

**ENERGY REGULATOR AUTHORITY**

**LICENSE**

**ON**

**NATURAL GAS DISTRIBUTION ACTIVITY**

**License No:** \_\_\_\_\_

**ERE Decision No. \_\_\_\_\_, of date: \_\_\_\_\_ Effective date: \_\_\_\_\_**

**Issued to:** \_\_\_\_\_

**(Full Name and Legal Address of the Person)**

**NUIS:** \_\_\_\_\_

**ERE Decision for the certification of the subject** \_\_\_\_\_

According to the ERE authority and in conformity with:

- (i) Law No. 102/2015 “On Natural Gas Sector”,
- (ii) The regulation on the procedures and terms of license issue, modification transferring or license removal on natural gas sector approved by ERE Board Decision No.97 of 04.07.2017
- (iii) Regulation on the procedures of revocation of licenses in power and natural gas sectors, approved by ERE Board Decision No 58 of 18.04.2017;
- (iv) The regulation on ERE organization, operation and procedures approved by ERE Board Decision No. 96 of 17.06.2016 and
- (v) The Regulations and Rules relating to Natural Gas Sector.

Energy Regulator Authority issues this Distribution License (“**License**”), to perform Natural Gas Distribution activity in the Territory defined in this License, the above mentioned Person, hereinafter “**the Licensee**”, subject of the License Conditions attached and integral, inseparable part of this License.



This License together with the attached conditions is valid from the above mentioned Effective Date and shall be effective for a 30 year period, if the License is not terminated by ERE implementing Article 27 of Law 102/2015 “On Natural Gas Sector”, and in conformity with the Regulation on the procedures for revocation of licenses in power and natural gas sectors and the Conditions of this License.

The Issuing Authority (ERE)

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Chairman

[ERE premises]

Accepted from the Licensed Person together with the License Conditions;

Licensee

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Legal Representative

**REPUBLIC OF ALBANIA**  
**ENERGY REGULATOR AUTHORITY**  
**LICENSE CONDITIONS**  
**ON**  
**NATURAL GAS DISTRIBUTION ACTIVITY**

Licence No: \_\_\_\_\_

ERE Board Decision no. \_\_\_\_\_, of date: \_\_\_ Effective Date: \_\_\_\_\_

License issued to the Person: \_\_\_\_\_

(Full Name and the Legal Address of the  
Person)

NUIS \_\_\_\_\_

## **First Part**

### **Article 1**

#### **General Provisions**

- a) In conformity with Law No. 102/2015 “On Natural Gas Sector”, ERE is the only Authority in the Republic of Albania, that has the right to issue and declare the effectiveness of this License.
- b) If based on an ERE written decision any of the conditions of this License becomes void, is cancelled or ceases to be effective, the questioned condition/conditions shall be removed from the License Conditions while the remaining Conditions shall continue to be fully effective.
- c) It is not permitted the transfer of the License rights or the asset transfer to any other person, without the written prior approval of ERE. When approving a transfer, ERE may modify the License Period or any other Condition of the License indicating the reason.
- d) The licensee shall respect the effective laws, Government Decisions, the Regulation and Rules, as well as the decisions approved by ERE.
- e) ERE has the exclusive right to modify this License in case of any change of the conditions and circumstances in conformity with the amendments in the law, Government Decisions, the Regulations and Rules, as well as the decisions approved by ERE.

#### ***The terms and definitions used according:***

Law no.102/2015, “On Natural Gas Sector”; the Regulation on the procedures and terms for license issue, modification, transferring or license termination on natural gas sector; the Regulation on the procedures of license termination in power and natural gas sector; the Regulations and Rules that belong to Natural Gas Sector, are included on this License for any purpose. The words and phrases used on this License and in the License Conditions, which are not included on the above laws and regulations, shall have the meaning as follows:

**Energy Regulator Authority or “ERE”** shall mean the regulator institution for power and natural gas sector acting according to Law 43/2015 “On Power Sector” and Law No. 102/2015 “On Natural Gas Sector”

**Cross-subsidies** shall mean the transfer of funds or the allocation of the costs among the Licensee accounts, or accounts of Associated Businesses for the financial support of an activity or business other than the distribution of natural gas from the incomes earned by the Licensee in carrying out the Licensed Activity, or transferring the costs incurred by the Licensee in carrying out the Licensed Activity to another activity or business other than the distribution of natural gas.

