of the commission regarding the fulfillment of the set deadlines, while in the cases when the delays were long, they were because the requesting parties had not made payments/fees.

Failure to meet the deadlines for returning responses to the parties may adversely affect the requesting party, thus causing delays in other construction permit proceedings.

Recommendation 1

The Board of Directors through the Chief Executive Officer should ensure that the deadline is met in all cases for the return of the response of 15 days in order for the party and the municipality to be informed with the technical conditions to be respected during construction near the power system.

Adequate procedures should also be applied that avoid the possibility of the party delaying the payment of the invoice and that this then reflects on the non-meeting of the deadline for returning the response.

Issues 2 - Non-application of financial tariffs by KOSTT

Instruction no. 278 of KOSTT for Issuance of Consents for construction of facilities in the vicinity of substations & transmission lines and underpasses approved by the Board on 06.05.2008 determines the fees for providing answers (consents/refusals) for the parties that apply.

We have identified 14 cases when the parties were returned a response (consent/refusal) by KOSTT despite the fact that no payment was made. The financial value that was not paid for this purpose according to the fees was in the amount of €3,000. Of these, 10 cases were for public institutions (municipalities, ministries and Publicly Owned Enterprises) and in four (4) cases for natural persons. Also, in four (4) other cases the billing was not in accordance with the tariffs in the guide either as a result of applying VAT or even applying incorrect kilometers.

According to KOSTT officials who have managed this field, this happened because for public institutions they considered the application of tariffs as unnecessary (although according to the instruction, there were no exceptions for public institutions), while for natural persons they did not provide any clarification.

Non-application of tariffs for all requesting parties by KOSTT leads to unequal treatment of the parties and has an impact on the financial aspect.

Recommendation 2

The Board of Directors through the Chief Executive Officer should ensure that the fees are applied to all requesting parties which receive a response from KOSTT without favoring any party, otherwise, the instruction should be supplemented/changed and specify in which cases and who is exempted from the fee/payment. Also, in billing, there should be an increased care that the prices are in full compliance with the instruction.

Issues 3 - Shortcomings in the management of the response process (consents / refusals) by KOSTT

The management of the process of giving the responses (consents/refusals) technical conditions for applicants is based on AI no. 2005/7; AI 03/2017⁴ on Rules for Security zones, Instruction no. 278 on Issuance of Consents for construction of facilities in the vicinity of Substations & Transmitters and under Transmission; KOSTT Code of Electrical Equipment and Technical Rules for Construction and Maintenance of Power Facilities - substations and - lines⁵. We identified that:

- In 65 cases (2015-2018) the response returned to the requesting party in addition to the signatures of the commission was followed by the cover letter signed by the chief executive officer, while in 44 others (2018-2021) the responses were not signed by the chief executive officer.

While in two cases, the requests were not reviewed by the Department for Project Management & Engineering, as required in Instruction no. 278 of KOSTT. The requests related to the installation and relocation of electric poles, the answer to which was given by the chief executive officer and not the department/commission; and

- In all the responses given to the parties in the letter of KOSTT, it was not specified in which article of the instruction or technical rules they referred to for setting the criteria, but it was only stated as a note at the end of the response that for more see relevant AI 03/2017 and technical rules on construction.

KOSTT did not have clearly written procedures in any of the above regulations which model of approvals/signatures should be followed in order to have adequate controls and equal treatment.

Recommendation 3

The Board of Directors should ensure clear procedures regarding approvals/signatures, at the same time it should ensure that all requests for response (consents/refusals) are reviewed by the relevant professional department according to the applicable instruction.

⁴ AI no. 2005/7 has covered the scope of the audit 01.01.2015 until March 2017, and from this period until August 2021 is covered by AI 03/2017

⁵ Official Gazette of the former SFRY No. 65/88 and Official Gazette No. 19/68

Issues 4 - Constructions within the transmission security zone

Paragraph 4 of Article 27 of the Law on Energy no. 05/L-081 provides that - All lines and pipes for the transmission and distribution of energy that pass through, over, on or under any property shall give rise to a servitude in perpetuity over the affected property held by the concerned energy enterprise.

Paragraph 2 of Article 31, provides that - Within any established security zones, it shall be prohibited or subject to restrictions to construct or erect any building, to cut plants or trees, or to perform activities that may pose a threat to the security or uninterrupted operation of the energy installation, the safety of health, life and property.

