

Energy Agency
of the Republic of Serbia
No: 311.01-1/2024-C-I
Date: March 21, 2025
Belgrade, 5/V Terazije

Acting upon a certification application of the Limited Liability Company TRANSPORTGAS SRBIJA Novi Sad, 5 Bulevar oslobodjenja, company registration number: 21129542, Taxpayer Identification Number 109127075 of May 10, 2024, in line with Article 49, paragraph 3 and 240, paragraph 1 of the Energy Law ("Official Gazette of RS", No. 145/14, 95/18-other law, 40/21, 35/23-other law, 62/23 and 94/24), articles from 20 to 24 of the Rulebook on Energy Licence and Certification ("Official Gazette of RS", No. 87/15, 44/18-other law and 83/21) and Article 12 of the Statute of the Energy Agency of the Republic of Serbia ("Official Gazette of RS", No. 52/05, on the 325th regular session held on March 21, 2025, the Council of the Energy Agency has adopted

DECISION

1. A certificate is issued to the Limited Liability Company TRANSPORTGAS SRBIJA Novi Sad, 5 Bulevar oslobodjenja, company registration number: 21129542, Taxpayer Identification Number 109127075 as to an independent system operator.
2. This Decision, along with the opinion of the Energy Community Secretariat shall be published in the "Official Gazette of the Republic of Serbia" and on the website of the transmission system operator and of the Energy Agency of the Republic of Serbia.

Rationale

I. Legal ground for the adoption of certification decision

Article 223 of the Energy Law (hereinafter: the Law) stipulates that a transmission system operator may be organized as follows: 1) a transmission system operator in accordance with Articles 224 and 225 of the Law, 2) an independent system operator in accordance with Articles 227-231 of the Law, and 3) an independent transport operator in accordance with Articles 231-238 of the Law.

Article 226 of the Law provides that, exceptionally from Article 224 of the Law, if the transmission system, prior to the deadline determined in accordance with the obligations of the Republic of Serbia under ratified international agreements, belonged to a vertically integrated enterprise, the transmission system operator may be organized either as an independent system operator or as an independent transport operator.

Article 227 of the Law stipulates that if the transmission system belonged to a vertically integrated enterprise prior to the deadline determined in accordance with the obligations of the Republic of Serbia under ratified international agreements, an independent system operator may be appointed upon the proposal of the owner of the transmission system, and in this case, Articles 225(2)-(5) of the Law do not apply. The appointment of an independent system operator shall be conducted in accordance with internationally undertaken obligations. The independent system operator is obliged to: 1) fulfill the conditions prescribed by Article 225(1)

of the Law, 2) have employees, financial, material, and technical resources necessary for the performance of natural gas transmission activities, 3) adhere to the ten-year development plan of the transmission system as per Article 250 of the Law, and 4) perform transmission and system operation activities in accordance with the Law.

Article 239 of the Law stipulates that before any person obtains a license and thereby is designated as a transmission system operator, they must be certified in accordance with this Law. The certification process determines compliance with the following: 1) for a transmission system operator in accordance with Articles 224 and 225 of the Law, 2) for an independent system operator in accordance with Articles 227-231 of the Law, and 3) for an independent transmission operator in accordance with Articles 231-238 of the Law.

The decision on the certification of the transmission system operator is made by the Agency within four months from the date of submission of the request, which, along with the supporting documentation, is submitted to the relevant body in accordance with the obligations arising from ratified international agreements, for the purpose of providing an opinion. Within four months of receiving the opinion from the relevant body, the Agency makes the final decision on the certification of the transmission system operator, taking that opinion into account. (Article 241 of the Law).

II. The decision of the Energy Agency of the Republic of Serbia, number: 311.01-1/2024-S-I, dated July 25, 2024, by which the company TRANSPORTGAS SERBIA Novi Sad LLC is issued a certificate as an independent system operator.

The company TRANSPORTGAS SERBIA Novi Sad LLC, located at Bulevar oslobođenja No. 5, Novi Sad, registration number 21129542, PIB 109127075 (hereinafter referred to as "the Company"), submitted a request for the certification of a transmission system operator on May 10, 2024, in accordance with Articles 227-231 of the Energy Law ("Official Gazette of RS," No. 145/14, 95/18-Amendment Law, 40/21, 35/23-Amendment Law, and 62/23), under the model of an independent system operator.

Along with the application for certification under the model of an independent system operator, the applicant has submitted the following documentation:

1. Copy of the founding act number 01-01/119 dated January 19, 2024;
2. Extract from the registration of the economic entity;
3. Statement number 01-01/418-3 dated April 24, 2024, stating that the applicant does not have a contract for delegated performance of activities of general interest;
4. Annual financial report for the year 2023;
5. Statement number 01-01/418-5 dated April 24, 2024, proof of ownership and other rights over the transmission system;
6. Statement number 01-01/418-6 dated April 24, 2024, confirming that the company is not engaged in any activities in the Republic of Serbia or other countries requiring a license, permit, or other authorization to conduct energy activities at the time of application for certification;

7. Statement number 01-01/418-7 dated April 24, 2024, listing the members of the company with their shares and votes;
8. Statement number 01-01/418-8 dated April 24, 2024, stating that the company has no members from third countries;
9. Statement number 01-01/418-9 dated April 24, 2024, stating that there are no legal entities under direct or indirect control of the company at the time of making the statement;
10. Statement number 01-01/418-10 dated April 24, 2024, regarding energy entities related to the company;
11. Statement number 01-01/418-11 dated April 24, 2024, listing licenses, permits, or other authorizations;
12. Statement number 01-01/418-12 dated April 24, 2024, on the organization of the company's Assembly work, along with the Assembly Rules number 01-02-2/13-2 dated November 19, 2021;
13. Statement number 01-01/418-13 dated April 24, 2024, on the list of members of the company's management body;
14. Statement number 01-01/418-14 dated April 24, 2024, on the election of members of the company's management body;
15. Statement number 01-01/418-15 dated April 24, 2024, on the election of the company's director;
16. Statement number 01-01/418-16 dated April 24, 2024, about the company's director;
17. Statement number 01-01/418-17 dated April 24, 2024, on the procedures and acts preventing the disclosure of confidential or other commercially sensitive information;
18. Statement number 01-01/418-18 dated April 24, 2024, stating that none of the employees of the company has held managerial positions or has been a member of management bodies in enterprises engaged in electricity or natural gas production or supply activities in the six months prior to the application for certification;
19. Statement number 01-01/418-19 dated April 24, 2024, about public authority representatives who have direct or indirect control or ownership rights in the applicant for certification;
20. Statement number 01-01/418-20 dated April 24, 2024, on how the requirement of independence is fulfilled;
21. Statement number 01-01/418-21 dated April 24, 2024, about the specification of energy facilities comprising the transmission system;
22. Statement number 01-01/418-22 dated April 24, 2024, regarding employed individuals;
23. Statement number 01-01/418-23 dated April 24, 2024, about the financial, material, and technical resources for carrying out energy activities;

24. Statement number 01-01/418-24 dated April 24, 2024, confirming adherence to the ten-year development plan;
25. Statement number 01-01/418-25 dated April 24, 2024, that the company will conduct energy transmission and system operation activities in accordance with the Law;
26. Statement number 01-01/418-26 dated April 24, 2024, on cooperation with the owner of the transmission system;
27. Statement number 01-01/418-27 dated April 24, 2024, on the agreement with the owner of the transmission system regarding financing of investments envisaged by the ten-year development plan;
28. Statement number 01-01/418-28 dated April 24, 2024, on the agreement with the owner of the transmission system on the manner of settling obligations related to the transmission system;
29. Statement number 01-01/418-29 dated April 24, 2024, on the agreement with the owner of the transmission system regarding guarantees for financing the development of the transmission system;
30. Statement number 01-01/418-30 dated April 24, 2024, listing all companies or individuals directly or indirectly controlled by the company;
31. Statement number 01-01/418-31 dated April 24, 2024, listing all companies controlled by the company or the owner of the transmission system; and
32. Statement number 01-01/418-32 dated April 24, 2024, listing all companies engaged in energy production or natural gas supply activities in case the same entity controls them and the company.