**Licensed Activity** shall mean the activities directly connected and necessary for the operation and usage of the Distribution System and the inter-operability with other natural gas systems, the deposit and distribution, to perform Natural Gas distribution activity in the License Territory in conformity with the effective Regulations and Rules.

**Licensee** as used in this document, shall mean a Person mentioned on the first page of the License, which is authorised by ERE to perform the Licensed Activity.

**Distribution Grid Code** is a set of technical rules that regulate the functioning of the distribution network, and are establish the conditions of service provided by the distribution system operators for users of this system

**Distribution Service Tariff or Distribution Tariff** shall mean the price for the service offered from the distribution system operator for natural gas, set by ERE on the basis of the tariff calculation methodology approved by ERE pursuant to Articles 16(1)(a), 32 and 33 of Law No. 102/2015 “On Natural Gas Sector”.

**Distribution System User or (System User)** shall mean the Person that supplies or is supplied by the system, and the system operator himself, that, is connected in the Distribution System and that benefits from the Distribution services.

**Licensing Procedures for Natural Gas Sector** shall mean the Regulation “On the procedures and terms for license issue, modification, transferring or license removal in natural gas sector”, approved by ERE Board Decision No.97 of 04.07.2017.

**Legislation in force** shall mean all the standards, codes,regulations, rules methodologies and any other decision ose act in force, approved by ERE and other competent authorities according to Law no.102/2015 “On Natural Gas Sector”.

**Distribution Network** shall mean the interconnected pipeline network used for Natural Gas Distribution in the License Territory.

**License Territory** shall have the meaning defined on article 2 of this License.

**Commercial Sensitive Information** shall mean the data regarding the business or the commercial nature data of the System Users owned by the Licensee during the process of exercising the Licensed Activity, which shall be confidential.

**“Commercial Advantage Information”** shall mean the information connected with the activity of the Licensee himself, which shall be kept confidential and shall not be given which shall be kept confidential and shall not be issued or be discredited to others in a discriminatory way.

**Article 2**

**2 Territory of Exercising the Licensed Activity.**

1. In conformity with the effective Legislation, the Rules and Regulations and the development of natural gas sector in Albania, the Licensee shall exercise the Licensed Activity for Natural Gas Distribution in the Distribution System in the License Territory.
2. The License Territory shall include the administrative units as follows;

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3. Encompassing the entire Distribution Network in respective administrative units, including natural gas distribution pipelines and connecting pipelines in the Distribution System with the exit point/points from the Transmission System from which shall be ensured the delivery of Natural Gas.
4. Any change of the License Territory is performed in conformity with the Licensing Procedures for the Natural Gas Sector or other applicable Regulations and Rules approved or amended by ERE

**Second Part**

**Article 3**

***Operational Obligations of the Licensee***

1. The licensee is authorized that according to this License to perform the Licensed Activity in the License Territory. Being supported on article 23(3) of Law No. 102/2015 “On Natural Gas Sector” and the legislation in force, this right shall be issued to the Licensee on exclusive basis.
2. The Distribution System Operator connects the distribution network for all the customers, based on non discriminatory transparent conditions provided on the Distribution Network Code and other regulations in force, on the condition that the distribution system to have sufficient capacity and meet all the other technical and trading conditions.
3. The Distribution System Operator ensures non discriminatory access for all the system users in the distribution grid, as required on the License Conditions and in conformity with Article 54 of Law No. 102/2015 “On Natural Gas Sector”, the Distribution Network Code