During the physical examination, we have identified cases where the security zone was violated, as a result of non-compliance with the criteria according to the consents/technical conditions and the following unauthorized constructions:

- The construction of the Faculty of Agriculture and Veterinary Medicine - Prishtina, was close to the transmission line about 5m while KOSTT had given its consent according to the technical conditions that the distance be at least 7m. This distance was not respected during the construction, despite the fact that the supervision of the implementation of the criteria is the competence of the municipality, however the security zone was violated;
- The Municipality of Prizren had moved the pole of the existing 110kV line near the road (old transit project) about 2m while KOSTT had issued its consent with the technical conditions/project that the distance to the edge of the road is 40m, in cases where conditions do not allow of not less than 10m. The report of the technical acceptance commission dated 22.01.2016 confirms that the works/relocation of the pole have not been carried out according to the technical conditions. KOSTT had informed the municipality in an email about the improvement of the remarks, however in the field the situation remains the same; and
- A case of construction below the transmission line⁶ 110kV, which had not received consent/technical conditions for construction⁷, was identified by the maintenance department, which according to the

⁶ New Enterprise Shock-Absorbers case

⁷ After the cessation of works, the party had made a request for technical conditions and KOSTT had responded by defining the technical conditions.

maintenance regulation checks the route in terms of violation of the area under the line once every six months. KOSTT had notified the competent bodies and the works had been stopped.

In the field we have noticed other facilities (houses, premises, etc.) mainly constructed in previous years which were below the transmission line in violation of the law. It should be noted that the maintenance department had started informing the two municipalities about the facilities, which violated the security zone and some individual cases, but that the cooperation between KOSTT and relevant actors/stakeholders requires a lot of progress to achieve the desired effects.

Violations of the security zone have been made mainly due to non-timely provision of technical consents/conditions, or even by non-implementation of standards and technical rules provided by technical conditions set by KOSTT. It should be noted that KOSTT has not practiced monitoring whether the technical conditions are being applied, in the case of construction, as this is the competence of the municipalities.

Constructions within the security zone directly affect the violation of the security zone of transmission lines, causing difficulties in accessing the lines (restriction on the right of servitude), and endangering the life and health of citizens.

Recommendation 4

The Board of Directors through the Chief Executive Officer should ensure effective cooperation with all municipalities and other stakeholders through continuous communication to prevent the breach of the transmission security zone throughout the country. Also, KOSTT should more often monitor the lines and constructions that are carried out in the vicinity of the transmission system in order to avoid endangering the servitude on its properties.

Issue 5 - Application of technical rules for relocation of lines and ground cabling

Statute of KOSTT⁸ in Article 7 states that the Shareholder or the Board of Directors shall issue regulations for the administration and operation of KOSTT, which regulations may be amended or revoked.

On the issue of relocation of lines and terrestrial cabling, KOSTT has so far applied the standard IEC 60840 and EN 50341-1 and the same standards have been applied for both KOSTT's own investments and those of private investors.

On the other hand, in order to give consent/technical conditions for constructions near the transmission, the regulation on technical norms for the construction of power lines with minimum voltages from 1kV to 400 kV was applied.⁹ (This Regulation was canceled by the decision of the Government of Kosovo no. 15/36 dated 22.09.2021.

KOSTT has no internal regulations governing the relocation of lines, ground cabling and constructions in the vicinity of the transmission. It should be noted that in 2020 KOSTT had started drafting the internal regulation¹⁰ and on 12.07.2021 was sent to the board for approval but this regulation was still not approved by the Board.

The use of the standards and regulations with which KOSTT has operated may have been insufficiently applicable to the needs of KOSTT. Also, the annulment of the previous regulations by the Government makes it impossible for KOSTT to review the requests that may come from now on from different parties as a result of the lack of legal basis.

Recommendation 5

The Board of Directors should approve internal regulations that are in line with relevant legislation and standards, and specifically define procedures and criteria related to line relocations, ground cabling and construction in the vicinity of security zones. Also, the administrative aspects should be defined through written procedures to eliminate any ambiguities in the process of their treatment and implementation.

⁸ Last statute no.1888 dated 23.11.2020

⁹ Official Gazette of the former SFRY No. 65/88 and Official Gazette No. 19/68.

¹⁰ Regulation on defining the technical criteria for segmentation of 110kV high voltage overhead lines with underground cable

Rentals of shops and optic fibers

Currently, KOSTT has five leased shops and three lease contracts for optic fibers. According to the information and data provided by KOSTT, the leased shops have been occupied since 1999 and after many efforts of KOSTT management, they managed to bring them under control, through negotiations with the occupiers (although this issue was in litigation, however for all these years had not received any epilogue).

