

**REGULATORY LICENSES EITHER
APPROVED OR UNDER
CONSIDERATION FOR USE IN THE
ARMENIAN POWER SECTOR**

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CONTENTS

Introduction

Appendix A: Electricity Import License

Appendix B: Electricity Export License

Appendix C: Electricity Generation License

Appendix D: Electricity Transmission License

Appendix E: Dispatch License

Appendix F: Electricity Distribution License

Appendix G: Funds Administration License

Appendix H: Wholesale Contracting License

REGULATORY LICENSES EITHER APPROVED OR UNDER CONSIDERATION FOR USE IN THE ARMENIAN POWER SECTOR

INTRODUCTION

This document provides an update on the status of regulatory license development in the Armenian power sector. The Energy Law of the Republic of Armenia requires licenses for entities to be engaged in the export, import, generation, transportation, distribution of electricity, thermal heat or natural gas and construction of electric, thermal or natural gas facilities. The Energy Regulatory Commission (the Commission) staff with assistance from Hagler Bailly have developed a set of model licenses. Model licenses for generation and distribution of electric energy have been approved. The remaining model licenses are still under the Commission's review and consideration.

The power sector licenses either approved or under development include:

- Central dispatch and system coordination
- Funds administration
- Wholesale contracting
- Distribution of electricity
- Transmission of electricity
- Generation of electricity
- Export of electricity
- Import of electricity

Copies of each of the most current versions of each license can be found in the attached appendices.

Further progress on licensing will be closely tied to the ongoing discussion of sector restructuring and privatization. It is likely that the Commission will need continued support both in the areas of specifying the license conditions for the new market functions (e.g., wholesale contractor, funds administration, settlements) and in designing licenses that will be appropriate and acceptable to private investors.

LICENSES APPROVED BY THE COMMISSION

Both model generation and distribution licenses were approved by the Commission on August 31, 1998, in its Resolution No.41. Both licenses have a similar structure that includes:

1. Definitions
2. Effective period of the license
3. Area of the licensed activity (a geographic description of the service area in the case of distribution enterprises or reference to a legal entity's property for generation)
4. Installations (the installations included in the enterprise's licensed activities)
5. "Essence" of the Licensed Activity (a simplified description of the licensed activity)
6. Provisions of the Licensed Activity (a more detailed description of both the licensee and Commission responsibilities)
7. Monitoring of the Licensed Activity (generally providing the Commission with the right of free access to the licensee's facilities)
8. Penalties (describes the Commission's right to suspend and terminate the license)
9. Amendments to the Provisions and Terms of the License
10. Other provisions
11. Notifications
12. Attachments

The generation license provides for the right to generate electricity (capacity), transform it and sell it. The distribution license defines the right to distribute the electricity (capacity) to customers and purchase for resale the electricity (capacity) from transmission, generation and foreign sources.

The main provisions of the licenses adopted by the Commission include:

- Prohibition of the transfer of the licensee's obligations to another entity without Commission approval;
- Obligation to carry out activities in compliance with safety, reliability standards, and based on the principles of economic efficiency;
- Prohibition of owning more than 35% of the assets of another licensee without consent from the Commission;
- Obligation to register power supply contracts with the Commission;

- The right of licensee and the Commission to request a review of the licensee's tariff at any time.
- Obligation to obey the operative instructions of the Central Dispatch Service.
- Obligation to abide by the Commission's reporting requirements.

LICENSES STILL UNDER CONSIDERATION

The licenses for transmission, central dispatch, funds administration, wholesale contracting, import and export of electricity have been drafted but not yet approved by the Commission. The primary issue that needs to be resolved before the Commission goes forward with approval of the licenses is the final determination of the market structure. The licenses prepared by Hagler Bailly are generally consistent with the team's proposed market structure. Since the Government of Armenia and enterprises are still debating the preferred market structure, it is likely that some or all of these drafts will require some modification.

Transmission License

The transmission license provides for the rights to receive electricity (capacity) from the generation and import licensees for transmission to the distribution licensees, or, in particular cases, directly to customers.

Electric Power System Central Dispatch and System Coordination License

There are actually two versions of the draft dispatch license: one drafted by the Commission, another by Hagler Bailly. Although the Commission and Hagler Bailly versions are structured differently, in essence they cover the same issues. The current draft dispatch license has been revised to reflect the concept of the separation of the funds administration function from dispatch of the energy system in Armenia.

Funds Administration License

The funds administration license is closely tied to the market structure debate now underway. This license provides the authority for the licensed entity to oversee the funds administration for market participants in accordance with the procedures and allocation formulae laid out in the Grid Code. In accordance with the project team's recommendation, the license is intended for a private, commercial bank or similar organization.

Wholesale Contracting Group License

In the view of the Commission, the wholesale contracting group license is designed to be in effect for three years during the transitional period when only one entity (the licensee) will be

responsible for contracting for electric power and capacity on the wholesale market of Armenia. After three years of market operation, it is anticipated that wholesale customers, such as distribution companies and, subsequently, large industrial customers, will be capable of entering into direct contracts with generators for capacity and energy.

Export/Import Licenses

The export license provides for the rights to contract for selling electric capacity and delivery of electric power from the sources internal to Armenia at one or more delivery points at the Armenian border to customers outside of Armenia. The import license grants the rights to contract for electric capacity and receive electric power deliveries from the source external to Armenia at one or more reception points at the Armenian border for reselling and/or self-consumption purposes.

LATEST VERSIONS OF EACH LICENSE

The attached appendices include the most recent versions of each of the licenses described above. Although not addressed in this document, it should be noted that the Commission has also made progress with licensing other non-electric enterprises in the natural gas and thermal heating sectors.

APPENDIX A: ELECTRICITY IMPORT LICENSE

Draft
September 10, 1999

ENERGY REGULATORY COMMISSION OF THE REPUBLIC OF ARMENIA

Approved by the ERC
Resolution No. _____
Dated _____

Chairman of the Energy Regulatory Commission

Signature

Name

Seal

LICENSE No.
In _____ **pages**

For Import of Electricity
In the Republic of Armenia

Energy Regulatory Commission of the Republic of Armenia

LICENSE CONDITIONS
For
IMPORT OF ELECTRICITY

License No. _____

Issued To

(Licensee)

Under the authority granted to it by the laws of the Republic of Armenia, the Energy Regulatory Commission (ERC) grants this License to contract for electric capacity and receive electric power deliveries from the source external to Armenia at one or more reception points at the Armenian border for reselling and/or self-consumption purposes to the above-named Licensee, subject to the License Conditions attached to this License and made an integral part hereof. This License is effective as of the date above written and will continue in effect for three years, subject for renewal by the ERC on its own discretion.

1. General Provisions

- 1.1 This License, including these License Conditions, is issued pursuant to the "Energy Law" of the Republic of Armenia.
- 1.2 If any condition of these License Conditions becomes null and void or otherwise ceases to be effective, the License Conditions shall be so amended and the remaining conditions shall continue in full force and effect.
- 1.3 The Licensee cannot transfer or assign this License or any licensed activity described in these License Conditions to another party unless Licensee has received the prior written approval of the ERC.
- 1.4 At any one time, the Licensee can hold only one license for Import of Electricity.
- 1.5 The following words and phrases used in the License, these License Conditions, when capitalized, shall have the meanings set forth below:

Licensed Activity	Activities necessary for, and directly related to, providing a delivery, supply and sale of electricity inside Armenia from the sources outside of Armenia, through import, at market unregulated tariffs.
Dispatch Licensee	The entity engaged in central dispatching activity that is responsible for the process of controlling the operation of generating plant and other power industry facilities to provide system stability, security, reliability, safety and efficient operation of the power system.
Regulations and Rules	Standards, codes, regulations, orders and other prescriptions in force established by Laws or other official documents.
Wholesale Electricity Market	Legal person of private justice created for the purpose of management of wholesale electricity (capacity) trading and gradual development of competition. It is a Union or Association of the members who are electricity sector's licensees and direct customers.
Export Licensee	The entity that supplies and sells electricity from inside of the Republic of Armenia to the delivery point outside of Armenia.
Distribution Licensee	The entity that supplies electricity to retail consumers at regulated prices in a specific geographic region by purchasing energy from power plants and wholesale suppliers and arranging for the delivery of electricity over high and low voltage facilities to the consumer's premises.

2 Carrying out the Licensed Activity

- 2.1 Licensee is authorized by this License to conduct the Licensed Activity anywhere within the boundaries of the Republic of Armenia.
- 2.2. Licensee shall not engage in any form of monopoly activity prohibited by the Laws of the Republic of Armenia, or Regulations and Rules adopted by the ERC.
- 2.3. Licensee may offer supply to each meter of a consumer provided Licensee is the supplier of all of the electricity delivered to each such meter.
- 2.4. Any overdue bills of a consumer to any other electricity industry licensee, except another Licensee for Import of Electricity, must be settled before the Licensee may initiate service to the consumer.

- 2.5. Licensee supplies and sells imported electricity to a Distribution Licensee, and/or Export Licensee, and/or direct consumer, and/or Wholesale Electricity Market.
- 2.6. Licensee purchases electricity from a source outside of Republic of Armenia.

3. Obligations of Licensee

3.1. Reporting

- 3.1.1. Licensee shall keep accounting records and prepare financial statements in accordance with regulatory accounting rules and procedures adopted by the ERC in the established order. In addition, Licensee shall submit to the ERC, upon its request and in the form and within the time set by the ERC, any other information as the ERC may require in the conduct of its authorized regulatory responsibilities.
- 3.1.2. Upon the request of the ERC, Licensee shall submit to the ERC copies of information provided to the Ministry of Energy, Ministry of Finance, the Department on Statistics or other government agencies of the Republic of Armenia.
- 3.1.3. Licensee shall allocate common expenses among its Licensed Activities on a reasonable basis in accordance with generally accepted business practices and, upon request of the ERC, provide written documentation setting forth the basis for its allocations and the results obtained.
- 3.1.4. The Licensee shall notify the ERC within not less than 10 days before any change takes place in
- a) address;
 - b) description of facilities;
 - c) bank account requisites.
- 3.1.5. Communications between the Licensee and the ERC pursuant to, or in connection with, this License must be given in writing and executed by a duly authorized officer, or his designated representative, of Licensee or the ERC, respectively.
- 3.2. Licensee shall ensure that any information obtained as a result of its Licensed Activities shall not be revealed to anyone, except for persons who perform Licensed Activities and who are authorized to receive such information, and also shall ensure that such information is not used for conducting any activities, other than the Licensed Activities, except:
- a) with the prior written consent of the person or business entity to whose affairs the information relates;
 - b) if the information is already known to the public;
 - c) if the Licensee is required or permitted to disclose the information to comply with these License Conditions, an order of the ERC, or any applicable law; or

- d) if the information must be disclosed in the normal course of performing Licensed Activities.
- 3.3 Information provided to the ERC by the Licensee shall be considered public unless, upon specific request of the Licensee, the ERC by formal decision finds that certain information is of a proprietary nature and that the public interest served by disclosure would not justify or offset the potential commercial harm to the Licensee or to any other power sector entities.
- 3.4 Licensee shall conduct its Licensed activity in compliance with the Wholesale Electricity Market Rules and all effective Regulations and Rules of the Dispatch Licensee, including the execution of all operational orders, instructions or directions and the submission of technical information and all other documentation required.
- 3.5 Tariffs and contracts for the sale of electric power by Licensee to the Wholesale Electricity Market or to an entity which holds a Distribution License will become effective only after their approval by the ERC.
- 3.6 Licensee shall comply with the Laws in force of the Republic of Armenia, all Government Decrees and Regulations and Rules.
- 3.7 Licensee shall pay regulatory fees on a regular and continuous basis during the term of this License as determined by the ERC in accordance with effective Regulations and Rules established by the ERC.
- 3.8 The tariffs for services provided by Licensee shall be determined by Licensee and are not subject to regulation or approval by the ERC. Licensee shall be solely responsible for billing for electric services and collecting from its customers. Licensee may require financial mechanisms to secure payment in accordance with applicable law.
- 3.9 Licensee shall notify the Distribution Licensee that serves the geographical region in which a customer is located, no less than thirty days before Licensee discontinues service to the customer. The ERC may suspend or terminate this License if Licensee fails to comply with this Condition.
- 3.10 Licensee shall promptly pay for all services, provided by licensees-members of the Wholesale Electricity Market. The ERC may suspend or terminate this License if Licensee fails to comply with this Condition.
- 3.11 In the event of a disagreement between Licensee and a consumer or another licensee, involving a matter within the jurisdiction of the ERC, which cannot be resolved through negotiation, the matter of disagreement shall be analyzed by the ERC in order to make a decision within the scope of its authority.
- 3.12 A decision of the ERC may be appealed to Court according to effective legislation.