On June 25, 2024, the applicant supplemented the submitted application and submitted the Decision of the Assembly of TRANSPORTGAS SRBIJA LLC Novi Sad No. 01-02-1/38-2 of June 18, 2024 by which the Report of Independent Auditor "PKF" LLC Beograd on Audit of Financial Statements of TRANSPORTGAS SRBIJA LLC Novi Sad is adopted with the Report of Independent Auditor and Financial Statement for 2023 and the evidence on the payment of republic administrative fee amounting to 14,860.00 for the application for the adoption of certification decision and 148,620.00 for the adoption of the certification decision.

After considering the submitted application, the documentation provided with the application, subsequently submitted documentation, and all listed items, regarding compliance with the conditions for the issuance of a certificate under the model of an independent system operator as prescribed by Articles 227-231 of the Energy Law, the following has been determined:

Upon review of the Declaration No: 01-01/418-1 dated April 24, 2024, and Decision on Amendments and Supplements to the Decision on Establishment of the TRANSPORTGAS SRBIJA Novi Sad Limited Liability Company (consolidated text), No: 01-01/119 dated January 19, 2024, it has been determined that the Company is organized as a single-member limited liability company and it operates in accordance with the laws regulating the energy sector and the legal status of economic entities. The sole founder, i.e., the sole member of the Company with a 100% share, is the Republic of Serbia. The Republic Commission for Energy Networks exercises control over the Company as an independent and autonomous body of the Republic of Serbia, accountable to the National Assembly. The Company's governing bodies are the Assembly of the

Company and the Director. The Director represents the Company without limitation of authority. Within the scope of their authority, the Director may grant written power of attorney to another person for representing the Company. In addition to the Director, the Company may have procurators and other representatives in accordance with the law. Given that the Company is single-member company, the functions of the Company's Assembly are performed by the founder, through five authorized representatives, one of whom serves as the President of the Assembly. The Assembly of the Company: adopts amendments and supplements to the founding act; adopts long-term and medium-term business strategy and development plans and is responsible for their implementation; adopts proposals for the formulation of general objectives submitted to the Republic Commission for Networks and adopts specific objectives of the Company with key performance indicators and risks for achieving those objectives based on general annual objectives established by the Republic Commission for Networks; adopts annual or medium-term business plans; adopts periodic business reports; adopts financial reports; supervises the work of the Director and adopts the Director's reports; decides on status changes, establishment of other legal entities, and capital investment; concludes employment contracts with the Director in accordance with labor law; adopts auditor's reports if financial reports have been subject to audit; decides on increases and decreases in the Company's share capital; decides on profit distribution and manner of covering losses, including determining the day of entitlement to profit participation and the day of payment of profit participation to Company members; appoints an auditor or audit commission and determines the remuneration for the auditor's work; decides on initiating liquidation proceedings and submits proposals for initiating bankruptcy proceedings by the Company; appoints a liquidator and adopts liquidation balances and reports of the liquidator; grants and revokes procuratorship and appoints and resolves other representatives upon proposal of the Company's Director; decides on initiating proceedings and granting power of attorney for representing the Company in disputes with a procurator and with the Director; decides on initiating proceedings and granting power of attorney for representing the Company in disputes against a member of the Company; approves membership contracts and consents to the transfer of shares to third parties in cases provided by law regulating the legal status of economic entities; approves legal transactions in which there is a personal interest, in accordance with the law regulating the legal status of economic entities; consents to the acquisition, sale, lease, pledge, or other disposal of high-value assets, within the meaning of the law regulating the legal status of economic entities; decides on establishing a branch of the Company; decides on changing the predominant activity of the Company, changing the business name, and the registered office of the Company; adopts rules of procedure for its work; carries out other tasks and decisions on other matters in accordance with the law and the decision on establishment.

The Director of the Company is appointed in accordance with the law regulating the legal status of economic entities following a public competition. The Director of the Company represents and acts on behalf of the Company in accordance with the law and the decision on establishment; organizes the Company's work and manages the work process; manages the Company's operations; is responsible for the legality of the Company's operations; proposes long-term and medium-term business strategy and development plans and is responsible for their implementation; submits proposals to the Assembly for the formulation of general objectives and proposes specific objectives of the Company with key performance indicators and risks for achieving those objectives based on general annual objectives established by the Republic Commission for Networks; proposes annual or medium-term business plans and is responsible for their implementation; proposes financial reports; is responsible for the accuracy of the Company's financial reports; decides on rights, obligations, and responsibilities of employees in the Company, in accordance with the law; adopts procurement plans; executes decisions of the Assembly; informs the Assembly about the operations and submits business reports to the Assembly; elects representatives of the Company in the general assembly of capital companies whose sole owner is the Company, with the consent of the Founder; adopts the

organization and systematization of work acts and other acts of the Company; performs other tasks specified by law and the decision on establishment, which are not within the competence of the Assembly.

Upon review of the Decision of the Republic Commission for Energy Networks No. 3/01/2024 of March 26, 2024, it has been determined that the following members of the Assembly of the Company were appointed by the Republic Commission for Energy Networks: Nikola Petrović from Novi Sad, Zoran Lakićević from Belgrade, Milan Đukić from Novi Sad, Darko Jovanović from Belgrade and Dalibor Šćekić from Belgrade who do not perform any function within the transmission system operator.

Upon review of the Declaration number: 01-01/418-2 dated April 24, 2024, as well as inspection of the extract from the registration of the economic entity dated October 27, 2023, it was determined that the Company is registered as a Limited Liability Company TRANSPORTGAS SRBIJA Novi Sad and established for the purpose of conducting pipeline transportation activities - activity code 4950. Within this activity, the company engages in transportation and operation of the natural gas transportation system, as an energy activity of general interest, in accordance with the law regulating the energy sector. In addition to its predominant activity, the company may also engage in all other activities in accordance with applicable regulations.

Upon review of the Declaration number: 01-01/418-3 dated April 24, 2024, it was established that at the time of the submission of the application, the Company does not have a concluded contract for entrusting activities of general interest, with a note that Article 64a, paragraph 1 of the Energy Law prescribes that the operator of the transmission system whose founder is the Republic of Serbia conducts the activity of natural gas transmission and the transportation system operation as an activity of general interest in accordance with this law.

Upon review of the Declaration number: 01-01/418-4 dated April 24, 2024, as well as inspection of the annual financial report for the year 2023, including the Balance Sheet and Income Statement, as well as the Business Report of TRANSPORTGAS SRBIJA LLC Novi Sad for 2023, it was determined that the Company has the necessary financial resources to conduct the activity of natural gas transmission and transmission system operation.

Upon review of the Balance Sheet as of December 31, 2023, and the Profit and Loss Statement for the period from January 1, 2023, to December 31, 2023, it has been determined that the applicant has submitted the required financial documentation, and, upon assessment, it was found that they have fulfilled the financial conditions in accordance with the Regulation on the License for Performing Energy Activities and Certification ("Official Gazette of RS", No. 87/15, 44/18-other law, and 83/21).

Upon review of the Statement No. 01-01/418-5 dated April 24, 2024, as well as the Agreement on Natural Gas Transmission System Operation, Planning, Financing, Implementation of Investments and System Development and Lease registered under the Company's number 01-01-2/182 dated May 9, 2024, and under the owner of the natural gas transmission system number 01-01-20/171 dated May 9, 2024 (hereinafter: Agreement), the following was determined: through this Agreement, the owner of the transmission system, JSC Srbijagas Novi Sad, as the system owner, leases to the Company, as the lessee, the transmission system consisting of: high-pressure gas pipeline network, excluding feed pipelines; compressor stations; block stations; measurement and regulation stations at all delivery points from the transmission system; other energy facilities; other infrastructure necessary for natural gas transmission, including linepack and other property that is the subject of the lease, necessary for conducting energy transmission and natural gas

system operation, thereby fulfilling the condition regarding ownership and other rights to the network and, hereby, the condition for the certification in line with the independent system operator model is complied with. The list of assets comprising the Property is an integral part of the Agreement as its annex.