In 2016, the Chief Executive Officer formed a commission to identify shops (properties) that belong to KOSTT as assets. The Commission has identified and proposed to the Management that the occupied shops be leased (by concluding contracts with current users). The prices are determined taking into account the rental prices which are also applied by the Public Housing Enterprise, in the locality where the KOSTT facilities are located. The contracts are mainly renewed every 1 year and currently they are still valid.

Whereas for a shop that was under the management of KOSTT in 2015 a procedure was developed in the form of an auction for renting where the offer with the highest bid price was selected.

Rentals for optic fibers

The regulation for joint use of alternative infrastructure (passive/optic fibers) approved by the Board on 19.04.2017 allows KOSTT to provide joint use of infrastructure by renting the excess capacity of optic fibers.

From this period on and currently, KOSTT has an agreement for giving into use of the optic fibers network with three operators. The prices of these contracts are based on the tariffs set by this regulation. From the audit, we did not notice that there are deviations from the tariffs set by the internal regulation.

We have no recommendations from this area.

II - AGREEMENTS FOR THE PURCHASE OF PRODUCED ENERGY BETWEEN POE KOSTT JSC AND COMPANIES OPERATING WITH RENEWABLE SOURCES RELATED TO INCENTIVE PAYMENTS/TARIFFS

Introduction

The main activity of KOSTT is the management and operation of the transmission and energy system of Kosovo, and is responsible for the transmission of energy to high voltage power grids. As a market operator, KOSTT is responsible for the organization and administration of energy trade and manages the process of electricity purchase and sale agreements in Kosovo.

The Board of the Energy Regulatory Office (ERO), on 27 April 2017 had approved Rule no. 10-2017 on the Support Scheme for Renewable Energy Generators, which obliges KOSTT to sign agreements with generators of renewable energy.

Upon entry into force of this rule, within sixty (60) days, applicants who possess a decision for preliminary authorization¹¹ or decision on final authorization¹² which have been issued under the Rule on Authorization Procedure prior to the entry into force of this rule, shall make a written request to the Market Operator (MO) to enter into a energy purchase agreement. Existing Energy Purchase Agreements concluded between the supplier Kosovo Electricity Supply Company (KESCO JSC) and Generators for Renewable Energy Sources (RES) are transferred from KESCO JSC to MO (KOSTT JSC), no later than 31 December 2017.

KOSTT (MO) and existing RES generators (transferred from KESCO), will enter into a energy purchase agreement approved under this Rule, which agreement will be valid only for the remainder of its term. The number of agreements that have moved from KESCO JSC to KOSTT JSC was eight (8).

Based on the final decision of ERO, KOSTT shall prepare the draft agreement, which it forwards to the Board of ERO for approval that the respective generator meets the criteria for signing the agreement based on Article 17 of Rule no. 10.-2017 After approval by ERO, the agreement between KOSTT and the generator is signed.

¹¹ ERO will issue a decision on Preliminary Authorization to the applicant if it has been established that the applicant has demonstrated its suitability for the construction of new generation capacity, but has not yet met the requirements such as: Grid Connection Agreement, Construction Permit and Water Consent or Water Permit in case of hydro-power plants. This proof must be brought when submitting the request for conversion of the Decision for preliminary Authorization into Final Authorization

¹² Decision issued by the Board of ERO, indicating the successful fulfillment of the requirements by the applicants and the final authorization is given for the start of the construction of new generation capacities.

With Decision no. V-810-2016 dated 19.05.2016; ERO has started to apply incentive tariffs on RES generators, as well as the annual adjustment of inflation after the first year of operation.

From 2017 to August 2021, KOSTT manages 32 agreements, of which 25 generators are in commercial operation, while seven (7) are in the process of finalizing the construction of generating capacities.

Agreements for the purchase of energy (hydro-energy and solid biomass) have a duration of 10 years, while agreements for the purchase of electricity generated by photovoltaic panels and wind generators have a duration of 12 years.

The System Operator (Department within KOSTT), according to the metering code, is responsible for inspecting and testing all Metering Systems when installed by generators and on periodic basis after installation.

For each month, the MO shall receive the metering reports and the invoice from the generators, shall check them and after verifying the metering and invoicing report, the payment is made for the MW produced in accordance with the decision on incentive tariffs set by ERO, including inflation adjustment.