4. Control Over the Performance of Licensed Activities

- 4.1. The ERC shall monitor Licensee's compliance with these License Conditions, review reports obtained from Licensee and, at any time, may inspect Licensee's premises or business records and may require an audit of Licensee's operations or accounting records as they relate to these Licensed Activities.
- 4.2. The ERC and its authorized representatives have the right of access to Licensee's premises to inspect equipment, facilities and documents related to its Licensed Activities, and Licensee shall provide any required assistance necessary for the ERC to ensure compliance with these License Conditions.
- 4.3. Upon the substantiated complaint of any third party or upon its own motion, the ERC may initiate an investigation of Licensee's compliance with its License, including examination of Licensee's business practices with respect to the Licensed Activity.
- 4.4. If after an investigation, the ERC concludes that the Licensee has failed to comply with one or more of its License Conditions, the ERC may take actions within its scope of authority as it shall deem appropriate in the circumstances to protect the interests of electricity consumers.
- 4.5. Licensee is obliged to inform the ERC of any violation of these License Conditions immediately after becoming known to Licensee.
- 4.6. Licensee shall implement any compliance decision issued by the ERC, including the payment of fines levied by the ERC, with respect to violations of, or the enforcement of, these License Conditions in accordance with effective Regulations and Rules adopted by the ERC.

5. Amendment of the License

- 5.1 The ERC may amend the License Conditions in case they do not comply with:
 - a) the Laws in force of the Republic of Armenia;
 - b) decision of the Court.
- 5.2 Within the period of _____ starting with the Effective Date, the ERC may revise the License Conditions without seeking agreement of Licensee. After providing an opportunity for all interested parties to express their opinion, in accordance with effective procedures, and giving careful consideration to all arguments presented, the ERC will adopt necessary amendments to License Conditions. Written notice of proposed amendments shall be delivered to Licensee 30 days prior to making any such amendments effective.
- 5.3 At any time either Licensee or the ERC may propose any other amendments to License Conditions, in addition to those stipulated in Paragraphs 5.1 and 5.2, by transmitting its proposal in writing, together with supporting arguments, to the other party.

The ERC shall make the final decision only after taking into consideration the interests of consumers and other licensees. Interested parties shall be informed in written form about the proposed amendments. If the ERC and Licensee come to agreement on such amendments, the License Conditions shall be so amended, otherwise the ERC may appeal to Court.

5.4 The amendments introduced into the License Conditions shall be published in the nation-wide circulated newspaper 30 days before becoming effective.

6. License Suspension and Termination

6.1 The ERC may suspend or terminate the License on its own initiative, in accordance with its Regulations and Rules in case:

- a) Licensee requests the withdrawal of the license;
- b) Licensee violates the License Conditions;
- c) Licensee violates the present Act and the legislation in force in the performance of its activity;
- d) Licensee is declared bankrupt and is unable to perform its obligations.
- e) Licensee obtained the license fraudulently.

APPENDIX B: ELECTRICITY EXPORT LICENSE

Draft
September 10, 1999

ENERGY REGULATORY COMMISSION OF THE REPUBLIC OF ARMENIA

Approved by the ERC
Resolution No. _____
Dated _____

Chairman of the Energy Regulatory Commission

Signature

Name

Seal

LICENSE No.
In _____ pages

For Export of Electricity
From the Republic of Armenia

Energy Regulatory Commission of the Republic of Armenia

LICENSE CONDITIONS
For
EXPORT OF ELECTRICITY

License No. _____

Issued To

(Licensee)

Under the authority granted to it by the laws of the Republic of Armenia, the Energy Regulatory Commission (ERC) grants this License to contract for selling electric capacity and delivery of electric power from the sources internal to Armenia at one or more delivery points at the Armenian border to customers outside of Armenia to the above-named Licensee, subject to the License Conditions attached to this License and made an integral part hereof. This License is effective as of the date above written and will continue in effect for three years, subject for renewal by the ERC on its own discretion.

1. General Provisions

- 1.1 This License, including these License Conditions, is issued pursuant to the "Energy Law" of the Republic of Armenia.
- 1.2 If any condition of these License Conditions becomes null and void or otherwise ceases to be effective, the License Conditions shall be so amended and the remaining conditions shall continue in full force and effect.
- 1.3 The Licensee cannot transfer or assign this License or any licensed activity described in these License Conditions to another party unless Licensee has received the prior written approval of the ERC.
- 1.4 At any one time, the Licensee can hold only one license for Export of Electricity.
- 1.5 The following words and phrases used in the License, these License Conditions, when capitalized, shall have the meanings set forth below:

Licensed Activity	Activities necessary for, and directly related to, providing a delivery, supply and sale of electricity from inside Armenia to the delivery point outside of Armenia, through export, at market unregulated tariffs.
Dispatch Licensee	The entity engaged in central dispatching activity that is responsible for the process of controlling the operation of generating plant and other power industry facilities to provide system stability, security, reliability, safety and efficient operation of the power system.
Regulations and Rules	Standards, codes, regulations, orders and other prescriptions in force established by Laws or other official documents.
Wholesale Electricity Market	Legal person of private justice created for the purpose of management of wholesale electricity (capacity) trading and gradual development of competition. It is a Union or Association of the members who are electricity sector's licensees and direct customers.
Import Licensee	The entity that provides delivery, supply and sale of electricity inside the Republic of Armenia from the sources outside of Armenia.
Generation Licensee	The entity that generates electricity and supplies it through the connection of its generating facilities to the transmission and distribution grids.
Distribution Licensee	The entity that supplies electricity to retail consumers at regulated prices in a specific geographic region by purchasing energy from power plants and wholesale suppliers and arranging for the delivery of electricity over high and low voltage facilities to the consumer's premises.

2 Carrying out the Licensed Activity

- 2.1 Licensee is authorized by this License to conduct the Licensed Activity anywhere within the boundaries of the Republic of Armenia.
- 2.2. Licensee shall not engage in any form of monopoly activity prohibited by the Laws of the Republic of Armenia, or Regulations and Rules adopted by the ERC.
- 2.3. Licensee may not sell electricity outside of Armenia if these transactions result in a deficiency of power or capacity inside Georgia, or at the tariffs and terms and conditions that detrimentally affect domestic customers or reliability of the Armenian energy system.

2.4. Licensee purchases electricity from Generation Licensee and/or Wholesale Electricity Market and/or Import Licensee and sells (exports) electricity outside of Armenia.

3. Obligations of Licensee

3.1. Reporting

3.1.1. Licensee shall keep accounting records and prepare financial statements in accordance with regulatory accounting rules and procedures adopted by the ERC in the established order. In addition, Licensee shall submit to the ERC, upon its request and in the form and within the time set by the ERC, any other information as the ERC may require in the conduct of its authorized regulatory responsibilities.

3.1.2. Upon the request of the ERC, Licensee shall submit to the ERC copies of information provided to the Ministry of Energy, Ministry of Finance, the Department on Statistics or other government agencies of the Republic of Armenia.

3.1.3. Licensee shall allocate common expenses among its Licensed Activities on a reasonable basis in accordance with generally accepted business practices and, upon request of the ERC, provide written documentation setting forth the basis for its allocations and the results obtained.

3.1.4. The Licensee shall notify the ERC within not less than 10 days before any change takes place in

- a) address;
- b) description of facilities;
- c) bank account requisites.

3.1.5. Communications between the Licensee and the ERC pursuant to, or in connection with, this License must be given in writing and executed by a duly authorized officer, or his designated representative, of Licensee or the ERC, respectively.

3.2. Licensee shall ensure that any information obtained as a result of its Licensed Activities shall not be revealed to anyone, except for persons who perform Licensed Activities and who are authorized to receive such information, and also shall ensure that such information is not used for conducting any activities, other than the Licensed Activities, except:

- a) with the prior written consent of the person or business entity to whose affairs the information relates;
- b) if the information is already known to the public;
- c) if the Licensee is required or permitted to disclose the information to comply with these License Conditions, an order of the ERC, or any applicable law; or
- d) if the information must be disclosed in the normal course of performing

Licensed Activities.

- 3.3 Information provided to the ERC by the Licensee shall be considered public unless, upon specific request of the Licensee, the ERC by formal decision finds that certain information is of a proprietary nature and that the public interest served by disclosure would not justify or offset the potential commercial harm to the Licensee or to any other power sector entities.
 - 3.4 Licensee shall conduct its Licensed activity in compliance with the Wholesale Electricity Market Rules and all effective Regulations and Rules of the Dispatch Licensee, including the execution of all operational orders, instructions or directions and the submission of technical information and all other documentation required.
 - 3.5 Tariffs and contracts for the purchase of electric power by Licensee from the Wholesale Electricity Market or from an entity which holds a Generation License or Import License will become effective only after their approval by the ERC.
 - 3.6 Licensee shall comply with the Laws in force of the Republic of Armenia, all Government Decrees and Regulations and Rules.
 - 3.7 Licensee shall pay regulatory fees on a regular and continuous basis during the term of this License as determined by the ERC in accordance with effective Regulations and Rules established by the ERC.
 - 3.8 The tariffs for services provided by Licensee shall be determined by Licensee and are not subject to regulation or approval by the ERC. Licensee shall be solely responsible for billing for electric services and collecting from its customers. Licensee may require financial mechanisms to secure payment in accordance with applicable law.
 - 3.9 Licensee shall promptly pay for all services, provided by licensees-members of the Wholesale Electricity Market. The ERC may suspend or terminate this License if Licensee fails to comply with this Condition.
 - 3.10 In the event of a disagreement between Licensee and another licensee, involving a matter within the jurisdiction of the ERC, which cannot be resolved through negotiation, the matter of disagreement shall be analyzed by the ERC in order to make a decision within the scope of its authority.
 - 3.11 A decision of the ERC may be appealed to Court according to effective legislation.
- 4. Control Over the Performance of Licensed Activities**
- 4.1. The ERC shall monitor Licensee's compliance with these License Conditions, review reports obtained from Licensee and, at any time, may inspect Licensee's premises or business records

and may require an audit of Licensee's operations or accounting records as they relate to these Licensed Activities.

- 4.2. The ERC and its authorized representatives have the right of access to Licensee's premises to inspect equipment, facilities and documents related to its Licensed Activities, and Licensee shall provide any required assistance necessary for the ERC to ensure compliance with these License Conditions.
- 4.3. Upon the substantiated complaint of any third party or upon its own motion, the ERC may initiate an investigation of Licensee's compliance with its License, including examination of Licensee's business practices with respect to the Licensed Activity.
- 4.4. If after an investigation, the ERC concludes that the Licensee has failed to comply with one or more of its License Conditions, the ERC may take actions within its scope of authority as it shall deem appropriate in the circumstances to protect the interests of electricity consumers or other licensees.
- 4.5. Licensee is obliged to inform the ERC of any violation of these License Conditions immediately after becoming known to Licensee.
- 4.6. Licensee shall implement any compliance decision issued by the ERC, including the payment of fines levied by the ERC, with respect to violations of, or the enforcement of, these License Conditions in accordance with effective Regulations and Rules adopted by the ERC.

5. Amendment of the License

- 5.1 The ERC may amend the License Conditions in case they do not comply with:
 - a) the Laws in force of the Republic of Armenia;
 - b) decision of the Court.
- 5.2 Within the period of _____ starting with the Effective Date, the ERC may revise the License Conditions without seeking agreement of Licensee. After providing an opportunity for all interested parties to express their opinion, in accordance with effective procedures, and giving careful consideration to all arguments presented, the ERC will adopt necessary amendments to License Conditions. Written notice of proposed amendments shall be delivered to Licensee 30 days prior to making any such amendments effective.
- 5.3 At any time either Licensee or the ERC may propose any other amendments to License Conditions, in addition to those stipulated in Paragraphs 5.1 and 5.2, by transmitting its proposal in writing, together with supporting arguments, to the other party.

The ERC shall make the final decision only after taking into consideration the interests of consumers and other licensees. Interested parties shall be informed in written form about the proposed amendments. If the ERC and Licensee come to agreement on such amendments, the License Conditions shall be so amended, otherwise the ERC may appeal to Court.

5.4 The amendments introduced into the License Conditions shall be published in the nation-wide circulated newspaper 30 days before becoming effective.

6. License Suspension and Termination

6.1 The ERC may suspend or terminate the License on its own initiative, in accordance with its Regulations and Rules in case:

- a) Licensee requests the withdrawal of the license;
- b) Licensee violates the License Conditions;
- c) Licensee violates the present Act and the legislation in force in the performance of its activity;
- d) Licensee is declared bankrupt and is unable to perform its obligations.
- e) Licensee obtained the license fraudulently.