Upon review of the Statement No. 01-01/418/6 dated April 24, 2024, it was found that at the time of the submission of the application, the Company does not have in the Republic of Serbia or in other countries that requires a license, permit, or other authorization for conducting energy activities, but that it performs natural gas transmission and transmission system operation based on the Conclusion of the Government 05 No: 312-12308/2016-1 of December 23, 2026 by which it was established that the Public Enterprise Srbijagas Novi Sad shall continue performing the activity of general interest – natural gas transmission and transmission system operation either independently or via the company TRANSPORTGAS SRBIJA LLC Novi Sad in line with the Energy Law until the licence for this activity is obtained.

Upon review of the Statement No. 01-01/418/7 dated April 24, 2024, as well as of the Decision on the Establishment of the Limited Liability Company TRANSPORTGAS SRBIJA Novi Sad (consolidated text) No: 01-01/119 of January 19, 2024 it was found that at the only member of the Company with 100% of shares and the equal percentage of votes (100%) is the Republic of Serbia.

Upon review of the Statement No. 01-01/418/8 dated April 24, 2024, it was determined that the Company has no members from third countries. The Company is a single-member company with limited liability which the only member – Republic of Serbia and the control of which is performed by the Republic Commission for Energy Networks.

Upon review of Declaration number: 01-01/418-9 dated April 24, 2024, it was determined that at the time of issuing the declaration, there are no legal entities under direct or indirect control of the Company.

Upon review of the Declaration number: 01-01/418-10 dated April 24, 2024, it was determined that at the time of issuing the Declaration, the following legal entities are indirectly related to the Company: Public Enterprise Srbijagas Novi Sad, Limited Liability Company GASTRANS Novi Sad, Limited Liability Company DISTRIBUCIJAGAS Novi Sad, Underground gas storage "BANATSKI DVOR" Limited Liability Company Novi Sad, Company for construction of gas pipeline systems, transmission and trading of natural gas YUGOROSGAZ plc Belgrade, Limited Liability Company YUGOROSGAZ-TRANSPORT Nis, Economic company for distribution LOZNICA-GAS Ltd. in mixed ownership Loznica, Limited Liability Company for distribution of natural gas Becej, and Single-member Limited Liability Company for wholesale trade ENERGOGAS TNG Ltd. Belgrade-Novı Beograd.

Upon review of the Statement No. 01-01/418-11 dated April 24, 2024, it was determined that considering the Republic of Serbia is the sole member of the company, and according to the Energy Law, only companies and entrepreneurs can hold licenses for energy activities, the Republic of Serbia does not hold any license, permit, or other authorization for conducting energy activities.

Upon review of the Statement No. 01-01/418-12 dated April 24, 2024, as well as the Company Assembly Rules No. 01-02-2/13-2 dated November 19, 2021, it was established that the Company has a document regulating the organization of the management bodies' work of the legal entity being certified.

Upon review of the Statement No. 01-01/418-13 dated April 24, 2024, as well as of the Decision on amendments of the Decision on Establishment of the Limited Liability Company TRANSPORTGAS SRBIJA

Novi Sad, it was established that the only member of the Company is the Republic of Serbia as well as that the control over the Company was transferred from the Republic of Serbia, i.e. from the Government to the Republic Commission for Energy Networks whose members were appointed by the Decision of the National Assembly of the Republic of Serbia ("Official Gazette of RS", No. 92/03).

Upon review of the Statement No. 01-01/418-14 and 01-01/418-15 dated April 24, 2024, it was determined that at the time of submitting the application, the Company is organized as a limited liability company with single-member management: The Company's organs are the Assembly and the Director.

Upon review of the Statement No. 01-01/418-16 dated April 24, 2024, it was found that the Company has one authorized representative for representation - the Company Director.

Upon review of the Statement No. 01-01/418-17 dated April 24, 2024, as well as Regulation on Confidentiality and Commercially Sensitive Information Management No. 01-01/1315 dated November 18, 2021, it was established that the Company has provided a document and procedures preventing disclosure of confidential or other commercially sensitive information to energy entities engaged in electricity and/or natural gas production and/or supply.

Upon review of the Statement No. 01-01/418-18 dated April 24, 2024, regarding the statement on employees who were transferred to the Company and held managerial positions or were members of management bodies in enterprises engaged in electricity and/or natural gas production or supply, it was determined that none of the employees in the Company held managerial positions or were members of management bodies in such enterprises within the last 6 months prior to the certification application.

Upon review of the Statement No. 01-01/418-19 dated April 24, 2024, concerning the statement on representatives of public authorities exercising direct or indirect control over the applicant, it was found that the Company is organized as a single-member limited liability company. The sole member of the Company is the Republic of Serbia. With amendments to the Energy Law ("Official Gazette of RS", No. 62/23), control over the Company has shifted from the Republic of Serbia, represented by the Government, to the Republic Commission for Energy Networks, which as a representative of public authority exercises control over the Company.

Upon review of the Statement No. 01-01/418-20 dated April 24, 2024, regarding the statement on compliance with the provision on independence, it was determined that according to the Law on Ministries ("Official Gazette of RS", No. 128/20, 116/22 and 92/23), the Ministry of Mining and Energy is responsible for controlling public enterprises engaged in natural gas supply activities. On the other hand, according to the Energy Law, the Republic Commission for Energy Networks, as an independent and autonomous body, is responsible for controlling the operator of the natural gas transmission system. Namely, the Government, via the Ministry of Mining and Energy has jurisdiction over PE Srbijagas Novi Sad while the Republic Commission for Energy Networks has jurisdiction for "TRANSPORTGAS SRBIJA" LLC Novi Sad and, thereby, the condition prescribed in 225 of the Energy Law in terms of the independence of the transmission system operator is complied with.

Upon review of the Statement No: 01-01/418/21 dated April 24, 2024, as well as of the specification of energy facilities constituting the transmission system, the specification of energy facilities has been determined, encompassing all transmission system facilities starting from the gas intake points into the transmission

system to the gas delivery points from the transmission system. The transmission system, owned by the Public Enterprise Srbijagas Novi Sad and on which the Company performs the activities of transmission and transmission system operation, consists of: 191 GMR Stations (main measuring and regulating stations), steel gas pipelines with accompanying equipment, totaling 2,603 km in length, and a compressor station in Batajnica.

Upon review of the Statement No. 01-01/418-22 dated April 24, 2024, it has been established that the Company has confirmed having a sufficient number of employees who independently perform legal, economic, technical, and other tasks, including information technology tasks, as well as employees for the activities of natural gas transmission and system operation. The Company employs 217 individuals, all of whom have indefinite-term employment contracts.

Upon review of Statement No. 01-01/418-23 dated April 24, 2024, it has been confirmed that the Company has the necessary financial, material, and technical resources for conducting the activities of natural gas transmission and system operation.

Upon review of Statement No. 01-01/418-24 dated April 24, 2024, it has been confirmed that the Company will fulfill all obligations stipulated in the ten-year development plan adopted by the Company on December 20, 2023, for the period 2022-2031 with the investment plan for 2022-2024 No: 01-01/1121.

Upon review of Statement No. 01-01/418-25 dated April 24, 2024, it has been confirmed that the Company will conduct energy activities related to natural gas transmission and system operation in full compliance with all provisions of the Energy Law.

Upon review of the Statement No: 01-01/418-26 dated April 24, 2024, it has been determined that the Company has confirmed its collaboration with PE Srbijagas Novi Sad as the owner of the transmission system, agreeing to exchange information necessary for conducting energy transmission activities and natural gas transmission system operation, fully in accordance with the Energy Law and the Regulation on Confidentiality of Business Secrets and Commercially Sensitive Data.