- and other legislation in force, avoiding discrimination between the system users or user's categories, especially in favor of the companies associated with them.
4. The Distribution System Operator ensures to the system users information that is easily accessible from the parties for the provision of services, the service conditions and any technical necessary information for an effective access in the network, in conformity with the exceptions from the confidential information approved by ERE.
  5. The Distribution System Operator provides any system operator sufficient information to ensure the transport to storage natural gas and make possible, in conformity with the safe and efficient operation of the interconnection system.
  6. The Distribution System Operator publishes the conditions and criteria approved by ERE, including the rules and tariffs for ensuring the distribution services as well as the data regarding the distribution market.
  7. When the Distribution System Operator is responsible for balancing the distribution system, the approved regulations from it shall be objective, transparent and non-discriminatory, including the rules for invoicing the users for disbalancing. The obligations and the conditions, including the rules and the tariffs for ensuring such services from the Distribution System Operator are defined based on a methodology approved by ERE in a non-discriminatory way and with effective costs which shall be published.
  8. Distribution System Operator preserves the confidentiality of any commercially sensitive information regarding the user, received during the performance of its activity, and prevents the disclosure of commercially advantageous information in a discriminatory way, that may create commercial advantages in the moment that they are public. The Distribution System Operator, in the sale or purchase of natural gas from responsible entities, shall not abuse with the commercial information received from the third parties in giving or negotiating the access in the system.
  9. The Distribution System Operator is responsible to perform the technical control in facilities where the DSO performs the distribution of natural gas, in a way to guarantee that they operate in conformity with the technical and safety rules in the natural gas sector.
  10. The Licensee shall be responsible for ensuring the long-term ability of the Distribution System within the License Territory, and shall operate, maintain, use and develop the Distribution System in a secure, reliable and efficient manner, with due regard for the environment and energy efficiency, and ensuring sufficient capacity to fulfill the requirements of all System Users.
  11. The Licensee shall ensure a reliable and efficient performance of the Licensed Activity within the License Territory in accordance with Law No. 102/2015 "On Natural Gas Sector", the Distribution Network Code, other applicable Rules and Regulations, and these License Conditions.
  12. The Licensee shall be independent and unbundled from any other activity not related to the Licensed Activity pursuant to Article 51 of Law No. 102/2015 "On Natural Gas Sector". This shall be without prejudice for the Licensee's operation as of a Combined Operator pursuant to Article 80 of Law No. 102/2015 "On Natural Gas Sector".
  13. Not later than in 6 months from the Effective Date of this License, the Licensee shall prepare and deliver for approval at ERE a proposal of the Distribution System Code pursuant to Article 55 of Law No. 102/2015 "On Natural Gas Sector".



14. The Licensee shall ensure that the Distribution System and all pipelines and other facilities, including the compressor stations, pressure reductions, the meters and any other equipment are constructed and maintained according to the effective technical and safety rules in the natural gas sector. Construction and use of natural gas distribution pipelines and other Distribution System infrastructure shall be subject to authorizations required under Article 11 of Law No. 102/2015 “On Natural Gas Sector”.
15. The Licensee shall prepare and submit to ERE the development and investment Plan of the distribution network for 10 years with a view to ensure the security, reliability, regularity and quality of the Licensed Activity pursuant to Article 56 of Law No. 102/2015 “On Natural Gas Sector”. The Plan shall be adapted each year for the next 10 years and submitted to ERE not later than by 31 October. The development and investment plan shall contain short, middle, long term indicators. The short term indicators shall cover a 3 year period, the middle ones a 6 year period and the long term ones a 10 year period.
16. The Development and Investment Plan of the Distribution Network becomes binding upon the Licensee after having it consulted and approved by ERE and adopted by the Licensee. Implementation of the Plan is monitored and enforced by ERE under the terms and conditions stipulated in Law No. 102/2015 “On Natural Gas Sector”.
17. The Plan for the development and expansion of the Distribution System, the Distribution System Operator shall take into consideration the legal provisions for environmental protection and energy efficiency. This plan shall especially contain;
  - a. A description of the current situation of the Distribution System;
  - b. A description and assessment of the refusal cases for third party access and the proposed measures to improve the situation.
  - c. Expectation of the needs for maintenance, development, expansion and modernization of the Distribution System and its functional capacity to fulfill the needs for distribution capacities of all Users of the License Territory for the respective period.
  - d. Interaction with the Transmission System with which it is connected.
  - e. Financial resources for implementing the plan.
18. The Licensee shall not prevent or attempt to prevent other participants of the market or competitors which aim to be engaged in a Natural Gas business in the Republic of Albania.
19. The Licensee shall not set another payment for the Distribution Services except for the Distribution Tariff approved by ERE.
20. The Licensee shall not be engaged in Cross-Subsidies. In conformity with Article 30 Law No. 102/2015, “On Natural Gas Sector” and ERE Regulations and Rules, the Licensee shall keep separate accounts for each of the licensed energy activities which it exercises and separate accounts for any other activities, which may be consolidated, in such a way as to prove the reliability to ERE and any other competent authority that there are no Cross-subsidies, there is no violation of competition and no discrimination in the activities of the Licensee. The Licensee shall draw up, submit to audit and publish its annual accounts under the terms and conditions stipulated in the applicable laws of Albania and in compliance with international accounting standards.