APPENDIX C: ELECTRICITY GENERATION LICENSE

Appendix 1
Approved by the
ERC Resolution No. 41,
dated August 31, 1998

ENERGY REGULATORY COMMISSION OF THE REPUBLIC OF ARMENIA

Approved by the ERC
Resolution No. _____
dated _____

Chairman of the Energy Regulatory Commission

Signature

Name

Seal

LICENSE NO.

in _____ pages

**for the Generation of Electricity (Capacity)
in the Republic of Armenia**

Yerevan - _____

1. Definitions

Some of the concepts used in this License are defined in the following way:

Commission (ERC) - the Energy Regulatory Commission of the Republic of Armenia, which is a regulatory body in the power sector and is acting in accordance with the authorities delegated to him by the Government of Armenia and in conformance with the Energy Law of Armenia.

License - a document issued to the legal entity by the Energy Regulatory Commission (ERC), certifying its right to carry out the specific activities on fixed terms in the energy sector;

Licensee - a legal entity that has been issued the right with this License to carry out entrepreneurial activity of electricity (capacity) generation in the power sector;

National Electric Network (NEN) - as defined by the Energy Law of the Republic of Armenia (RoA);

Central Dispatch Service (CDS) - an organizational and technical system of dispatch and operative management in the structure of the National Electric Network.

Importer - a legal entity that has been issued a License of electricity (capacity) import into Armenia by the ERC.

Consumer- a physical or legal entity which has signed an electricity (capacity) supply contract (power purchase agreement) with the Licensee, or the Distributor, or the Transmitter, and is connected to a corresponding electric network, and has electricity consuming devices in his belonging.

Transmitter - a legal entity that has been issued a License for the transmission of electricity (capacity);

Distributor - a legal entity that has been issued a License for the distribution of electricity (capacity);

Exporter - a legal entity that has been issued a License for the export of electricity (capacity) from Armenia;

Effective date - the date of registration of the License by the Commission;

Force Majeure - an uncontrollable set of circumstances (natural calamities, military activities major accidents in the power system, restrictions provided by the RoA Legislation), occurred regardless of the Licensee's will, which make the implementation of the Licensed Activity partially or completely infeasible.

2. Effective Period of the License

- 2.1. This License becomes effective from the moment of its registration with the Energy Commission.
- 2.2. This License is issued for a period of _____ years.

3. Area of the Licensed Activity

- 3.1. With this License, the Licensee is given the right to carry out the Licensed Activity on its legally authorized territory*.

4. Installations

- 4.1. With this License, the Licensee shall carry out the Licensed Activity with the help of the energy installations specified in Appendix N 1-1.

5. Essence of the Licensed Activity

- 5.1. With this License, and starting the effective date, the Licensee is given the right to carry out electricity (capacity) generation, transformation and sale, using the energy installations in conformance with the provisions of this License.
- 5.2. The Licensee does not have the right to transfer (sell) any of the functions specified in Item 5.1 (representing the essence of the Licensed Activity) by contract or otherwise to other entities.

6. Provisions of the Licensed Activity

- 6.1. The Licensee's activity should be consistent with the requirements of this License, the normative standard documents established by the ERC, and the RoA Legislation.
 - 6.2. The Licensee shall be required to carry out the licensed activity in conformance with the principles of economic expediency, the active standards of the Republic of Armenia, the safety and reliability standards, ensuring the electricity (capacity) production indicators set by quotas.
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* The Authorization and layout should be attached to the License as its Appendix.

- 6.3. The Licensee shall not impede or attempt to impede other Licensee's generation, import, export activities in, into, or from the Republic of Armenia, and/or hinder the competition in the same field.
- 6.4. While carrying out his activity, the Licensee is required to ensure the safety of people's life and health, as well as their property, in compliance with the RoA Legislation.
- 6.5. Without the ERC's consent, the Licensee cannot become a shareholder or a stakeholder of other energy sector Licensees or merge with the above entities.
- 6.6. A shareholder or stakeholder, owning more than 35 % of the Licensee's charter fund cannot obtain shares or stocks of, or have partnership in, another energy sector Licensee, without an authorization from the ERC.
- 6.7. All power supply contracts (power purchase agreements) between the Licensee and other entities should be consistent with the model contracts developed by the ERC.
- 6.8. All power supply contracts (power purchase agreements) between the Licensee and other power sector Licensees are subject to registration with the ERC.
- 6.9. The Licensee shall be required to submit reports and information to the ERC, in forms and procedures established by the ERC on the following:
 - his bank accounts;
 - inspections and results of the inspections conducted by technical monitoring and supervision bodies;
 - previous activities;
 - technical and economic forecasts for the next accounting period;
 - long-term and short-term loan programs;
 - long-term and short-term technical restructurization, rehabilitation and modernization projects, as well as financial investments;

The presented financial and economic projects should be supported with corresponding calculations and should be coordinated with the ERC.

- 6.10. The financial accounting and reporting on the licensed activity must be consistent with the accounting requirements established by the RoA Legislation.
- 6.11. The financial accounting and reporting must be kept separately from the accounting and reporting of other types of activities carried out by the Licensee.
- 6.12. Each year, before April 30, the Licensee shall be required to publish the Financial and Economic Activity Report for the previous year in the national printed press, in accordance with the forms provided by the ERC. The published reports should not contain information of commercial or state confidentiality.
- 6.13. Upon the Commission's demand, the Licensee shall carry out an independent auditing of his financial and economic activity.
- 6.14. The Licensee is responsible for the accuracy of reports on the licensed activity and any other information submitted to the ERC, in accordance with procedures provided by the RoA Legislation.
- 6.15. The ERC shall be the one setting the maximum tariffs for electricity (capacity). The Licensee can use lower tariffs than the ERC-established ones, in accordance with the RoA Energy Law. The Licensee's possible losses occurred due to the application of the tariffs lower than the ones set by the Commission, shall not be taken into consideration during the tariff review process.
- 6.16. At any moment during the effective period of the License, at his own initiative, the Licensee can forward a petition for the Commission's review, pertaining the revision of the active tariffs, in forms and procedures established by the Commission.
- 6.17. At its own initiative and in accordance with its own procedures, the Commission can revise the active tariffs.
- 6.18. The Licensee shall carry out the costs associated with the Licensed Activity in accordance with corresponding cost articles included in tariffs, ensuring the safety and reliability of operation. In the event of a necessity to change the cost structure, the Licensee shall submit corresponding justifications to the Commission for coordination.
- 6.19. The ERC retains the right to include in tariffs only those costs which are justified and essential for the implementation of the licensed activity.
- 6.20. For the purposes of reviewing the License and the established quotas in set procedures, the Licensee shall be required to submit the following information (with supporting documents) in the following time-frames, to the ERC and the Central Dispatch Service (CDS):

- intention to restrict the electricity (capacity) generation set off by quotas for the current year - at least 6 months in advance;
 - intention to reduce the volumes of electricity (capacity) generation in the coming year - at least 9 months prior to the start of the calendar year;
 - unforeseen circumstances that have led or may lead to restriction of electricity (capacity) generation by the Licensee - immediately.
- 6.21. The Licensee shall be required to abide by the operative instructions and directions of the Central Dispatch Service (CDS) of the National Electric Network, in accordance with the provisions of the signed contracts and acting regulations.
- 6.22 All circumstances which lead or may lead to a breach of the provisions of this License, should be immediately reported to the ERC.

7. Monitoring of the Licensed Activity

- 7.1. The ERC shall carry out a monitoring of compliance with the provisions of this License in procedures set by the ERC.
- 7.2. In order to ensure the monitoring of compliance with the License provisions, the ERC and its authorized representatives shall have the right of free access to the premises of the Licensee. In the course of such inspections, the Licensee is required to be cooperative with and render assistance to the ERC and its authorized representatives.
- 7.3. On the premises of the Licensee, the ERC and its authorized representatives shall observe the company's internal rules and regulations, the safety and firefighting regulations, as well as the standards of the RoA Legislation.

8. Penalties, License Suspension and Revocation

- 8.1. The ERC shall be the one carrying out the monitoring of compliance with the License provisions, in cooperation with other authorized government bodies.
- 8.2. In the event of inappropriate compliance, noncompliance or violation of the License provisions, the ERC is authorized to exercise the following penalties, in accordance with Article 27 of the RoA Energy Law:

- a) A notice to the Licensee with instructions to rectify the violation;
- b) License suspension;
- c) License revocation.

The procedures of application of the above penalties shall be determined by the ERC. The ERC can penalize the Licensees in accordance with the procedures provided by the RoA Legislation.

- 8.3. In the event of penalizing the Licensee, the ERC and the Licensee shall be guided by Article 37 of the RoA Energy Law, as well as the RoA Legislation.
- 8.4. A License can be terminated at the initiative of the Licensee, based on his application in writing. Until the issuance of a corresponding ERC resolution on suspension or revocation of the License, the Licensee shall be required to continue his activity, in accordance with the License provisions.
- 8.5. Item 8.2 of this License shall not apply to the Licensee, if the recorded noncompliance with the License provisions was provoked by Force Majeure circumstances.

9. Amendments to the Provisions and Terms of the License

- 9.1. Amendments to the Operation License can be introduced at the initiative of both, the ERC and the Licensee, in accordance with procedures set by the Law.
- 9.2. In the event of any legal or organizational changes, the Licensee is required to immediately apply to the Commission for the re-registration of his License, or for the introduction of amendments and supplements in the License, or for a new License.
- 9.3. Within five days, the Licensee shall notify the ERC in writing about any changes in his legal address, foundation papers and bank account information.

10. Other Provisions

11. Notification

- 11.1. All the official notifications, applications (petitions), claims or other correspondence associated with the License should be in writing and be delivered via messengers or registered mail, requiring a verification of receipt. The addresses of the Parties should appear on the envelope. All notices or other correspondence shall be considered effective from the moment of delivery or, if they were not delivered due to the addressee's fault, from the moment of presentation.

Licensee's Postal Code: _____

Address: _____

Name: _____

Bank Accounts: _____

First and last name of the President _____

In verification of the foregoing, the Energy Regulatory Commission of the Republic of Armenia is issuing this License on the _____th day of the month _____ and the year _____ to the following:

Name of the Company

Legal address of the Company

Registration Date: _____

Registration Number: _____

First and last name of the responsible party and his/her signature

ENERGY REGULATORY COMMISSION OF THE REPUBLIC OF ARMENIA
ELECTRICITY GENERATION LICENSE

License Code

License Number

The License has been issued to _____

Full name of the company

LIST

of the Generating Unit(s) of the Plant(s)

Name of the Plant	Plant number of the Unit	Nominal Capacity (MW)	Year of Operation

APPENDIX D: ELECTRICITY TRANSMISSION LICENSE

Appendix 1
Approved by the
ERC Resolution No. --,
dated -----, 1998

ENERGY REGULATORY COMMISSION OF THE REPUBLIC OF ARMENIA

Approved by the ERC
Resolution No. _____
dated _____

Chairman of the Energy Regulatory Commission

Signature *Name*

Seal

LICENSE NO.
in _____ pages

**for the Transmission of Electricity (Capacity)
in the Republic of Armenia**

Yerevan - _____

1. Definitions

Some of the concepts used in this License are defined in the following way:

Commission (ERC) - the Energy Regulatory Commission of the Republic of Armenia, which is a regulatory body in the power sector and is acting in accordance with the authorities delegated to him by the Government of Armenia and in conformance with the Energy Law of Armenia.

License - a document issued to the legal entity by the Energy Regulatory Commission (ERC), certifying its right to carry out the specific activities on fixed terms in the energy sector;

Licensee - a legal entity that has been issued the right to carry out entrepreneurial activity in the power sector with this License;

National Electric Network (NEN) - as defined by the Energy Law of the Republic of Armenia (RoA);

Central Dispatch Service (CDS) - an organizational and technical system of dispatch and operative management in the structure of the National Electric Network.

Importer - a legal entity that has been issued a License of electricity (capacity) import into Armenia by the ERC.

Consumer- a physical or legal entity which has signed an electricity (capacity) supply contract (power purchase agreement) with the Licensee, or the Distributor, or the Transmitter, and is connected to a corresponding electric network, and has electricity consuming devices in his belonging.

Transmitter - a legal entity that has been issued a License for the transmission of electricity (capacity);

Distributor - a legal entity that has been issued a License for the distribution of electricity (capacity);

Exporter - a legal entity that has been issued a License for the export of electricity (capacity) from Armenia;

Effective date - the date of registration of the License by the Commission;

Force Majeure - an uncontrollable set of circumstances (natural calamities, military activities major accidents in the power system, restrictions provided by the RoA Legislation), occurred regardless of the Licensee's will, which make the implementation of the Licensed Activity partially or completely infeasible.

2. Effective Period of the License

- 2.1. This License becomes effective from the moment of its registration.
- 2.2. This License is issued for an unlimited time period.