Upon review of the Statement No: 01-01/418-27 dated April 24, 2024, it has been determined that the Company has confirmed that it has entered into an Agreement with PE Srbijagas Novi Sad, as with the owner of the transmission system, which regulates, among other things, the obligation of PE Srbijagas Novi Sad to finance investments in the transmission system covered by the Agreement. The Agreement obligates the owner of the transmission system to finance investments outlined in the ten-year development plan of the Company, in accordance with regulations and in a manner that minimally disrupts the use of assets. In case of extraordinary interventions which can be considered as investments, the owner will undertake them without delay and promptly inform the Company about the activities undertaken. The owner will timely inform the Company in advance about planned activities and their duration so that the Company can adjust its business to planned investments.

Upon review of the Statement No: 01-01/418-28 dated April 24, 2024, it has been determined that the Company has confirmed that it has entered into an Agreement with PE Srbijagas Novi Sad, as with the owner of the transmission system, which regulates, among other things, the manner of settling obligations of the transmission system covered by the Agreement.

Upon review of the Statement No: 01-01/418-29 dated April 24, 2024, it has been determined that the Company has confirmed that it has entered into an Agreement with PE Srbijagas Novi Sad, as with the owner of the transmission system, which regulates, among other things, guarantees for financing the development of the transmission system covered by the Agreement. Blank promissory notes, with the clause 'without protest,' have been provided as a means to realize investments, registered in accordance with regulations and with the authorized signing authorities (with valid signature cards deposited at the time of promissory note registration) up to the amount of the due obligation, i.e., the projected value of works or investments from the Agreement.

Upon review of the Statement No. 01-01/418-30 dated April 24, 2024, it has been determined that the sole owner of the Company, with 100% ownership, is the Republic of Serbia.

Upon review of the Statement No. 01-01/418-31 dated April 24, 2024, it has been confirmed that the Company has affirmed it does not exercise direct or indirect control over any individuals.

Upon review of the Statement No. 01-01/418-32 dated April 24, 2024, it has been confirmed that the Company has provided a list of all related parties.

Upon review of the list of documents, it has been determined that the applicant has provided proof of payment of the Republic administrative fee in the amount of RSD 14,860.00 for the application for decision on certification and RSD 148,620.00 for the certification decision (Tariff number 140a), in accordance with the Law on Republic Administrative Fees ("Official Gazette of RS", No. 43/03... and 92/23). The payment was made to the account of the Budget of the Republic of Serbia – administrative fee, account number 840-742221843-57.

Having evaluated the submitted application, the complete list of documents and the submitted documentation and other documentation, it has been determined that the applicant meets the certification requirements as an independent system operator model according to Articles 227-232 of the Energy Law.

1. By provision of Article 227 of the Law, it is prescribed that an independent system operator is obliged to:
1) meet the conditions stipulated in Article 225, paragraph 1 of the Law, 2) possess employees, financial, material, and technical resources necessary for conducting natural gas transmission activities, 3) adhere to the ten-year development plan of the transmission system, and 4) conduct transmission and transmission system operation in accordance with the Law.

Article 225 of the Law prescribes that the independence of the system operator is realized in such a way that the same person or persons are not authorized to:

- 1) directly or indirectly manage entities engaged in production or supply activities while simultaneously directly or indirectly managing or having any other rights over the operator of the transport or transmission system;
- 2) directly or indirectly manage the operator of the transport or transmission system while simultaneously directly or indirectly managing or having any other rights over entities engaged in production or supply activities;

- 3) appoint members of the supervisory board or other management bodies, as well as legal representatives of the operator of the transport or transmission system, while simultaneously directly or indirectly managing or having any other rights over entities engaged in production or supply activities;
- 4) simultaneously serve as members of the supervisory board or other management bodies, or as legal representatives of the operator of the transport or transmission system and entities engaged in production or supply activities.

The provisions of paragraph 1, points 1), 2), and 3) of this article specifically relate to:

1. voting rights;
2. the right to appoint members of the supervisory board or other management bodies or legal representatives;
3. having a majority share in the company.

1.1. Assessment of Conditions Regarding Independence of TRANSPORTGAS SRBIJA LLC Novi Sad

TRANSPORTGAS SRBIJA LLC Novi Sad was established by Decision on Amendments and Supplements to the Decision on the Establishment of the Limited Liability Company TRANSPORTGAS SRBIJA Novi Sad (consolidated text) No: 01-01/119 dated January 19, 2024, thereby achieving complete legal and ownership separation from the Public Enterprise Srbijagas Novi Sad, within which it operated as part of a vertically integrated enterprise. Specifically, amendments to the Energy Law in 2023 established the Republic Commission for Energy Networks as an independent and autonomous authority responsible for controlling the natural gas transmission system operator. Accordingly, the Government, through the Ministry of Mining and Energy has jurisdiction over PE Srbijagas Novi Sad, and the Republic Commission for Energy Networks has jurisdiction over "TRANSPORTGAS SRBIJA" LLC Novi Sad, thereby fulfilling the condition of Article 225 of the Energy Law regarding the independence of the transmission system operator.

1.2. Assessment of Conditions Regarding Employees, Financial, Material, and Technical Requirements Necessary for Conducting Natural Gas Transport Activities

Upon reviewing the qualification structure of employees, it has been determined that TRANSPORTGAS SRBIJA LLC Novi Sad has a sufficient number of employees qualified to perform tasks related to the natural gas transmission and transmission system operation. Based on the submitted documentation, it has been established that this structure enables uninterrupted performance of the activities of the transmission system operator. Based on the Independent Auditor's Report and the financial statements for the year 2023, it has been determined that TRANSPORTGAS SRBIJA LLC Novi Sad has the financial resources necessary for conducting the activities of natural gas transmission and system operation. Based on the assessment of the Agreement on the natural gas transmission system operation, planning, financing, and implementation of investments and development of the transmission system concluded with PE Srbijagas Novi Sad, as with the owner of the transmission system, and the Specification of energy facilities and the Independent Auditor's Report for the year 2023, it has been assessed that TRANSPORTGAS SRBIJA LLC Novi Sad has the material and technical resources necessary for conducting natural gas transmission and transmission system operation activities.

1.3. Ten-Year Development Plan

By provision of Article 250 of the Law, the transmission system operator is required to annually submit the ten-year development plan of the transmission system to the Agency for approval, based on projected natural

gas needs and consultations with all interested parties. The TRANSPORTGAS SRBIJA LLC Novi Sad adopted the mentioned Plan for the development of the gas pipeline system TRANSPORTGAS SRBIJA LLC Novi Sad for the period 2022-2031, with an investment plan for the period 2022-2024 No: 01-01/1121. The Energy Agency of the Republic of Serbia gave consent to the aforementioned plan by Decision No: 113/2023-D-01/7 dated December 21, 2023, following consultations with existing and potential users of the system, in accordance with Article 251 of the Energy Law. The Agency is authorized by law to monitor and evaluate the implementation of the ten-year development plan of the transmission system, and in cases where the transport system operator fails to implement an investment within three years in accordance with the plan from Article 250 of the Law, unless reasons beyond its control are present, the Agency is empowered to take measures to ensure the implementation of planned investments if these investments are still necessary based on the latest ten-year development plan, namely: 1) to request from the transmission system operator to implement the respective investment; 2) to organize a tender procedure to select the most favorable investor interested in the respective investment; 3) to obligate the transmission system operator to accept an increase in capital for financing the necessary investment and to allow an independent investor to participate in that capital (Article 252 of the Law).

1.4. Performance of Natural Gas Transmission and System Operation Activities in Accordance with the Law

TRANSPORTGAS SRBIJA LLC Novi Sad conducts the activity of transmission and system operation based on Government Decision No: 312-12308/2016-1 dated December 23, 2016, which determined that the Public Enterprise Srbijagas Novi Sad, independently or through company TRANSPORTGAS SRBIJA LLC Novi Sad, continues to perform the activity of public interest – natural gas transmission and transmission system operation in accordance with the Energy Law until obtaining a license for conducting this activity. After the decision on certification (*Article 239 of the Law - before any legal entity obtains a license and thus becomes designated as a transmission system operator, it must be certified in accordance with the Law*), conditions will be created for submitting an application and issuing a license for conducting this energy activity by TRANSPORTGAS SRBIJA LLC Novi Sad.