Audit Objective and Scope

The objective of this audit was verification whether the management of agreements concluded between KOSTT JSC and producers with renewable energy sources (RES), as well as the payments related to these agreements were in accordance with the relevant legislation. The scope of audit were all agreements for the purchase of energy produced between POE KOSTT JSC and companies operating with renewable sources, regarding incentive payments/tariffs.

The audit included the examination of documents relating to energy purchase agreements, then their evaluation and payments, as follows:

- whether prior to the signing of the agreement for the purchase of energy from renewable sources there is a final decision in place approved by ERO;
- whether the duration of the agreement concluded between the parties is in accordance with the requirements of Rule no. 10-2017 on the Support Scheme for Renewable Energy Generators;
- whether the payments made for incentive tariffs are in accordance with the decision set by ERO, as well as the adjustment of inflation is made in accordance with the annual decisions issued by ERO; and
- whether the payments made were documented with relevant evidence according to the report generated by the metering system.

Conclusion

KOSTT has signed 32 agreements¹³ with RES generators from which it is planned to produce 169.20 MWH. From 2017 to August 2021, KOSTT made payments in the amount of €65,115,100 for the purchase of electrical energy produced from renewable solar sources, wind, biomass and hydro-power plants (RES generators).

We tested all agreements as well as 77 payments in the amount of €12,915,764 (for 146,546 MWH of energy produced). Of the payments tested, 8 were for wind-generated energy, 27 solar and 42 payments for energy produced by hydro-power plants. We have also examined the system of field measurements as well as the quarterly inspection reports performed by the System Operator for all agreements.

From the audit of agreements and payments, we conclude that:

- Prior to the signing of the agreements, there was a final decision in place approved by ERO;
- The duration of the agreements concluded between the parties is in accordance with the requirements of Rule no. 10-2017 on the Support Scheme for Renewable Energy Generators;
- Payments were made based on the incentive tariff, and the adjustment of inflation was made based on the decisions of ERO; and
- The payments were documented with relevant evidence according to the report generated by the metering system.

**This report is a translation from the Albanian original version. In case of discrepancies, Albanian version shall prevail.*

¹³ 21 agreements related to generators that use water, 4 agreements related to generators that use wind, 6 agreements related to generators that use solar energy and 1 with biomass

Appendix I - Confirmation Letter

OPERATOR SISTEMI TRANSMISIONI DHE TREGU KOSTT sh.a
TRANSMISSION SYSTEM AND MARKET OPERATOR KOSTT J.S.C
OPERATOR SISTEMA PËRNOËSA I TRËZIËTA KOSTT d.d

Nr. 2470 Dt. 18 11 2021
PRISHTINË-A

OPERATOR SISTEMI TRANSMISIONI DHE TREGU S.H.A.
TRANSMISSION SYSTEM AND MARKET OPERATOR J.S.C.
OPERATOR SISTEMA, PËRNOËSA I TRËZIËTA A.D.



LETËR E KONFIRMIMIT

18 nëntor 2021

Për pajtueshmërinë me gjetjet e Auditorit të Përgjithshëm për Draft raportin e Auditimit " Dhënia e pëlqimeve për ndërtim /shfrytëzim të pronës së KOSTT-it nga palët e tjera" dhe "Marrëveshjet për blerje të energjisë së prodhuar në mes të NP KOSTT dhe kompanive që operojnë me burime të ripërtëritshme lidhur me pagesat/tarifat nxitëse" dhe për zbatimin e rekomandimeve

Për: Zyrën Kombëtare të Auditimit

Të nderuar,

Përmes kësaj shkrese, konfirmoj se:

- kam pranuar draft raportin e Zyrës Kombëtare të Auditimit për auditimin e " Dhënies së pëlqimeve për ndërtim /shfrytëzim të pronës së KOSTT-it nga palët e tjera" dhe "Marrëveshjet për blerje të energjisë së prodhuar në mes të NP KOSTT dhe kompanive që operojnë me burime të ripërtëritshme lidhur me pagesat/tarifat nxitëse"(në tekstin e mëtejshëm "Raporti);
- pajtohem me gjetjet dhe rekomandimet dhe nuk kam ndonjë koment për përmbajtjen e Raportit; dhe
- brenda 30 ditëve nga pranimi i Raportit final, do t'ju dorëzoj një plan të veprimit për zbatimin e rekomandimeve, i cili do të përfshijë afatet kohore dhe stafin përgjegjës për zbatimin e tyre.

z. Jeton Mehmeti
Kryesuesi i Bordit të Drejtorëve në KOSTT