3. Area of the Licensed Activity

- 3.1. With this License, the Licensee is given the right to carry out the Licensed Activity on the entire territory of the Republic of Armenia.

4. Installations

- 4.1. With this License, the Licensee shall carry out the Licensed Activity with the help of the energy installations specified in Appendix N 2-1.

5. Essence of the Licensed Activity

- 5.1. With this License, starting the effective date and within the territory specified in Item 3.1, the Licensee is given the right to carry out the entrepreneurial activity of accepting (receiving) the electricity (capacity) belonging to the Generation and Import Licensees and transmitting it to the Distribution Licensees, or, in particular cases, directly to the Customers.
- 5.2. The Licensee does not have the right to transfer (sell) the functions of operation and maintenance of HV networks (representing the essence of the Licensed Activity) by contract or otherwise to other entities.

6. Provisions of the Licensed Activity

- 6.1. The Licensee's activity should be consistent with the requirements of this License, the normative standard documents established by the ERC, and the RoA Legislation.
- 6.2. The Licensee shall be required to carry out the licensed activity in conformance with the principles of economic expediency, the active standards of the Republic of Armenia, the safety and reliability standards.

- 6.3. If technically feasible, the Licensee shall be required to transmit the electric energy belonging to the Generation, Import, Distribution Licensees or the Customers via HV networks at tariffs established by the RoA Energy Regulatory Commission (ERC).
- 6.4. While carrying out this activity, the Licensee is required to ensure the safety of people's life and health, as well as their property, in compliance with the RoA Legislation.
- 6.5. Without the ERC's consent, the Licensee cannot become a shareholder or a stakeholder of other energy sector Licensees or merge with the above entities.
- 6.6. A shareholder or stakeholder, owning more than 35 % of the Licensee's charter fund cannot obtain shares or stocks of, or have partnership in, another energy sector Licensee, without an authorization from the ERC.
- 6.7. The Licensee shall be required to ensure the state testing of all commercial metering devices.
- 6.8. All power transmission contracts between the Licensee and other entities should be consistent with the model contracts developed by the ERC.
- 6.9. All power transmission contracts between the Licensee and other power sector Licensees are subject to registration with the ERC.
- 6.10. The Licensee shall be required to submit reports and information to the ERC, in forms and procedures established by the ERC on the following:
 - his bank accounts;
 - inspections and results of the inspections conducted by technical monitoring and supervision bodies;
 - previous activities;
 - technical and economic forecasts for the next accounting period;
 - long-term and short-term loan programs;
 - long-term and short-term technical restructuring, rehabilitation and modernization projects, as well as financial investments;

The presented financial and economic projects should be supported with corresponding calculations and should be coordinated with the ERC.

- 6.11. The financial accounting and reporting on the licensed activity must be consistent with the accounting requirements established by the RoA Legislation.
- 6.12. The financial accounting and reporting must be kept separately from the accounting and reporting of other types of activities carried out by the Licensee.
- 6.13. Each year, before April 30, the Licensee shall be required to publish the Financial and Economic Activity Report for the previous year in the national printed press, in accordance with the forms provided by the ERC. The published reports should not contain information of commercial or state confidentiality.
- 6.14. Upon the Commission's demand, the Licensee shall carry out an independent auditing of his financial and economic activity.
- 6.15. The Licensee is responsible for the accuracy of reports on the licensed activity and any other information submitted to the ERC, in accordance with procedures provided by the RoA Legislation.
- 6.16. The ERC shall be the one setting the maximum transmission tariffs for electricity (capacity). The Licensee can use lower tariffs than the ERC-established ones, in accordance with the RoA Energy Law. The Licensee's possible losses occurred due to the application of the tariffs lower than the ones set by the Commission, shall not be taken into consideration during the tariff review process.
- 6.17. Deleted
- 6.18. At any moment during the effective period of the License, at his own initiative, the Licensee can forward a petition for the Commission's review, pertaining the revision of the active tariffs, in forms and procedures established by the Commission.
- 6.19. At its own initiative and in accordance with its own procedures, the Commission can revise the active tariffs.
- 6.20. The Licensee shall carry out the costs associated with the Licensed Activity in accordance with corresponding cost articles included in tariffs, ensuring the safety and reliability of operation. In the event of a necessity to change the cost structure, the Licensee shall submit corresponding justifications to the Commission for coordination in advance.
- 6.21. The ERC retains the right to include in tariffs only those costs which are justified and essential for the implementation of the licensed activity.

- 6.22. The Licensee shall be required to follow the instruction and directions of the Central Dispatch Service (CDS) of the National Electric Network, in accordance with the provisions of the signed contracts and acting regulations.
- 6.23. The Licensee shall be required to immediately report any unforeseen circumstances that have or may result in restrictions of electricity (capacity) acceptance or transmission to the ERC and CDS of the National Electric Network.
- 6.24. All circumstances which lead or may lead to a breach of the provisions of this License, should be immediately reported to the ERC.

7. Monitoring of the Licensed Activity

- 7.1. The ERC shall carry out a monitoring of compliance with the provisions of this License in procedures set by the ERC.
- 7.2. In order to ensure the monitoring of compliance with the License provisions, the ERC and its authorized representatives shall have the right of free access to the premises/substations of the Licensee. In the course of such inspections, the Licensee is required to be cooperative with and render assistance to the ERC and its authorized representatives.
- 7.3. On the premises/substations of the Licensee, the ERC and its authorized representatives shall observe the company's internal rules and regulations, the safety and fire fighting regulations, as well as the standards of the RoA Legislation.

8. Penalties, License Suspension and Revocation

- 8.1. The ERC shall be the one carrying out the monitoring of compliance with the License provisions, in cooperation with other authorized government bodies.
- 8.2. In the event of inappropriate compliance, noncompliance or violation of the License provisions, the ERC is authorized to exercise the following penalties, in accordance with Article 27 of the RoA Energy Law:
 - a) A notice to the Licensee with instructions to rectify the violation;
 - b) License suspension;
 - c) License revocation.

The procedures of application of the above penalties shall be determined by the ERC. The ERC can penalize the Licensees in accordance with the procedures provided by the RoA Legislation.

- 8.3. In the event of penalizing the Licensee, the ERC and the Licensee shall be guided by Article 37 of the RoA Energy Law, as well as the RoA Legislation.
- 8.4. A License can be terminated at the initiative of the Licensee, based on his application in writing. Until the issuance of a corresponding ERC resolution on suspension or revocation of the License, the Licensee shall be required to continue his activity, in accordance with the License provisions.
- 8.5. Item 8.2 of this License shall not apply to the Licensee, if the recorded noncompliance with the License provisions was provoked by Force Majeure circumstances.

9. Amendments to the Provisions and Terms of the License

- 9.1. Amendments to the Operation License can be introduced at the initiative of both, the ERC and the Licensee, in accordance with procedures set by the Law.
- 9.2. In the event of any legal or organizational changes, the Licensee is required to immediately apply to the Commission for the re-registration of his License, or for the introduction of amendments and supplements in the License, or for a new License.
- 9.3. Within five days, the Licensee shall notify the ERC in writing about any changes in his legal address, foundation papers and bank account information.

10. Other Provisions

11. Notification

- 11.1. All the official notifications, applications (petitions), claims or other correspondence associated with the License should be in writing and be delivered via messengers or registered mail, requiring a verification of receipt. The addresses of the Parties should appear on the envelope. All notices or other correspondence shall be considered effective from the moment of delivery or, if they were not delivered due to the addressee's fault, from the moment of presentation.

Licensee's Postal Code: _____

Address: _____

Name: _____

Bank Accounts: _____

First and last name of the President _____

In verification of the foregoing, the Energy Regulatory Commission of the Republic of Armenia is issuing this License on the _____th day of the month _____ and the year _____ to the following:

Name of the Company

Legal address of the Company

Registration Date: _____

Registration Number: _____

First and last name of the responsible party and his/her signature

ENERGY REGULATORY COMMISSION OF THE REPUBLIC OF ARMENIA
ELECTRICITY(CAPACITY) TRANSMISSION LICENSE

_____ *License Code*

_____ *License Number*

The License has been issued to _____
Full name of the company

Information on the Elements of “High Voltage Networks”

No.	Elements of the Network and Brand	Technical Characteristics	Volume/Capacity		Notes
			Unit	Amount	

APPENDIX E: DISPATCH LICENSE

ENERGY REGULATORY COMMISSION OF THE REPUBLIC OF ARMENIA

Approved by the ERC
Resolution No. _____
Dated _____

Chairman of the Energy Regulatory Commission

Signature

Name

Seal

LICENSE No.
In _____ **pages**

For the Electric Power System
Central Dispatch and System Coordination
In the Republic of Armenia

Energy Regulatory Commission of the Republic of Armenia

LICENSE CONDITIONS
For
ELECTRIC POWER SYSTEM
CENTRAL DISPATCH AND SYSTEM COORDINATION

License No. _____

Issued To

Armenergo

(Licensee)

Under the authority granted to it by the laws of the Republic of Armenia, the Energy Regulatory Commission (ERC) grants this License to perform electric power system central dispatch and system coordination to the above-named Licensee, subject to the License Conditions attached to this License and made an integral part hereof. This License is effective as of the date above written and will continue in effect for an indefinite period unless terminated by the ERC in accordance with said License Conditions or at any other time upon twenty-five years written notice.

1. General Provisions

- 1.1 This License, including these License Conditions, is issued pursuant to the "Electricity Law" of the Republic of Armenia.
- 1.2 If any condition of these License Conditions becomes null and void or otherwise ceases to be effective, the License Conditions shall be so amended and the remaining conditions shall continue in full force and effect.
- 1.3 The Licensee cannot transfer or assign this License to another party unless Licensee has received the prior written approval of the ERC.
- 1.4 At any one time, the Licensee can hold only one license for central dispatch and system coordination. Licensee may not hold any other type of electricity license.
- 1.5 The following words and phrases used in the License, these License Conditions and Annexes, when capitalized, shall have the meanings set forth below:

Associated Business	Any business which: <ul style="list-style-type: none"> 1. is directly or indirectly owned by the Licensee; 2. owns the Licensee in the whole or a part of it (both directly and indirectly); 3. is owned in the whole or partly, directly or indirectly by a company owned by the Licensee.
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Ancillary Services	Services in addition to power generation required to maintain established standards of electricity supply security, reliability and quality including: reactive power, frequency and voltage control, fast start, stand-by reserve, and other such services.
Cross Subsidies	Transfers of funds or allocations of costs within the accounts of Licensee or among Associated Businesses for financial support of on activity or business at the expense of another.
Effective Date	The date of legal registration of the License.
HV Transmission Grid (HVTG)	Electrical wires, towers, substations and other facilities operating at voltages of at least 110 kV which provide an interconnected system of bulk electricity supply facilities throughout the Republic.
License	Specific authorization granted by the ERC to the Licensee to conduct the Licensed Activities.
License Conditions	All of the provisions and terms contained herein and applicable to the rights and obligations of Licensee and the ERC with respect to the Licensed Activities.
Licensed Activities	Activities necessary for, and directly related to, the performance of electric power system central dispatch and system coordination in the Republic of Armenia by Licensee.
Licensee	The legal entity identified on page 1 of these License Conditions.
Licensees	Other legal entities who have licenses to operate in the electric power sector of the Republic of Armenia
Low Voltage Network (LVN)	Electric distribution facilities operating at 35 kV or less which are used to deliver a supplier's electricity to consumers.
Armenian Dispatch Center (ADC)	The licensee responsible for the process of controlling the operation of generating plants and other power industry facilities to provide system stability, security, reliability, safety and economic efficiency.
ADC Tariff	Prices that Licensee may charge for its dispatch, coordination and other services as set out in Annex A and approved by the ERC.
ERC	Energy Regulatory Commission of the Republic of Armenia
Grid Code	Technological Rules and Requirements governing operation, maintenance, and planning of the High Voltage Transmission Grid of the Republic of Armenia
Performance Agreement	An agreement between the Licensee and the ERC, which establishes incentives and penalties related to the measurable performance by Licensee of specific actions which are designed to improve the efficiency and effectiveness of its Licensed Activities.
Regulations and Rules	Standards, codes and other normative documents established by law, other legislative acts, contracts or other legally binding agreements.
Distribution License	A license issued by the ERC, authorizing the licensee to provide a supply of electricity to consumers within a fixed geographic area at tariffs regulated and approved by the ERC.