According to Article 248 of the Law, the natural gas transmission system operator is obliged to adopt rules for the transport system operation, which require an approval from Energy Agency of the Republic of Serbia. The drafting of these rules is in progress, and their adoption is expected.

2. According to Article 228 of the Law, the independent transmission operator is obliged to: 1) approve and charge access to third parties to the system in accordance with the Law, 2) operate, maintain, and develop the transmission system and 3) plan investments to ensure the long-term capacity of the transmission system to meet rational transmission system requirements.

2.1. TRANSPORTGAS SRBIJA LLC Novi Sad charges the natural gas transmission system tariffs in accordance with the Decision on the Natural Gas Transmission System Tariffs No: 01-02-2/8-1 dated July 15, 2022, which the Energy Agency of the Republic of Serbia approved by Decision No: 477/2022-D-02/1 dated July 21, 2022.

2.2. Agreement on the Natural Gas Transmission System Operation, Planning, Financing, and Implementation of Investments and Development of the Transmission System and Leas of TRANSPORTGAS SRBIJA LLC Novi Sad, as the lessee of the transmission system on which it will conduct activities, has committed at its own expense to: operate, develop, and maintain assets in

accordance with applicable regulations, technical standards, and the care of a prudent business person, maintain assets in proper and functional condition.

- 2.3. According to Item 8 of the aforementioned Agreement, TRANSPORTGAS SRBIJA LLC Novi Sad has committed to plan investments to ensure the long-term capacity of the transmission system to meet rational natural gas transmission requirements.

When evaluating the submitted application, it was considered that TRANSPORTGAS SRBIJA LLC Novi Sad adopted the Non-Discriminatory Behavior Program No: 01-01/466 dated May 9, 2024, for which Agency granted approval by its act No: 263/2024-D-03/3 dated May 16, 2024, and also adopted the Decision on Conditions for Appointment, Term of Office, Ensuring Independence, and Dismissal of the Person Responsible for Monitoring the Non-Discriminatory Behavior Program No: 01-01/467 dated May 9, 2024, for which Agency granted approval by its act No: 263/2024-D-03/2 dated May 16, 2024. By Decision No: 309/2024-D-03/3 dated July 18, 2024, the Agency provided preliminary consent to appoint the Person Responsible for Monitoring the Non-Discriminatory Behavior Program to the TRANSPORTGAS SRBIJA LLC Novi Sad, thereby fulfilling the certification requirements regarding the adoption of these acts.

III. Explanation Regarding the Opinion of the Energy Community Secretariat

In accordance with Article 241, Paragraph 3 of the Law, by the act of this Agency, number: 311.01-1/2024-S-I, dated July 25, 2024, the Agency's Decision on the certification of TRANSPORTGAS SERBIA LLC Novi Sad, dated July 25, 2024 (hereinafter referred to as: the Decision), was submitted to the relevant body in accordance with the obligations arising from ratified international agreements, for the purpose of providing an opinion.

In accordance with the obligations arising from ratified international agreements, the relevant body is the body determined by the Treaty and the Decisions of the Energy Community Ministerial Council until the Republic of Serbia's accession to the European Union, i.e., the Energy Community Secretariat (hereinafter referred to as: the Secretariat).

By its act dated November 22, 2024, the Secretariat provided the opinion number: 3/24, dated November 21, 2024, on the Decision of the Energy Agency of the Republic of Serbia, number: 311.01-1/2024-S-I, dated July 25, 2024, by which TRANSPORTGAS SERBIA LLC Novi Sad is issued a certificate as an independent system operator (hereinafter referred to as: the Opinion).

Article 241, Paragraph 7 of the Law stipulates that in the case when the final decision of the Agency deviates from the opinion of the relevant body in accordance with the obligations arising from confirmed international agreements, the Agency will publish an explanation for such a decision along with the decision and the opinion of the Secretariat.

In the Opinion, the Secretariat emphasized that in order to fully meet the certification requirements under the model of an independent system operator, the following issues must be resolved through the following activities:

The Assembly of TRANSPORTGAS SERBIA LLC Novi Sad must appoint a general director in accordance with the Energy Law and the law regulating the status of economic entities;

TRANSPORTGAS SERBIA LLC Novi Sad must adopt and implement its transmission code, especially by applying and publishing non-discriminatory, transparent mechanisms for capacity allocation;

Srbijagas Novi Sad must complete the registration process for all its assets related to transmission;

Srbijagas Novi Sad must be legally and functionally separated by transferring ownership of the natural gas transmission network to another legal entity that is functionally separated within the Srbijagas Novi Sad group;

Srbijagas Novi Sad must develop and adopt a compliance program as the system owner;

Srbijagas Novi Sad must ensure financial guarantees for the development of the transmission system;

The lease agreement must contain a clause ensuring coverage of liabilities related to the network assets by the system owner;

In the final certification decision, the Energy Agency of the Republic of Serbia should explain how it will ensure compliance with Article 41(3) of the Gas Directive.

As additional obligations were established for the applicant, the network owner, the Energy Agency of the Republic of Serbia and the Ministry of Mining and Energy, multiple consultations and meetings were held in order to undertake the necessary activities to fulfill all the conditions set forth.

Considering the conclusions of the Opinion of the Energy Community Secretariat, the following analyses and explanations of activities are provided, which led to the fulfillment of the requirements for each point of the given conclusions individually:

1. In the Opinion, the Secretariat Emphasizes that the acting general director of TRANSPORTGAS SERBIA LLC Novi Sad is Zoran Jovčić, who was appointed by the Government of the Republic of Serbia in November 2022. The Secretariat notes that the current acting general director was appointed by the Government of Serbia, not by the Assembly of TRANSPORTGAS SERBIA LLC Novi Sad, as required by the Energy Law and the law regulating the status of business entities. Specifically, the acting general director was appointed in 2022, before the Commission was formed and its role established by the Energy Law. The appointment of the general director by the Government raises concerns about the purpose of the Commission, which was precisely established to break the chain of control by the Government of Serbia over TSOs, thus threatening the independence of TSOs from the Government and the Ministry. Therefore, in order to ensure the compliance of TRANSPORTGAS SERBIA LLC Novi Sad with Article 14(2)(a) of the Gas Directive, the Assembly must appoint the general director of TRANSPORTGAS SERBIA LLC Novi Sad.

While the state-owned company TRANSPORTGAS SERBIA LLC Novi Sad is under the control of the Commission, which is subordinated to the Assembly of Serbia, the main state companies that quasi-monopolize the electricity and gas sectors, EPS and Srbijagas, are under the control of the Ministry. The Secretariat emphasizes once again that, in this context, in order to fully achieve the goal of Article 9(1)(b)-(d) of the Gas Directive – preventing potential and real conflicts of interest, there must be a separation of control

between the public body that controls the TSO and any other public body that controls production and supply activities. The *de jure* and *de facto* independence between the two public bodies that are tasked with overseeing state-owned companies must be established.

The separation of powers is established by Article 4 of the Constitution of Serbia. The relations between the judiciary, legislative, and executive powers are based on strict separation, balance of powers and mutual control. Although the European Commission and the Secretariat accepted that the body overseeing transmission activities and the body overseeing supply and production activities can be part of the executive branch, provided certain safeguards are implemented, in this case, the Commission is under the control of the legislator, while the Ministry is part of the executive branch. This system not only ensures a deeper separation of control and prevents interference between the two institutions but can also provide a certain level of oversight between the two bodies, the Commission and the Ministry, thereby enhancing efficiency.