- 2.1 Licensee shall prepare Regulations and Rules necessary to assure the effective and efficient implementation of centralized dispatch and coordination of the integrated power system by Licensee, including provisions to regulate the conduct of other electricity licensees, through a collaborative process in which all holders of electricity licenses shall have an opportunity to fully participate. Regulations and Rules resulting from this process and proposed for adoption by Licensee, together with any dissenting views of other participants, shall be submitted to the ERC for its consideration, review and decision. The ERC shall conduct public meetings to invite the comments of any other interested parties, including consumers, concerning Licensee's proposal and, after consideration of all of the facts and arguments presented, shall issue its decision in writing, ordering the adoption of such Regulations and Rules as it finds most appropriate to balance the interests of all participants consistent with its statutory responsibilities.
- 2.2 Licensee shall not discriminate among Licensees in the conduct of its Licensed Activities.
- 2.3 The Licensee must not interfere with, prevent or attempt to prevent other licensees or potential competitors from engaging in or entering the electricity business in the Republic of Armenia or the business of importing or exporting power to or from the Republic of Armenia.
- 2.4 The Licensee shall not engage in Cross Subsidies.
- 2.5 The Licensee shall not engage in any form of monopoly activities prohibited by the laws of the Republic of Armenia, the resolutions or regulations adopted by the ERC.
- 2.6 Each six months after the Effective Date, the Licensee shall send a written statement to the ERC, in a form specified by the ERC, certifying that Licensee has complied with the provisions of paragraphs 2.3, 2.4 and 2.5 during the previous six months period. The ERC may at any time relieve the Licensee of this obligation either temporarily or permanently by written notice.
- 2.7 Licensee shall perform the Licensed Activities consistent with principles of economic efficiency and the objective of achieving lowest energy costs for consumers.
- 2.8 The Licensee shall not engage in any business activities in addition to Licensed Activities.
- 2.9 The Licensee shall not collaborate in any way with other licensees in preparing and negotiating with the ERC matters related to or affecting electricity tariffs, except as may expressly be permitted by law or by Regulations and Rules adopted by the ERC, or collude in any way regarding the Licensed Activities to the detriment of the interests of consumers.

3. Obligations of Licensee

3.1. Reporting

- 3.1.1. Licensee shall keep accounting records and prepare financial statements in accordance with regulatory accounting rules and procedures adopted by the ERC in the established order. In addition, Licensee shall submit to the ERC, upon its request and in the form and within the time set by the ERC, any other information as the ERC may require in the conduct of its authorized regulatory responsibilities.
- 3.1.2. Upon the request of the ERC, Licensee shall submit to the ERC copies of information provided to the Ministry of Energy, Ministry of Finance, the Department on Statistics or other

government agencies of the Republic of Armenia.

- 3.1.3. Licensee shall allocate common expenses among its Licensed Activities on a reasonable basis in accordance with generally accepted business practices and, upon request of the ERC, provide written documentation setting forth the basis for its allocations and the results obtained.
- 3.1.4. The Licensee shall notify the ERC within 10 days of any change in
 - a) address;
 - b) description of facilities;
 - c) bank account requisites.
- 3.1.5. Communications between the Licensee and the ERC pursuant to, or in connection with, this License must be given in writing and executed by a duly authorized officer, or his designated representative, of Licensee or the ERC, respectively.
- 3.2. Licensee shall ensure that any information obtained as a result of its Licensed Activities shall not be revealed to anyone, except for persons who perform Licensed Activities and who are authorized to receive such information, and also shall ensure that such information is not used for conducting any activities, other than the Licensed Activities, except:
 - a) with the prior written consent of the person or business entity to whose affairs the information relates;
 - b) if the information is already known to the public;
 - c) if the Licensee is required or permitted to disclose the information to comply with these License Conditions, an order of the ERC, or any applicable law; or
 - d) if the information must be disclosed in the normal course of performing Licensed Activities.
- 3.3. Information provided to the ERC by Licensee shall be considered public unless, upon specific request of Licensee, the ERC by formal decision finds that certain information is of a proprietary nature and that the public interest served by disclosure would not justify or offset the potential commercial harm to Licensee.
- 3.4. Licensee agrees to take appropriate actions to increase the operational and economic efficiency of its Licensed Activities for the benefit of consumers and, accordingly, Licensee agrees to enter into a Performance Agreement with the ERC pursuant to the relevant Regulations and Rules adopted by the ERC from time to time.
- 3.5. Centralized Dispatch Control
 - 3.5.1. Licensee shall direct and coordinate the operation of electric facilities within the integrated electric system of the Republic of Armenia in compliance with the Grid Code and all effective Regulations and Rules adopted by, or applicable to, the Armenian Dispatch Center in accordance with Paragraph 2.1.
 - 3.5.2. Licensee shall take such action as may be required to provide protection from faults, sudden loss of generation or consumer demands or other contingencies as may be reasonably foreseen to threaten the operational integrity or reliability of the integrated electric system of the Republic of Armenia in accordance with standards established in the Grid Code and Regulations and Rules of the Armenian Dispatch Center.

3.5.3 Licensee shall operate the integrated electric system of the Republic of Armenia with the objective of achieving lowest reasonable costs for consumers consistent with the provision of reliable, uninterrupted power supplies, including the merit order dispatch of available generating units or other sources of power and the provision of necessary Ancillary Services in accordance with the Grid Code and effective Regulations and Rules.

3.6 Settlement of System Transactions

3.6.1 Licensee shall keep accurate records of all energy flows into and through the HVTG facilities of the Republic of Armenia on a periodic basis consistent with the metering technology available. Where metering equipment is not adequate to record such data, or is inoperative or faulty, Licensee shall prepare estimates of such energy flows pursuant to effective Regulations and Rules.

3.6.2 Licensee shall prepare reports detailing the sources of all electricity flows and the amount of energy purchased by suppliers during each period, taking into account any contractual relationships between licensees, economy, maintenance or emergency energy flows, responsibilities for ancillary services, and all other matters required in accordance with the Grid Code and applicable Regulations and Rules adopted and approved by the ERC.

3.6.3 Licensee shall provide daily reports of energy transactions to all participating licensees and the ERC in accordance with the schedule provided for in Regulations and Rules.

3.6.4 Licensee shall not take or hold title to electricity flowing in the integrated electric system of the Republic of Armenia at any time. All obligations arising from system operations shall be and remain the responsibility of energy providers and purchasers as reported on a periodic basis by Licensee.

3.7 Changes in Capacity and System Planning

3.7.1 Licensee shall promptly notify the ERC of any material changes in the condition or capacity of any major electric generating units or HVTG facilities, which will increase or decrease the system's capacity to serve load for a period exceeding 15 days. Licensee shall also promptly prepare and submit to the ERC its plan to remedy such a situation.

3.7.2 Licensee shall notify the ERC immediately concerning any sudden disruptions or emergencies which occur on the integrated electric system of the Republic of Armenia, or other systems with which it is interconnected, and keep the ERC appraised of system conditions during the duration of any such events. Subsequent to the restoration of normal operating conditions, Licensee shall provide a full written report to the ERC describing the event and its actions and the actions of others to limit the severity and duration of the emergency and to restore normal conditions, together with Licensee's proposals and recommendations to prevent the reoccurrence of any such event.

- 3.7.3 The Licensee shall conduct planning studies to project and assess the ability of the integrated electric system of the Republic of Armenia to meet estimated future loads consistent with the reliability standards contained in the Grid Code and other applicable Regulations and Rules, examine alternative action plans and submit reports of its conclusions and recommendations to the ERC at three year intervals or as otherwise directed by the ERC.
- 3.8 ADC Tariffs and other charges:
- 3.8.1 ADC Tariffs are to be price regulated and must be approved by the ERC. The Licensee shall adjust ADC Tariffs for inflation in accordance with a methodology to be determined by the ERC.
- 3.8.2 Licensee shall be entitled to charge fees based on the ADC Tariffs set out in Annex A to all electricity suppliers who transmit electricity utilizing the HVTG system of Licensee. Such fees shall be based on meter readings taken at the interconnection points of Licensee's HVTG with LVN facilities or with the facilities of consumers who take service by direct connection to the HVTG.
- 3.8.3 ADC Tariffs approved by the ERC shall be set to provide the Licensee with sufficient revenue to cover reasonable levels of Licensee's costs and profits and to give an incentive to reduce these costs and to operate more efficiently.
- 3.8.4 The ERC may revise the ADC Tariffs at any time during the first year after the Effective Date, annually during the next two years and, subsequently, on each third anniversary of the Effective Date. The ERC may propose changes to the ADC Tariffs based on its review of financial reports, information and plans from the Licensee and any other data relevant to Licensee's operations.
- 3.8.5 During the first year after the Effective Date, the Licensee may appeal to the ERC to adjust the ADC Tariffs for good cause shown.
- 3.8.6 The Licensee shall, within two years of the Effective Date, propose to the ERC changes in the ADC Tariffs to improve the relationship between the pricing structure and actual costs of providing Licensee's services.
- 3.8.7 After approval by the ERC and five days before making them effective, Licensee shall publish in mass media information concerning its ADC Tariffs and Service Cost Methodologies in a form which is agreed upon with the ERC and intended to convey sufficient information to enable interested parties to have a clear understanding of the amount of charges to be paid and the structure of the ADC Tariffs and charges.
- 3.9. In the event of a disagreement, which cannot be resolved between Licensee and another licensee, the matter shall be submitted to the ERC for decision in accordance with its authority.
- 3.10. The Licensee must comply with all effective laws and legislative acts of the Republic of Armenia and with all effective Regulations and Rules.

- 3.11. The Licensee shall pay regulatory fees on a regular and continuing basis during the term of this License as determined by the ERC in accordance with effective Regulations and Rules.

4. Control Over the Performance of Licensed Activities

- 4.1. The ERC shall monitor Licensee's compliance with these License Conditions, review reports obtained from Licensee and, at any time, may inspect Licensee's premises or business records and may require an audit of Licensee's operations or accounting records.
- 4.2. The ERC and its authorized representatives have the right of access to Licensee's premises to inspect equipment, facilities and documents related to its Licensed Activities, and Licensee shall provide any required assistance necessary for the ERC to ensure compliance with these License Conditions.
- 4.3. Upon the substantiated complaint of any third party or upon its own motion, the ERC may initiate an investigation of Licensee's compliance with its License, including examination of Licensee's business practices with respect to the Licensed Activity.
- 4.4. If after an investigation, the ERC concludes that the Licensee has failed to comply with one or more of its License Conditions, the ERC may revise Licensee's ADC Tariffs and/or take such other actions within its scope of authority as it shall deem appropriate in the circumstances to protect the interests of electricity consumers.
- 4.5. Licensee is obliged to inform the ERC of any violation of these License Conditions immediately after becoming known to Licensee.
- 4.6. Licensee shall implement any compliance decision issued by the ERC, including the payment of fines levied by the ERC, with respect to violations of, or the enforcement of, these License Conditions in accordance with effective Regulations and Rules adopted by the ERC.

5. Amendment of License

- 5.1 For the period starting from the Effective Date and ending _____, and without seeking consensus of the Licensee, the ERC will review the License Conditions and, after providing an opportunity for all parties of interest to be heard in accordance with its effective procedures and giving careful consideration to all arguments presented, may introduce relevant amendments in License Conditions. Written notice of proposed amendments shall be delivered to the Licensee 30 days prior to making any such amendments effective.

Proposed and effective amendments shall be published in an Armenian newspaper having nationwide circulation at the expense of the ERC.

- 5.2 The ERC may also amend the License Conditions when:

- (a) necessary to comply with existing License Conditions; or
- (b) necessary to comply with legal acts of the Republic of Armenia; or
- (c) is required to enact a decision of the Antimonopoly Committee, or of the Court, or the Court of Arbitration.

Any such amendment shall be limited to those provisions required to implement existing License Conditions or to bring the License into compliance with said acts or decisions. Such amendment shall be published in an Armenian newspaper having nation-wide circulation at the expense of the ERC.

- 5.3 At any time either Licensee or the ERC may propose any other amendments to License Conditions, in addition to those provided for in Paragraphs 5.1 and 5.2, by transmitting its proposal in writing, together with supporting arguments, to the other party.

If the parties come to agreement on such a change, then License Conditions will be so amended. If the parties cannot reach agreement, the ERC may appeal to the courts.

- 5.4 Changes introduced to the License Conditions, except changes in accordance with Paragraph 5.1 and 5.2, shall be published in an Armenian newspaper having nation-wide circulation at the Licensee's expense.

6. License Suspension and Termination

- 6.1 By its own initiative pursuant to its effective Regulations and Rules, the ERC may suspend a License if:

- (a) Licensee violates License Conditions;
- (b) Licensee fails to implement a decision issued to Licensee by the ERC to enforce compliance with License Conditions;
- (c) Licensee agrees with a decision by the ERC to suspend the License; or
- (d) Licensee is declared bankrupt.