Therefore, the fact that TRANSPORTGAS SERBIA LLC Novi Sad is ultimately controlled by a legislative body, and the state interests in the field of energy supply and production are controlled by the executive power, fulfills, according to the Secretariat's opinion, the requirement for the separation of control established in Article 9(1)(b), (c), and (d) of the Gas Directive. However, in order to fully meet the requirement for the separation of control, the Assembly of TRANSPORTGAS SERBIA LLC Novi Sad must appoint the general director in accordance with the Energy Law and the Law on Business Entities.

In this regard, following the point from the Secretariat's opinion, the Assembly of TRANSPORTGAS SERBIA LLC Novi Sad (whose members were appointed by the Republic Commission for Energy Networks) adopted the Decision on the public competition for the appointment of the director, number 01-02-2/45-1, dated January 31, 2025, and after the public competition was conducted, adopted the Decision on the appointment of the director of TRANSPORTGAS SERBIA LLC Novi Sad, number: 01-02-2/48-1, dated March 10, 2025, appointing Zoran Jovčić as the director.

Thereby, the Secretariat's opinion was followed, and point 1 of the opinion, related to the appointment of the director, was fulfilled.

2. In the Opinion, the Secretariat emphasizes that it is aware that TRANSPORTGAS SERBIA LLC does not fulfill all TSO tasks. For example, although Serbia transposed the network code (balancing, capacity allocation mechanisms, interoperability and data exchange rules, harmonized transmission tariff structure, congestion management procedures) back in 2022, TRANSPORTGAS SERBIA LLC still has not aligned its code with the network codes nor implemented them. This is particularly evident due to the restrictions on third-party access at the entry point Horgoš, which has been the subject of a dispute resolution process since 2017. Additionally, by not publishing and applying non-discriminatory and transparent mechanisms for capacity allocation, TRANSPORTGAS SERBIA LLC does not fulfill one of its main tasks, capacity allocation.

In this regard, it is pointed out that after the Preliminary Decision, the Council of the Energy Agency of the Republic of Serbia, at its 318th session held on January 30, 2025, adopted the Decision number: 328/2023-D-01/13, which gives consent to the Gas Transmission Network Code of the TRANSPORTGAS SERBIA LLC Novi Sad, number: 01-02-2/44-1.

Also, at the same session, the Council of the Energy Agency of the Republic of Serbia adopted the decision to give consent to the Report of TRANSPORTGAS SERBIA LLC Novi Sad on the determination and implementation of temporary measures, which regulate the application of temporary balancing measures in accordance with the Regulation on Network Code for Balancing the Natural Gas Transmission system ("Official Gazette of RS," No. 112/22).

Thereby, the Secretariat's opinion was followed, and point 2 of the opinion, which relates to the implementation of network code, was fulfilled.

3. Srbijagas Novi Sad must complete the process of registering all its transmission assets.

In the Opinion, the Secretariat emphasizes that according to Article 417 of the Energy Law, TRANSPORTGAS SERBIA LLC Novi Sad acquired ownership of gas transmission infrastructure on the date following the entry into force of the Energy Law, December 30, 2014. This provision represents a clear and unambiguous basis for the ownership of the transmission system over transmission assets as a matter of principle. Article 418 of the Energy Law further stipulates that the Serbian public register shall process the registration of gas transmission infrastructure upon the request of the owner. However, in the Lease Agreement, both parties confirm and agree that the lessor (Srbijagas) has not been registered as the owner of the natural gas transmission system in the Serbian public register (as required by the Energy Law), but that the process of registering its ownership rights over the assets is ongoing. The Secretariat is aware that the registration process is ongoing and that some transmission facilities have already been included in the Serbian public register as the property of Srbijagas. However, to ensure that the TSO has the necessary physical resources, the process of registering all assets must be completed.

In this regard, it is pointed out that, following the adoption of the Preliminary Decision by this Agency's act number: 311.01-1/2024-C-I, the owner of the transmission system, JP Srbijagas Novi Sad, was asked to submit all usage permits and decisions regarding the registration of property rights on the real estate that makes up the natural gas transmission system.

In response to this request, JP Srbijagas Novi Sad submitted usage permits for a total of 525 real estate energy facilities (out of 582 making up the transmission system), which represents 90% of the natural gas transmission system. It also submitted 153 decisions on the registration in the relevant cadastre, covering 26% of the objects registered in the cadastre, with the note that requests for registration of all facilities that make up the natural gas transmission system have been submitted, in accordance with the Law on the Procedure for Registering in the Cadastre of Real Estate and the Cadastre of Infrastructure (Official Gazette of RS, No. 41/18, 95/18, 31/19, 15/20, and 92/23).

Thereby, the Opinion of the Secretariat has been followed, and point 3 of the opinion, related to the property rights on the objects making up the natural gas transmission system, has been fulfilled. Although the property rights over the entire JP Srbijagas Novi Sad network have not been fully registered in the real estate cadastre, it is certain that this will be done since requests have been submitted for all facilities making up the transmission system, most of the usage permits have been obtained, which is a legal condition for registration. The pace of registration by the competent authority does not affect this process.

4. JP Srbijagas Novi Sad must be legally and functionally unbundled by transferring ownership of the natural gas transmission network to another legal entity, which will be functionally separate within the Srbijagas group;

In its Opinion, the Secretariat emphasizes that Article 15 of the Gas Directive requires the legal and functional separation of the system owner for transmission. The European Commission has considered legal and functional separation in its working documentation related to the separation of the distribution system operator. The application of the same thinking for the system owner within the ISO model implies that legal separation requires the network to be owned by a company separated from other activities not related to transmission, distribution, and storage, and that it is responsible for all decisions granted to the transmission system owner according to the Gas Directive. This new company can remain part of an integrated energy company (VIU), as long as it is functionally separate, i.e., independent in its organization and decision-making from other activities unrelated to transmission.

Article 15(2) of the Gas Directive sets the following minimum criteria:

- persons responsible for operation the system owner for transmission must not participate in the organization of the integrated energy company responsible, directly or indirectly, for the daily operation of gas production and supply;
- appropriate measures must be taken to ensure that the professional interests of persons responsible for operation of the system owner for transmission are considered in a way that allows them to act independently;
- the transmission system owner must establish a compliance program, defining the measures taken to ensure that discriminatory behavior is excluded and to ensure adequate control of compliance.

Articles 15(1) and (2) of the Gas Directive apply to transmission systems owners that are part of an integrated energy company (VIU), as defined in Article 2(20) of the Gas Directive.

The owner of the gas transmission network operated by TRANSPORTGAS SRBIJA d.o.o. Novi Sad, Srbijagas, has a monopoly on the wholesale gas market in Serbia (also in relation to wholesale supply to public suppliers and reserve suppliers) and is also a dominant player in the retail gas market, and therefore it is an integrated energy company (VIU) in accordance with the definition in Article 2(20) of the Gas Directive.

Gas supply by Srbijagas, which is also the owner of the transmission system, does not fulfill the requirement for legal separation provided by Article 15(1) of the Gas Directive. In order to meet the conditions set in this provision, ownership of the gas transmission network should be transferred from Srbijagas to another legal entity, which would be part of the same company group but functionally separated. This would require not only corporate but also legislative changes since the ownership of the transmission network by Srbijagas is determined by the Energy Law. If Srbijagas remains the owner of the transmission system operated by TRANSPORTGAS SRBIJA d.o.o. Novi Sad, it would have to cease gas supply activities to ensure compliance with Articles 15(1) and (2) of the Gas Directive.

To meet this condition, following the adoption of the preliminary decision, the Government of the Republic of Serbia adopted Conclusion 05 number: 023-227/2025-1 on January 16, 2025, whereby point 1 approves the Report on the activities conducted in the process of certification of TRANSPORTGAS SRBIJA d.o.o. Novi

Sad, and point 2 stipulates that JP Srbijagas Novi Sad must legally and functionally separate ownership of the natural gas transmission network from the energy supply activities by February 15, 2025.

In response to the Government's Conclusion, JP Srbijagas Novi Sad, by act number: 01-01/896 of March 19, 2025, notified the Energy Agency of the Republic of Serbia that, in order to fully separate the ownership of the natural gas transmission network, considering the complexity and volume of legal actions already taken and those that are yet to be performed, it has engaged the law firm Janković, Popović, and Mitić, with long-standing experience in this field. Furthermore, regarding the finalization of this task, the consulting firm KPMG has been engaged, which prepared a Gantt chart of activities, forecasting the completion of all analyses and activities by the end of September 2025. The work involves considering potential separation models and conditions (legal, economic, staffing, etc.) as a basis for forming and presenting the separation model for ownership of the natural gas transmission network from the energy supply activities, as well as the further functioning of JP Srbijagas Novi Sad. After the proposed models are delivered, JP Srbijagas Novi Sad's authorities will choose a model and take action to implement the separation of ownership of the transmission network from the energy supply activities in a real timeframe, which cannot be shorter than 6 months.

It is also noted that JP Srbijagas Novi Sad, as a national gas company, performs activities of general interest, ensuring the stability of the transmission and distribution system and the security of natural gas supply throughout the entire territory of the Republic of Serbia. Therefore, the process of reorganization, ownership separation, and other necessary actions should be carried out in an appropriate manner, creating real foundations for the optimal functioning and future operations of both JP Srbijagas Novi Sad and TRANSPORTGAS SRBIJA d.o.o. Novi Sad and "Distribucijagas Srbija," to minimize the negative consequences of this process. Since JP Srbijagas Novi Sad is seriously and responsibly approaching this process, further activities on preparation and implementation are underway. Considering that the completion of the legal separation of ownership is a process involving extensive activities, analyses, harmonizations, the creation of appropriate conditions and complex changes and adaptations in various business areas, along with the adoption of necessary internal acts, JP Srbijagas Novi Sad believes that it has taken all necessary measures and activities in accordance with the possibilities and objective conditions, which form the basis for making a positive final decision on certification.

Based on the above, although activities on separation have been initiated and JP Srbijagas Novi Sad has expressed a serious willingness to complete the process, this point of the Secretariat's opinion has not been fully complied with. However, since TRANSPORTGAS SRBIJA d.o.o. Novi Sad, as the applicant for certification, has fulfilled all the legally prescribed conditions for certification and the requirements of the Secretariat's opinion, we find that granting an additional deadline to meet the conditions for the owner of the transmission system would mitigate negative consequences for TRANSPORTGAS SRBIJA d.o.o. Novi Sad. Especially since the owner of the transmission system has started activities on the implementation of the separation of ownership over the transmission network, a process that requires a certain amount of time. On the other hand, in accordance with Article 242, paragraph 2 of the Energy Law, the Agency is obliged to monitor and initiate a new certification process in cases prescribed by law, so if the conditions are not met within the given period, the Agency may initiate a new certification process to reassess the fulfillment of the conditions.

5. JP Srbijagas Novi Sad must develop and adopt a compliance program as the owner of the system.

In its opinion, the Secretariat notes that it is unaware whether JP Srbijagas Novi Sad has already developed a compliance program that defines the measures taken to eliminate discriminatory behavior, nor whether it has ensured adequate monitoring of it.

In this regard, it is pointed out that the Director of Public Enterprise "Srbijagas" Novi Sad, on March 12, 2025, adopted the Program for Ensuring Non-Discriminatory Behavior, number: 01-01/775, which the Energy Agency of the Republic of Serbia approved at its 324th session on March 13, 2025, Decision number: 50/2025-d-03/4.

By this action, the Secretariat's opinion has been followed, and point 5 of the opinion, which relates to the obligation of JP Srbijagas Novi Sad to adopt a compliance program as the owner of the transmission system, has been fulfilled.

6. JP Srbijagas Novi Sad must provide financial guarantees for the development of the transmission system.

In its opinion, the Secretariat emphasizes that, regarding providing guarantees for financing the development of the transmission system, it observes that these were secured by a previous lease agreement between Srbijagas and TRANSPORTGAS SERBIA LLC Novi Sad, dated October 1, 2021. It is unclear whether this 2021 agreement has been replaced by a 2024 agreement, or if certain provisions (including those concerning guarantees) are still in effect.

In this regard, it is pointed out that Article 8 of the Agreement on the Operation of the Natural Gas Transmission System, Planning, Financing, and Implementation of Investments and Development of the Transmission System and Lease, stipulates that the lessor is obligated to finance investments foreseen by the ten-year development plan of TRANSPORTGAS SERBIA LLC Novi Sad, or to approve that another interested party, including an independent system operator, finances the investments. According to Article 9 of the same Agreement, the lessor, as a security measure for the investment realization from Article 8 of the Agreement, provided a blank solo promissory note with a "no protest" clause.

By this action, the Secretariat's opinion has been followed and point 6 of the opinion, which relates to the obligation of JP Srbijagas Novi Sad to secure financial guarantees as the owner of the transmission system, has been fulfilled.

7. The lease agreement must contain a clause ensuring liability coverage related to the network's assets by the system owner.

In its opinion, the Secretariat points out that the lease agreement does not include a specific clause ensuring liability coverage related to the network's assets by the system owner. According to the ISO model, the system owner must cover liability for the state of the network, but not for its operation.

In this regard, acting on the comment provided in the Secretariat's opinion, JP Srbijagas Novi Sad and TRANSPORTGAS SERBIA LLC Novi Sad concluded Annex No. 1 to the Agreement on the Operation of the Natural Gas Transmission System, Planning, Financing, and Implementation of Investments and Development of the Transmission System, which was registered with JP Srbijagas Novi Sad on March 5, 2025, under number 01-01-20/92, and with TRANSPORTGAS SERBIA LLC Novi Sad on March 5, 2025,

under number 01-01-1/88, which regulates the system owner's liability concerning the transmission system's assets.

By this action, the Secretariat's opinion has been followed, and point 7 of the opinion, which ensures liability coverage related to the network's assets by the transmission system owner, has been fulfilled.

8. In the final certification decision, AERS should explain how it will ensure compliance with Article 41(3) of the Gas Directive.

In its opinion, the Secretariat emphasizes that the Energy Community legislation contains additional powers for the national regulatory authority in case of an ISO appointment, as when a VIU (especially a state-owned enterprise) is responsible for multiple levels in the energy sector, additional specialized oversight is required. Article 41(3) of the Gas Directive outlines several specific duties for regulatory authorities when an ISO is appointed. These duties supplement the general obligations that regulatory bodies have in the certification process. They include:

- Monitoring the system owner's compliance with its obligations under Article 14 of the Gas Directive and imposing fines for non-compliance (Article 41(3)(a));
- Monitoring the relationship and communication between the system owner and the ISO, specifically approving contracts and acting as an authority to resolve disputes between the system owner and ISO (Article 41(3)(b));
- Approving investment planning and multi-year network development plans that the ISO submits each year for the first ten-year network development plan (Article 41(3)(c));
- Ensuring that transmission tariffs collected by the ISO include a fee for the system owner(s), allowing adequate compensation for network assets and any new investments, provided those investments are economically and efficiently made (Article 41(3)(d));
- Authorization to conduct inspections, including unannounced inspections, at the ISO's premises (Article 41(3)(e)).

The Secretariat observes that the Energy Law of the Republic of Serbia does not include extended oversight powers for AERS if an ISO is appointed and certified. According to Article 57(3) of the Energy Law, AERS must monitor the compliance of all energy entities with their obligations under the law, which can be interpreted as compliance with Article 41(3)(a) of the Energy Law. However, when it comes to the authority to impose fines for non-compliance, AERS can only issue warnings, impose non-financial measures, or refer the case to the national court. While this is not the subject of this opinion, the Secretariat urges the Republic of Serbia to fully transpose Article 41(3) of the Gas Directive. Until then, the Secretariat requests that AERS, in the final certification decision, explain how it will ensure compliance with this provision.