- 6.2 By notice to the Licensee given in writing, the ERC may terminate this License if:

- (a) Licensee is shown to have obtained its License fraudulently;
- (b) Licensee terminated the Licensed Activities on its own initiative or pursuant to a decision of the Court or the Court of Arbitration;
- (c) Licensee fails to comply with the provisions of an order of the ERC suspending the License within the period of License suspension;
- (d) Licensee fails to comply with effective legislation of the Republic of Armenia.
- (e) The term of License effectiveness expires (if applicable).

The Licensee has the right to appeal a termination decision of the ERC to the Arbitration Court.

- 6.3 If the Licensee changes its form of ownership or legal or organizational form, then this License becomes subject to review and modification by the ERC and may be declared null and void, in which case the successor to Licensee must apply for a new license in compliance with the ERC's procedures

for license issuance.

09/10/99

Energy Regulatory Commission of the Republic of Armenia

**LICENSE
For
ELECTRIC POWER SYSTEM
CENTRAL DISPATCH AND SYSTEM COORDINATION**

License Number: _____ Effective Date: _____

License Issued To: Armenergo
[Full Name of Licensee]

ANNEX A

ADC TARIFF _____ **Dram per kWh**

The Licensee shall adjust the ADC Tariff for inflation according to the methodology approved by the ERC.

APPENDIX F: ELECTRICITY DISTRIBUTION LICENSE

Appendix 2
Approved by the
ERC Resolution No. 41,
dated August 31, 1998

ENERGY REGULATORY COMMISSION OF THE REPUBLIC OF ARMENIA

Approved by the ERC
Resolution No. _____
dated _____

Chairman of the Energy Regulatory Commission

Signature

Name

Seal

LICENSE NO.

in _____ pages

**for the Distribution of Electricity (Capacity)
in the Republic of Armenia**

Yerevan - _____

1. Definitions

Some of the concepts used in this License are defined in the following way:

Commission (ERC) - the Energy Regulatory Commission of the Republic of Armenia, which is a regulatory body in the power sector and is acting in accordance with the authorities delegated to him by the Government of Armenia and in conformance with the Energy Law of Armenia.

License - a document issued to the legal entity by the Energy Regulatory Commission (ERC), certifying its right to carry out the specific activities on fixed terms in the energy sector;

Licensee - a legal entity that has been issued the right with this License to carry out entrepreneurial activity of electricity (capacity) distribution in the power sector;

National Electric Network (NEN) - as defined by the Energy Law of the Republic of Armenia (RoA);

Central Dispatch Service (CDS) - an organizational and technical system of dispatch and operative management in the structure of the National Electric Network.

Importer - a legal entity that has been issued a License of electricity (capacity) import into Armenia by the ERC.

Consumer- a physical or legal entity which has signed an electricity (capacity) supply contract (power purchase agreement) with the Licensee, or the Distributor, or the Transmitter, and is connected to a corresponding electric network, and has electricity consuming devices in his belonging.

Transmitter - a legal entity that has been issued a License for the transmission of electricity (capacity);

Distributor - a legal entity that has been issued a License for the distribution of electricity (capacity);

Generator - a legal entity that has been issued a License for the generation of electricity (capacity);

Exporter - a legal entity that has been issued a License for the export of electricity (capacity) from Armenia;

Effective date - the date of registration of the License by the Commission;

Force Majeure - an uncontrollable set of circumstances (natural calamities, military activities major accidents in the power system, restrictions provided by the RoA Legislation), occurred regardless of the Licensee's will, which make the implementation of the Licensed Activity partially or completely infeasible.

2. Effective Period of the License

- 2.1. This License becomes effective from the moment of its registration with the Energy Commission.
- 2.2. This License is issued for an unlimited period of time.

3. Area of the Licensed Activity

- 3.1. With this License, the Licensee is given the right to carry out the Licensed Activity in the area specified in Appendix 1.

4. Installations

- 4.1. With this License, the Licensee shall carry out the Licensed Activity with the help of the energy installations specified in Appendix 2.

5. Essence of the Licensed Activity

- 5.1. With this License, and starting the effective date, the Licensee is given the right to carry out the following activities within the area specified in Item 3.1. of this License:
 - a) distribution of electricity (capacity) to the Customers;
 - b) Purchase of electricity (capacity) from electricity transmission, generation and import Licensees, and sale;
- 5.2. The Licensee does not have the right to transfer (sell) by contract or otherwise the functions of dispatch, operative management and operation (which are the essence of the Licensed Activity) to other entities.

6. Provisions of the Licensed Activity

- 6.1. In the Area described in Item 3.1, the Licensee shall be given the franchise to implement the activities specified in Item 5.1(a) for a time period of at least 15 years.
- 6.2. In order to protect the rights given to the Licensee with this License, the ERC assumes the obligation to forbid the implementation of the franchise activity by any other entities, within the service Area of the Licensee, and for the time period specified in Item 6.1.
- 6.3. The Licensee's activity should be consistent with the requirements of this License, the normative standard documents established by the ERC, and the RoA Legislation.
- 6.4. The Licensee shall be required to carry out the licensed activity in conformance with the principles of economic expediency, the active standards of the Republic of Armenia, the safety and reliability standards.
- 6.5. The Licensee shall be required to provide power supply for the new customers in his service Area, in procedures provided by the RoA Legislation.
- 6.6. If technically feasible, the Licensee shall be required to wheel the electricity belonging to the transmitter, Generator and Importer and/or the Customer via his distribution network, at tariffs set by the ERC.
- 6.7. While carrying out his activity, the Licensee is required to ensure the safety of people's life and health, as well as their property, in compliance with the RoA Legislation.
- 6.8. Without the ERC's consent, the Licensee cannot become a shareholder or a stakeholder of other energy sector Licensees or merge with the above entities.
- 6.9. A shareholder or stakeholder, owning more than 35 % of the Licensee's charter fund cannot obtain shares or stocks of, or have partnership in, another energy sector Licensee, without an authorization from the ERC.
- 6.10. The Licensee shall be required to ensure the state testing of all commercial metering devices.
- 6.11. All power supply contracts (power purchase agreements) between the Licensee and other entities should be consistent with the model contracts developed by the ERC.
- 6.12. All power supply contracts (power purchase agreements) between the Licensee and other power sector Licensees are subject to registration with the ERC.

6.13. The Licensee shall be required to submit reports and information to the ERC, in forms and procedures established by the ERC on the following:

- his bank accounts;
- inspections and results of the inspections conducted by technical monitoring and supervision bodies;
- previous activities;
- technical and economic forecasts for the next accounting period;
- long-term and short-term loan programs;
- long-term and short-term technical restructurization, rehabilitation and modernization projects, as well as financial investments;

The presented financial and economic projects should be supported with corresponding calculations and should be coordinated with the ERC.

6.14. The financial accounting and reporting on the licensed activity must be consistent with the accounting requirements established by the RoA Legislation.

6.15. The financial accounting and reporting must be kept separately from the accounting and reporting of other types of activities carried out by the Licensee.

6.16. Each year, before April 30, the Licensee shall be required to publish the Financial and Economic Activity Report for the previous year in the national printed press, in accordance with the forms provided by the ERC. The published reports should not contain information of commercial or state confidentiality.

6.17. Upon the Commission's demand, the Licensee shall carry out an independent auditing of his financial and economic activity.

6.18. The Licensee is responsible for the accuracy of reports on the licensed activity and any other information submitted to the ERC, in accordance with procedures provided by the RoA Legislation.

6.19. The ERC shall be the one setting the maximum tariffs for electricity(capacity). The Licensee can use lower tariffs than the ERC-established ones, in accordance with the RoA Energy Law. The Licensee's possible losses occurred due to the application of the tariffs lower than the ones set by the Commission, shall not be taken into consideration during the tariff review process.

- 6.20. Tariffs for those services rendered to the Customers which can be carried out solely by the Licensee, should be coordinated with the ERC.
- 6.21. At any moment during the effective period of the License, at his own initiative, the Licensee can forward a petition for the Commission's review, pertaining the revision of the active tariffs, in forms and procedures established by the Commission.
- 6.22. At its own initiative and in accordance with its own procedures, the Commission can revise the active tariffs.
- 6.23. The Licensee shall carry out the costs associated with the Licensed Activity in accordance with corresponding cost articles included in tariffs, ensuring the safety and reliability of operation. In the event of a necessity to change the cost structure, the Licensee shall submit corresponding justifications to the Commission for coordination.
- 6.24. The ERC retains the right to include in tariffs only those costs which are justified and essential for the implementation of the licensed activity.
- 6.25. The Licensee shall be required to abide by the operative instructions and directions of the Central Dispatch Service (CDS) of the National Electric Network, in accordance with the provisions of the signed contracts and acting regulations.
- 6.26. Any unforeseen circumstances that lead or may lead to compelled restrictions of electricity (capacity) intake/distribution by the Licensee, should be immediately reported to the ERC and the CDS.
- 6.27. All circumstances which lead or may lead to a breach of the provisions of this License, should be immediately reported to the ERC.
- 6.28. In the event of power supply interruptions or restrictions, the Licensee must notify the Commission about that via corresponding services, in accordance with the procedures set by the ERC, the requirements of the power purchase agreements and the RoA Legislation.

7. Monitoring of the Licensed Activity

- 7.1. The ERC shall carry out a monitoring of compliance with the provisions of this License in procedures set by the ERC.
- 7.2. In order to ensure the monitoring of compliance with the License provisions, the ERC and its authorized representatives shall have the right of free access to the

premises of the Licensee. In the course of such inspections, the Licensee is required to be cooperative with and render assistance to the ERC and its authorized representatives.

- 7.3. On the premises of the Licensee, the ERC and its authorized representatives shall observe the company's internal rules and regulations, the safety and firefighting regulations, as well as the standards of the RoA Legislation.

8. Penalties, License Suspension and Revocation

- 8.1. The ERC shall be the one carrying out the monitoring of compliance with the License provisions, in cooperation with other authorized government bodies.

- 8.2. In the event of inappropriate compliance, noncompliance or violation of the License provisions, the ERC is authorized to exercise the following penalties, in accordance with Article 27 of the RoA Energy Law:

- a) a notice to the Licensee with instructions to rectify the violation;
- b) License suspension;
- c) License revocation.

The procedures of application of the above penalties shall be determined by the ERC. The ERC can penalize the Licensees in accordance with the procedures provided by the RoA Legislation.

- 8.3. In the event of penalizing the Licensee, the ERC and the Licensee shall be guided by Article 37 of the RoA Energy Law, as well as the RoA Legislation.

- 8.4. A License can be terminated at the initiative of the Licensee, based on his application in writing. Until the issuance of a corresponding ERC resolution on suspension or revocation of the License, the Licensee shall be required to continue his activity, in accordance with the License provisions.

- 8.5. Item 8.2 of this License shall not apply to the Licensee, if the recorded noncompliance with the License provisions was provoked by Force Majeure circumstances.

9. Amendments to the Provisions and Terms of the License

- 9.1. Amendments to the Operation License can be introduced at the initiative of both, the ERC and the Licensee, in accordance with procedures set by the Law.
- 9.2. In the event of any legal or organizational changes, the Licensee is required to immediately apply to the Commission for the re-registration of his License, or for the introduction of amendments and supplements in the License, or for a new License.
- 9.3. Within five days, the Licensee shall notify the ERC in writing about any changes in his legal address, foundation papers and bank account information.

10. Other Provisions

11. Notification

- 10.1. All the official notifications, applications (petitions), claims or other correspondence associated with the License should be in writing and be delivered via messengers or registered mail, requiring a verification of receipt. The addresses of the Parties should appear on the envelope. All notices or other correspondence shall be considered effective from the moment of delivery or, if they were not delivered due to the addressee's fault, from the moment of presentation.

Licensee's Postal Code: _____

Address: _____

Name: _____

Bank Accounts: _____

First and last name of the President _____

In verification of the foregoing, the Energy Regulatory Commission of the Republic of Armenia is issuing this License on the _____th day of the month _____ and the year _____ to the following:

Name of the Company

Legal address of the Company

Registration Date: _____

Registration Number: _____

First and last name of the responsible party and his/her signature

ENERGY REGULATORY COMMISSION OF THE REPUBLIC OF ARMENIA
ELECTRICITY (CAPACITY) DISTRIBUTION LICENSE

_____ *License Code*

_____ *License Number*

The License has been issued to _____
Full name of the company

_____ **kV Distribution Networks**

No.	Elements of the Network	Technical Characteristics	Volume/Capacity		Balance Sheet (leasing)
			Unit	Amount	

APPENDIX G: FUNDS ADMINISTRATION LICENSE

September 10, 1999

ENERGY REGULATORY COMMISSION OF THE REPUBLIC OF ARMENIA

Approved by the ERC
Resolution No. _____
Dated _____

Chairman of the Energy Regulatory Commission

Signature *Name*

Seal

LICENSE No.
In _____ **pages**

For the Wholesale Power Market
Funds Administration
In the Republic of Armenia

Energy Regulatory Commission of the Republic of Armenia

LICENSE CONDITIONS
For
WHOLESALE POWER MARKET
FUNDS ADMINISTRATION

License No. _____

Issued To

(Licensee)

Under the authority granted to it by the laws of the Republic of Armenia, the Energy Regulatory Commission (ERC) grants this License to perform funds administration of the wholesale electric power market to the above-named Licensee, subject to the License Conditions attached to this License and made an integral part hereof. This License is effective as of the date above written and will continue in effect for an indefinite period unless terminated by the ERC in accordance with said License Conditions or at any other time upon twenty-five years written notice.

1. General Provisions

- 1.1 This License, including these License Conditions, is issued pursuant to the "Energy Law" of the Republic of Armenia.
- 1.2 If any condition of these License Conditions becomes null and void or otherwise ceases to be effective, the License Conditions shall be so amended and the remaining conditions shall continue in full force and effect.
- 1.3 The Licensee cannot transfer or assign this License or any licensed activity described in these License Conditions to another party unless Licensee has received the prior written approval of the ERC.
- 1.4 At any one time, the Licensee can hold only one license for funds administration. Licensee may not hold any other type of electricity license.
- 1.5 The following words and phrases used in the License, these License Conditions and Annexes, when capitalized, shall have the meanings set forth below:

Effective Date	The date of legal registration of the License.
Escrow Account	A bank account held in the name of the power sector entity (depositor) which is returnable to depositor or paid to third person on the fulfillment of escrow condition.
License	Specific authorization granted by the ERC to the Licensee to conduct the Licensed Activities.

License Conditions	All of the provisions and terms contained herein and applicable to the rights and obligations of Licensee and the ERC with respect to the Licensed Activities.
Licensed Activities	Activities necessary for, and directly related to, the performance of the administration of funds for the wholesale power market in the Republic of Armenia by Licensee.
Licensee	The legal entity identified on page 1 of these License Conditions.
Licensees	Other legal entities who have licenses to operate in the electric power sector of the Republic of Armenia
ERC	Energy Regulatory Commission of the Republic of Armenia
Grid Code	Technological Rules and Requirements governing operation, maintenance, and planning of the High Voltage Transmission Grid of the Republic of Armenia
Performance Agreement	An agreement between the Licensee and the ERC, which establishes incentives and penalties related to the measurable performance by Licensee of specific actions which are designed to improve the efficiency and effectiveness of its Licensed Activities.
Regulations and Rules	Standards, codes and other normative documents established by law, other legislative acts, contracts or other legally binding agreements.

2 Carrying out the Licensed Activities

- 2.1 Licensee shall follow the Funds Administration Procedures of the Grid Code necessary to maintain an escrow and transit accounts to administer the flow of funds within the power sector of Armenia based on the proper accounting and distribution of amounts due to the Licensees engaged in the generation, transmission, dispatch and distribution of electricity.
- 2.2 Licensee shall not discriminate among Licensees in the conduct of its Licensed Activities.
- 2.3 The Licensee must not interfere with, prevent or attempt to prevent other licensees or potential competitors from engaging in or entering the electricity business in the Republic of Armenia or the business of importing or exporting power to or from the Republic of Armenia.
- 2.4 The Licensee shall not engage in any form of monopoly activities prohibited by the laws of the Republic of Armenia, the resolutions or regulations adopted by the ERC.
- 2.5 Each six months after the Effective Date, the Licensee shall send a written statement to the ERC, in a form specified by the ERC, certifying that Licensee has complied with the provisions of paragraphs 2.3 and 2.4 during the previous six month period. The ERC may at any time relieve the Licensee of this obligation either temporarily or permanently by written notice.
- 2.6 Licensee shall perform the Licensed Activities consistent with principles of economic efficiency and the objective of achieving lowest costs for consumers.
- 2.7 The Licensee shall not collaborate in any way with other licensees in preparing and negotiating with the ERC matters related to or affecting electricity tariffs, except as may expressly be permitted by law or by Regulations and Rules adopted by the ERC, or collude in any way regarding the Licensed

Activities to the detriment of the interests of consumers.

- 2.8 All funds related to carrying out its Licensed Activities will be kept separate from any other accounts held by the Licensee and such funds are to be protected from bankruptcy of the Licensee.

3. Obligations of Licensee

3.1. Reporting

- 3.1.1. Licensee shall keep accounting records and prepare financial statements in accordance with regulatory accounting rules and procedures adopted by the ERC in the established order. In addition, Licensee shall submit to the ERC, upon its request and in the form and within the time set by the ERC, any other information as the ERC may require in the conduct of its authorized regulatory responsibilities.
- 3.1.2. Upon the request of the ERC, Licensee shall submit to the ERC copies of information provided to the Ministry of Energy, Ministry of Finance, the Department on Statistics or other government agencies of the Republic of Armenia.
- 3.1.3. Licensee shall allocate common expenses among its Licensed Activities on a reasonable basis in accordance with generally accepted business practices and, upon request of the ERC, provide written documentation setting forth the basis for its allocations and the results obtained.
- 3.1.4. The Licensee shall notify the ERC within not less than 10 days before any change takes place in
- a) address;
 - b) description of facilities;
 - c) bank account requisites.
- 3.1.5. Communications between the Licensee and the ERC pursuant to, or in connection with, this License must be given in writing and executed by a duly authorized officer, or his designated representative, of Licensee or the ERC, respectively.

- 3.2 Licensee shall ensure that any information obtained as a result of its Licensed Activities shall not be revealed to anyone, except for persons who perform Licensed Activities and who are authorized to receive such information, and also shall ensure that such information is not used for conducting any activities, other than the Licensed Activities, except:

- a) with the prior written consent of the person or business entity to whose affairs the information relates;
- b) if the information is already known to the public;
- c) if the Licensee is required or permitted to disclose the information to comply with these License Conditions, an order of the ERC, or any applicable law; or
- d) if the information must be disclosed in the normal course of performing Licensed Activities.

- 3.3 Information provided to the ERC by Licensee shall be considered public unless, upon specific request of Licensee, the ERC by formal decision finds that certain information is of a proprietary nature and

that the public interest served by disclosure would not justify or offset the potential commercial harm to Licensee or to any other power sector entities.

- 3.4 Licensee agrees to take appropriate actions to increase the operational and economic efficiency of its Licensed Activities for the benefit of consumers and, accordingly, Licensee agrees to enter into a Performance Agreement with the ERC pursuant to the relevant Regulations and Rules adopted by the ERC from time to time.
- 3.5 Licensee shall maintain an escrow account and conduct the administration of funds flows between energy producers and purchasers pursuant to applicable Regulations and Rules approved by the ERC. Any licensee who sells or purchases energy through the integrated electric system of the Republic of Armenia may elect to utilize this funds administration service, which shall be separately accounted for and costs billed only to participants.
- 3.6 Licensee shall report to the ERC on a daily basis the failure of any participating licensee to adhere to the Regulations and Rules governing funds administration, which shall constitute a breach of License Conditions by said licensee. Failure of defaulting licensee to remedy such a breach promptly shall constitute grounds for license termination at the discretion of the ERC.
- 3.7 Licensee ensures that the revenues paid by consumers (including both cash and non-cash transactions) are transferred to the accounts of the licensees in amounts consistent with the tariffs approved by the ERC and established under Licenses or contracts.
- 3.8 In the event of a disagreement, which cannot be resolved between Licensee and another licensee, the matter shall be submitted to the ERC for decision in accordance with its authority.
- 3.9 Licensee must comply with all effective laws and legislative acts of the Republic of Armenia and with all effective Regulations and Rules.

4. Control Over the Performance of Licensed Activities

- 4.1. The ERC shall monitor Licensee's compliance with these License Conditions, review reports obtained from Licensee and, at any time, may inspect Licensee's premises or business records and may require an audit of Licensee's operations or accounting records as they relate to these Licensed Activities.
- 4.2. The ERC and its authorized representatives have the right of access to Licensee's premises to inspect equipment, facilities and documents related to its Licensed Activities, and Licensee shall provide any required assistance necessary for the ERC to ensure compliance with these License Conditions.
- 4.3. Upon the substantiated complaint of any third party or upon its own motion, the ERC may initiate an investigation of Licensee's compliance with its License, including examination of Licensee's business practices with respect to the Licensed Activity.
- 4.4. If after an investigation, the ERC concludes that the Licensee has failed to comply with one or more of its License Conditions, the ERC may take actions within its scope of authority as it shall deem appropriate in the circumstances to protect the interests of electricity consumers.
- 4.5. Licensee is obliged to inform the ERC of any violation of these License Conditions immediately after becoming known to Licensee.

- 4.6. Licensee shall implement any compliance decision issued by the ERC, including the payment of fines levied by the ERC, with respect to violations of, or the enforcement of, these License Conditions in accordance with effective Regulations and Rules adopted by the ERC.
- 4.7. Licensee shall ensure that an annual audit of the accounting records will be performed by an internationally recognized auditing firm. Such firm shall provide its written findings/audit report to both the Licensee and the ERC.

5. Amendment of License

- 5.1 The ERC may amend the License Conditions when:

- (a) necessary to comply with existing License Conditions; or
- (b) necessary to comply with legal acts of the Republic of Armenia; or
- (c) is required to enact a decision of the Court.

Any such amendment shall be limited to those provisions required to implement existing License Conditions or to bring the License into compliance with said acts or decisions. Such amendment shall be published in an Armenian newspaper having nation-wide circulation at the expense of the ERC.

- 5.2 At any time either Licensee or the ERC may propose any other amendments to License Conditions, in addition to those provided for in Paragraphs 5.1 by transmitting its proposal in writing, together with supporting arguments, to the other party.

If the parties come to agreement on such a change, then License Conditions will be so amended and the ERC will provide notice of the change to all licensed power sector entities. If the parties cannot reach an agreement, the ERC will open public hearings before the ERC and may appeal to the courts.

- 5.3 Changes introduced to the License Conditions, except changes in accordance with Paragraph 5.1 shall be published in an Armenian newspaper having nation-wide circulation at the Licensee's expense.

6. License Suspension and Termination

- 6.1 By its own initiative pursuant to its effective Regulations and Rules, the ERC may suspend a License if:

- (a) Licensee violates License Conditions;
- (b) Licensee fails to implement a decision issued to Licensee by the ERC to enforce compliance with License Conditions;
- (c) Licensee agrees with a decision by the ERC to suspend the License; or
- (d) Licensee is declared bankrupt.

- 6.2 By notice to the Licensee given in writing, the ERC may terminate this License if:

- (a) Licensee is shown to have obtained its License fraudulently;

- (b) Licensee terminated the Licensed Activities on its own initiative or pursuant to a decision of the Court;
- (c) Licensee fails to comply with the provisions of an order of the ERC suspending the License within the period of License suspension;
- (d) Licensee fails to comply with effective legislation of the Republic of Armenia.
- (e) The term of License effectiveness expires (if applicable).

The Licensee has the right to appeal a termination decision of the ERC to the Court.

- 6.3 If the Licensee changes its form of ownership or legal or organizational form, then this License becomes subject to review and modification by the ERC and may be declared null and void, in which case the successor to Licensee must apply for a new license in compliance with the ERC's procedures for license issuance.

09/10/99

Energy Regulatory Commission of the Republic of Armenia

**LICENSE
For
WHOLESALE POWER MARKET
FUNDS ADMINISTRATION**

License Number: _____ Effective Date: _____

License Issued To: _____
[Full Name of Licensee]

ANNEX A

Revenue Requirements (RR) _____ Drams per year

The Licensee shall adjust the RR for inflation according to the methodology approved by the ERC.

APPENDIX H: WHOLESALE CONTRACTING LICENSE

September 10, 1999

ENERGY REGULATORY COMMISSION OF THE REPUBLIC OF ARMENIA

Approved by the ERC

Resolution No. _____

Dated _____

Chairman of the Energy Regulatory Commission

Signature

Name

Seal

LICENSE No.

In _____ **pages**

**For the Wholesale Power Market
Contracting Group
In the Republic of Armenia**

Energy Regulatory Commission of the Republic of Armenia

LICENSE CONDITIONS
For
WHOLESALE POWER MARKET
CONTRACTING GROUP

License No. _____

Issued To

(Licensee)

Under the authority granted to it by the laws of the Republic of Armenia, the Energy Regulatory Commission (ERC) grants this License to perform contracting functions of the wholesale electric power market to the above-named Licensee, subject to the License Conditions attached to this License and made an integral part hereof. This License is effective as of the date above written and will continue in effect for three years, subject for renewal by the ERC on its own discretion.