In this regard, it is noted that with the latest amendments to the Energy Law ("Official Gazette of RS," No. 94/24), which came into force on December 6, 2024, after obtaining the Secretariat's opinion on the Preliminary Certification Decision (which is why the Secretariat was not aware of these changes when providing its opinion), the Agency is additionally authorized to impose: warnings, fines, orders for physical or legal entities to establish compliance with business regulations and/or cease any illegal or irregular conduct and impose temporary bans or, for serious violations, permanent bans on leadership positions in energy entities or initiate appropriate proceedings before the competent court.

Thereby, the Agency has been granted broad powers to monitor system operators and control the legality of their operations. Regarding financial penalties, according to Article 391a, the Agency can impose such fines not only on the system operator but also on any energy entity that fails to separate accounts in accordance with the law and conducts energy activities without a license.

Accordingly, the Agency will monitor the behavior of the system owner in this specific case and impose appropriate measures and sanctions for detected irregularities, as prescribed by the most recent amendments to the Law. Additionally, in accordance with Article 54 of the Energy Law, the Agency is required, within its scope of work, to provide professional assistance and all available information in case of disputes between energy entities, as well as address complaints from physical and legal entities regarding non-compliance by system operators, suppliers, and others.

In relation to the development and investment plans, according to the Energy Law, the system operator must submit the ten-year network development plan to AERS each year for approval, aligning it with the work plans of other system operators and including all planned investments for the next three years. When the system operator is certified as an independent system operator, the system owner finances the investments outlined in the ten-year development plans or approves that another interested party, including the independent system operator, finance the investments. Such financial arrangements are approved by the Agency, which monitors and approves network investments.

In accordance with the Law, the independent system operator determines and charges third-party access to the system, including network lease costs in the price. The Agency monitors this through tariff structure control when approving these prices, ensuring that transmission tariffs are adequate and can support network development when economically justified.

Regarding inspection supervision, while the Agency cannot conduct unannounced inspections independently at the ISO's premises, it can request them from the relevant inspection bodies. The Agency also has the authority to review the business accounts and accounting records of an energy entity, which must grant access and provide relevant data (Article 57, Paragraph 2 of the Law). Based on the aforementioned, although the Energy Law of the Republic of Serbia does not grant the Agency extended supervisory powers, the Agency can monitor the actions of TRANSPORTGAS SERBIA LLC Novi Sad and JP Srbijagas Novi Sad, as the system owner, and take appropriate measures and sanctions as outlined by the Law, as this is what the Agency will do during the process of overseeing the fulfillment of conditions for the certification process.

IV. FINAL DECISION ON THE CERTIFICATION OF TRANSPORTGAS SERBIA d.o.o. Novi Sad

Pursuant to Article 241, paragraph 5 of the Energy Law, it is stipulated that the Agency shall, within four months from receiving the opinion of the competent body in accordance with the obligations arising from ratified international agreements, make a final decision on the certification of the transmission system operator, taking this opinion into account.

After issuing the Preliminary Decision and evaluating all the documentation while considering the Opinion of the Energy Community Secretariat, as well as the actions taken following the Preliminary Decision based on the Secretariat's Opinion, it was determined that:

1. The Director of TRANSPORTGAS SERBIA d.o.o. Novi Sad was appointed by the Shareholders' Assembly (whose members were appointed by the National Commission for Energy Networks);
2. TRANSPORTGAS SERBIA d.o.o. Novi Sad adopted the Natural Gas Transmission System of the (Document No. 01-02-2/44-1), which was approved by the Council of the Energy Agency of the Republic of Serbia at its 318th session held on January 30, 2025, Decision No. 328/2023-D-01/13. Additionally, the Council adopted a Decision on Approving the Report of TRANSPORTGAS SERBIA d.o.o. Novi Sad regarding the determination and implementation of temporary measures governing the balancing of the system in accordance with the Network Code for Balancing the Natural Gas Transmission System ("Official Gazette of RS", No. 112/22);
3. Activities were undertaken to register ownership rights to the facilities constituting the transmission system;
4. Activities have been initiated regarding the separation of ownership of the transmission system from the energy activity of natural gas supply;
5. JP Srbijagas Novi Sad adopted the Program for Ensuring Non-Discriminatory Behavior (Document No. 01-01/775 from March 12, 2025), which was approved by the Council of the Energy Agency of the Republic of Serbia on March 13, 2025, Decision No. 50/2025-D-03/4;
6. JP Srbijagas Novi Sad and TRANSPORTGAS SERBIA d.o.o. Novi Sad concluded Annex No. 1 of the Agreement on the Operation of the Natural Gas Transmission system, Planning, Financing, and Implementation of Investments and Development of the Transmission system, which was registered at JP Srbijagas Novi Sad on March 5, 2025, under No. 01-01-20/92 and at TRANSPORTGAS SERBIA d.o.o. Novi Sad on the same day under No. 01-01-1/88, and which regulates the responsibility of the transmission system owner regarding the assets of the natural gas transmission system;
7. The Agency has the authority to act towards the system operator and take certain actions in accordance with legally defined competencies.

Based on all the above-mentioned and after evaluating all the evidence and established facts, it was concluded that TRANSPORTGAS SERBIA d.o.o. Novi Sad has fulfilled the conditions for certification as an independent system operator, i.e., it meets the requirements set out in Article 225, paragraph 1 of the Energy Law. The company has employees, financial, material and technical resources necessary to carry out the activity of natural gas transmission, adheres to the ten-year development plan for the transmission system, has a legal basis (agreement) for the use of the transmission system and fulfills the conditions for performing the duties of a transmission system operator.

Regarding the obligation of the transmission system owner (JP Srbijagas Novi Sad) to be independent in terms of legal form, organization, and decision-making from other activities not related to natural gas transmission, as one of the conditions for the certification of TRANSPORTGAS SERBIA d.o.o. Novi Sad as an independent system operator, it can be considered that activities have been initiated towards realizing this process. In this regard and considering the Conclusion of the Government 05 No. 023-227/2025-1 from January 16, 2025, as well as the activities undertaken so far, the Agency will monitor this process, and within 6 months from the completion of all analyses and activities for which the transmission system owner has set the end date as September 2025, a new certification process will be initiated to assess the conditions regarding the legal and functional unbundling of ownership of the natural gas transmission network from the energy activity of natural gas supply by JP Srbijagas Novi Sad.

For all the above reasons and considering that TRANSPORTGAS SERBIA d.o.o. Novi Sad has met all the certification conditions stipulated by the Energy Law and has fully complied with the Opinion of the Energy

Community Secretariat (No. 3/24), the Energy Agency of the Republic of Serbia has determined that making a decision as outlined in the dispositive part of this decision, while allowing a reasonable deadline for the transmission system owner to address identified deficiencies, is the most appropriate solution.

The proposed deadline was given because it was assessed that the fulfillment of the conditions by the transmission system owner regarding the separation of ownership represents a complex and extensive task, requiring a certain period of time to be implemented in such a way that it does not jeopardize the reliable, secure and high-quality supply of natural gas to consumers in the natural gas market of the Republic of Serbia.

Based on all the above, the Council of the Energy Agency of the Republic of Serbia, at its 325th regular session held on March 21, 2025, pursuant to Articles 49, paragraph 3, and 240, paragraph 1 of the Energy Law ("Official Gazette of RS", No. 145/14, 95/18-amending law, 40/21, 35/23-amending law, 62/23, and 94/24), Articles 20 to 24 of the Rulebook on Licensing for Performing Energy Activities and Certification ("Official Gazette of RS", No. 87/15, 44/18-amending law, and 83/21), and Article 12 of the Statute of the Energy Agency of the Republic of Serbia ("Official Gazette of RS", No. 52/05), decided as stated in the dispositive part of the decision.

PRESIDENT OF THE COUNCIL

Dejan Popović

Addressees:

1. the applicant,
2. Ministry of Mining and Energy,
3. PE Srbijagas Novi Sad;
4. Energy Community Secretariat and
5. the archive