1. General Provisions

- 1.1 This License, including these License Conditions, is issued pursuant to the "Energy Law" of the Republic of Armenia.
- 1.2 If any condition of these License Conditions becomes null and void or otherwise ceases to be effective, the License Conditions shall be so amended and the remaining conditions shall continue in full force and effect.
- 1.3 The Licensee cannot transfer or assign this License or any licensed activity described in these License Conditions to another party unless Licensee has received the prior written approval of the ERC.
- 1.4 At any one time, the Licensee can hold only one license for the wholesale contracting. Licensee may not hold any other type of electricity license. The Licensee, or its parent company, if applicable, cannot hold interest in any other licensee in the power sector.
- 1.5 The following words and phrases used in the License, these License Conditions, when capitalized, shall have the meanings set forth below:

Cross Subsidies	Transfers of funds or allocations of costs within the accounts of Licensee or among Associated Businesses for financial support of one activity or business at the expense of another.
Effective Date	The date of legal registration of the License.

License	Specific authorization granted by the ERC to the Licensee to conduct the Licensed Activities.
License Conditions	All of the provisions and terms contained herein and applicable to the rights and obligations of Licensee and the ERC with respect to the Licensed Activities.
Licensed Activities	Activities necessary for, and directly related to, the performance of electric power system central dispatch and system coordination in the Republic of Armenia by Licensee. More specifically, negotiating, executing, coordinating, and adjusting annual wholesale contracts for energy and capacity on a monthly and daily basis, including contracting for exports and imports of electric power.
Licensee	The legal entity identified on page 1 of these License Conditions.
Licensees	Other legal entities who have licenses to operate in the electric power sector of the Republic of Armenia
Large Retail Customer	A customer with an annual peak load equal or more than 10 MW
ERC	Energy Regulatory Commission of the Republic of Armenia
Grid Code	Technological Rules and Requirements governing operation, maintenance, and planning of the High Voltage Transmission Grid of the Republic of Armenia
Performance Agreement	An agreement between the Licensee and the ERC, which establishes incentives and penalties related to the measurable performance by Licensee of specific actions which are designed to improve the efficiency and effectiveness of its Licensed Activities.
Regulations and Rules	Standards, codes and other normative documents established by law, including the ERC, other legislative acts, contracts or other legally binding agreements.

2 Carrying out the Licensed Activities

- 2.1 The Licensee shall follow the Market Rules of the National Grid Code necessary to establish a power market for energy and capacity.
- 2.2 For at least first three years commencing on the date of approval of the Grid Code:
- (i) Direct customers (large industrial type) may only purchase energy and capacity from the Licensee;
 - (ii) The Licensee will be solely responsible for meeting the load and reserve margin requirements as determined by the distribution companies and direct customers;
 - (iii) All power imported and exported will be arranged by the Licensee. Power offers from Generators will be used for internal Armenian use first. No

power shall be offered for export at prices that would be detrimental to the Armenian customers.

- (iv) Capacity and energy will be contracted by the Licensee to meet the internal requirements of Armenia.
- (v) The Licensee will seek approval from the ERC of negotiated power contracts.

- 2.3 Distribution companies and direct customers, after the first three years of market operations, will be free to negotiate contracts directly with Generation Licensees.
- 2.4 Licensee shall not discriminate among Licensees in the conduct of its Licensed Activities.
- 2.5 The Licensee must not interfere with, prevent or attempt to prevent other licensees or potential competitors from engaging in or entering the electricity business in the Republic of Armenia or the business of importing or exporting power to or from the Republic of Armenia.
- 2.6 The Licensee shall not engage in Cross Subsidies.
- 2.7 The Licensee shall not engage in any form of monopoly activities prohibited by the laws of the Republic of Armenia, the resolutions or regulations adopted by the ERC.
- 2.8 Each six months after the Effective Date, the Licensee shall send a written statement to the ERC, in a form specified by the ERC, certifying that Licensee has complied with the provisions of paragraphs 2.4, 2.5, 2.6, and 2.7 during the previous six months period. The ERC may at any time relieve the Licensee of this obligation either temporarily or permanently by written notice.
- 2.9 Licensee shall perform the Licensed Activities consistent with principles of economic efficiency and the objective of achieving lowest costs for consumers.
- 2.10 The Licensee shall not engage in any business activities in addition to Licensed Activities.
- 2.11 The Licensee shall not collaborate in any way with other licensees in preparing and negotiating with the ERC matters related to or affecting electricity tariffs, except as may expressly be permitted by law or by Regulations and Rules adopted by the ERC, or collude in any way regarding the Licensed Activities to the detriment of the interests of consumers.
- 2.12 All funds related to carrying out its Licensed Activities will be kept separate from any other accounts held by the Licensee and such funds will be protected from bankruptcy of the Licensee.

3. Obligations of Licensee

3.1. Reporting

- 3.1.1. Licensee shall keep accounting records and prepare financial statements in accordance with regulatory accounting rules and procedures adopted by the ERC in the

established order. In addition, Licensee shall submit to the ERC, upon its request and in the form and within the time set by the ERC, any other information as the ERC may require in the conduct of its authorized regulatory responsibilities.

- 3.1.2. Upon the request of the ERC, Licensee shall submit to the ERC copies of information provided to the Ministry of Energy, Ministry of Finance, the Department on Statistics or other government agencies of the Republic of Armenia.
- 3.1.3. Licensee shall allocate common expenses among its Licensed Activities on a reasonable basis in accordance with generally accepted business practices and, upon request of the ERC, provide written documentation setting forth the basis for its allocations and the results obtained.
- 3.1.4. The Licensee shall notify the ERC within not less than 10 days before any change takes place in
 - a) address;
 - b) description of facilities;
 - c) bank account requisites.
- 3.1.5. Communications between the Licensee and the ERC pursuant to, or in connection with, this License must be given in writing and executed by a duly authorized officer, or his designated representative, of Licensee or the ERC, respectively.
- 3.2. Licensee shall ensure that any information obtained as a result of its Licensed Activities shall not be revealed to anyone, except for persons who perform Licensed Activities and who are authorized to receive such information, and also shall ensure that such information is not used for conducting any activities, other than the Licensed Activities, except:
 - a) with the prior written consent of the person or business entity to whose affairs the information relates;
 - b) if the information is already known to the public;
 - c) if the Licensee is required or permitted to disclose the information to comply with these License Conditions, an order of the ERC, or any applicable law; or
 - d) if the information must be disclosed in the normal course of performing Licensed Activities.
- 3.3. Information provided to the ERC by the Licensee shall be considered public unless, upon specific request of the Licensee, the ERC by formal decision finds that certain information is of a proprietary nature and that the public interest served by disclosure would not justify or offset the potential commercial harm to the Licensee or to any other power sector entities.
- 3.4. The Licensee agrees to take appropriate actions to increase the operational and economic efficiency of its Licensed Activities for the benefit of consumers and, accordingly, Licensee agrees to enter into a Performance Agreement with the ERC pursuant to the relevant Regulations and Rules adopted by the ERC from time to time.
- 3.5. The Licensee shall be responsible for securing power sales and purchase contracts for electric power and capacity to meet the requirements as determined by the distribution companies and

large retail customers served directly, as well as requirements of the system (ancillary services).

- 3.6 The Licensee shall be responsible for making monthly and daily adjustments to the capacity and energy purchases and sales as requested by the distribution companies or large retail customers.
- 3.7 The Licensee shall immediately report to the ERC the failure of any participating licensee to adhere to the Regulations and Rules governing operation of the wholesale market, in particular, failure to assume responsibility for forecasting their peak load and energy requirements and to provide a request to the Licensee of their capacity and energy requirements in a timely manner. This failure shall constitute a breach of License Conditions by said licensee. Failure of defaulting licensee to remedy such a breach promptly shall constitute grounds for license termination at the discretion of the ERC.
- 3.8 In the event of a disagreement, which cannot be resolved between the Licensee and another licensee, the matter shall be submitted to the ERC for decision in accordance with its authority.
- 3.9 The Licensee must comply with all effective laws and legislative acts of the Republic of Armenia and with all effective Regulations and Rules.
- 3.10 Licensee shall pay regulatory fees on a regular and continuing basis during the term of this License as determined by the ERC in accordance with effective Regulations and Rules.

4. Control Over the Performance of Licensed Activities

- 4.1. The ERC shall monitor Licensee's compliance with these License Conditions, review reports obtained from Licensee and, at any time, may inspect Licensee's premises or business records and may require an audit of Licensee's operations or accounting records as they relate to these Licensed Activities.
- 4.2. The ERC and its authorized representatives have the right of access to Licensee's premises to inspect equipment, facilities and documents related to its Licensed Activities, and Licensee shall provide any required assistance necessary for the ERC to ensure compliance with these License Conditions.
- 4.3. Upon the substantiated complaint of any third party or upon its own motion, the ERC may initiate an investigation of Licensee's compliance with its License, including examination of Licensee's business practices with respect to the Licensed Activity.
- 4.4. If after an investigation, the ERC concludes that the Licensee has failed to comply with one or more of its License Conditions, the ERC may take actions within its scope of authority as it shall deem appropriate in the circumstances to protect the interests of electricity consumers.
- 4.5. Licensee is obliged to inform the ERC of any violation of these License Conditions immediately after becoming known to Licensee.

- 4.6. Licensee shall implement any compliance decision issued by the ERC, including the payment of fines levied by the ERC, with respect to violations of, or the enforcement of, these License Conditions in accordance with effective Regulations and Rules adopted by the ERC.
- 4.7. Licensee shall ensure that an annual audit of the accounting records will be performed by an internationally renown auditing firm. Such firm shall provide its written findings/audit report to both the Licensee and the ERC.

5. Amendment of License

- 5.1 For the period starting from the Effective Date and ending _____, and without seeking consensus of the Licensee, the ERC will review the License Conditions and, after providing an opportunity for all parties of interest to be heard in accordance with its effective procedures and giving careful consideration to all arguments presented, may introduce relevant amendments in License Conditions. Written notice of proposed amendments shall be delivered to the Licensee 30 days prior to making any such amendments effective.

Proposed and effective amendments shall be published in an Armenian newspaper having nation-wide circulation at the expense of the ERC.

- 5.2 The ERC may also amend the License Conditions when:

- (a) necessary to comply with existing License Conditions; or
- (b) necessary to comply with legal acts of the Republic of Armenia; or
- (c) is required to enact a decision of the Court.

Any such amendment shall be limited to those provisions required to implement existing License Conditions or to bring the License into compliance with said acts or decisions. Such amendment shall be published in an Armenian newspaper having nation-wide circulation at the expense of the ERC.

- 5.3 At any time either Licensee or the ERC may propose any other amendments to License Conditions, in addition to those provided for in Paragraphs 5.1 and 5.2, by transmitting its proposal in writing, together with supporting arguments, to the other party.

If the parties come to agreement on such a change, then License Conditions will be so amended and the ERC will provide notice of the change to all licensed power sector entities. If the parties cannot reach an agreement, the ERC will open public hearings before the ERC and may appeal to the courts.

- 5.4 Changes introduced to the License Conditions, except changes in accordance with Paragraph 5.1 and 5.2, shall be published in an Armenian newspaper having nation-wide circulation at the Licensee's expense.

6. License Suspension and Termination

6.1 By its own initiative pursuant to its effective Regulations and Rules, the ERC may suspend a License if:

- (a) Licensee violates License Conditions;
- (b) Licensee fails to implement a decision issued to Licensee by the ERC to enforce compliance with License Conditions;
- (c) Licensee agrees with a decision by the ERC to suspend the License; or
- (d) Licensee is declared bankrupt.

6.2 By notice to the Licensee given in writing, the ERC may terminate this License if:

- (a) Licensee is shown to have obtained its License fraudulently;
- (b) Licensee terminated the Licensed Activities on its own initiative or pursuant to a decision of the Court;
- (c) Licensee fails to comply with the provisions of an order of the ERC suspending the License within the period of License suspension;
- (d) Licensee fails to comply with effective legislation of the Republic of Armenia.
- (e) The term of License effectiveness expires (if applicable).

The Licensee has the right to appeal a termination decision of the ERC to the Court.

6.3 If the Licensee changes its form of ownership or legal or organizational form, then this License becomes subject to review and modification by the ERC and may be declared null and void, in which case the successor to Licensee must apply for a new license in compliance with the ERC's procedures for license issuance.

09/10/99

Energy Regulatory Commission of the Republic of Armenia

**LICENSE
For
WHOLESALE POWER MARKET
CONTRACTING GROUP**

License Number: _____ Effective Date: _____

License Issued To: _____
[Full Name of Licensee]

ANNEX A

Revenue Requirements (RR) _____ Drams per year

The Licensee shall adjust the RR for inflation according to the methodology approved by the ERC.