21. The Licensee shall not be engaged in any form of monopoly or other activity that damage the competition. This shall be without prejudice to the exclusive authorization granted to the Licensee for performance of the Licensed Activity in the License Territory in accordance with Article 23(3) of Law No. 102/2015 “On Natural Gas Sector” and point 3 of these License Conditions.
22. During performing the Licensed Activity, the Licensee is responsible for the safety of health and life of the persons, their property and the damage of the environment in conformity with the legislation in force, including the technical and safety rules in the natural gas sector and the Regulations and Rules approved by ERE. The Licensee shall have a safety certificate from the insurance company (which operate in conformity with the Albanian Legislation in force) that evidences the cover of the responsibilities for injuries, illnesses or deaths of the Persons or for loss/damage of the property caused or that may have resulted from the Applicant activities within the required License in a responsibility level not less than 10 million \$. This policy or other security policies are and shall be in force and fully effective for the duration of the required License. Furthermore the Licensee shall remain responsible for any caused or related damage, or that may result from the performed activities for the duration of the License.
23. At any time, the Licensee shall own and set available to ERE accurate data on:
  - a. The location of the installations and the pipeline track including the Topographic map.
  - b. The covered geographic area.
  - c. The technical maximum capacity contracted and available for all in take System points and off take System points and its interconnections with other Transmission and Distribution networks, storage, generation plants and LNG terminals
  - d. Projected daily volumes to be processed according to his estimations.
  - e. Technical standards, projected maximum pressures, compression requirements and other technical characteristics of the machineries and technical equipments that shall be installed.
  - f. Projected work pressures supported on its estimations.

- g. The customer categories and projected deliveries.
  - h. Location of the meters and specifications.
  - i. Depreciation plans including locations
  - j. Evidences of the contracts /commitments.
  - k. The working program to implement the project and the expected lifetime of the project.
  - l. Average natural gas amount expected to be distributed during a year supported on a typical monthly program.
24. If the Licensee is confronted or foresees an emergency situation that threatens the life and health of the persons, or their property safety, the environment, sustainability of the Distribution System or the security of supply than the Licensee undertakes the necessary measures to improve or prevent the influence of the current or expected emergency situation in accordance with Law No. 102/2015 “On Natural Gas Sector”, the Emergency Plan adopted by the Council of Ministers, the Distribution Network Code, technical and safety rules in the natural gas sector and/or other applicable Rules and Regulations. Without delay the Licensee shall inform ERE and any other necessary authority for the emergency situation and the actions or plans of the Licensee to manage this situation.
25. The Licensee shall not engage himself or be engaged with other Persons, in activities that aim or may damage the fair, open and non-discriminatory nature of the Natural Gas Distribution System. The Licensee may cooperate with other Persons regarding the safety, sustainability and improvement aspects of the Distribution System without prejudice to its mandatory independence and unbundling pursuant to Article 51 of Law No. 102/2015 “On Natural Gas Sector”, and its exclusive responsibility for carrying out the Licensed Activity under the terms and conditions stipulated in Law No. 102/2015 “On Natural Gas Sector”, applicable Rules and Regulations, and these License Conditions.
26. When the Distribution system operator is part of a vertically integrated company, he shall be independent from the legal organization and decision taking form, from other activities not relating to distribution, without the obligation to unbundle the ownership of Distribution system assets from vertically integrated companies. When the Distribution system operator is part of a vertically integrated company, it shall be independent in the organizational and decision taking aspect from other activities not related to distribution.
27. The Licensee performs the licensed activity, develops policies and programs and takes the necessary measures to improve and promote the economic and operational efficiency of the Distribution System and ensures that the Natural Gas Supply is performed in conformity with Albanian legislation and European requirements, practices and standards related to the quality of service and the sustainability of the Distribution System.

28. The Licensee shall not be engaged in activities, whether directly or through related undertakings, which prevent the performance of the Licensed Activity. The Licensee shall inform ERE if he plans to:
  - a. engage in other activities, except of the Licensed one; or
  - b. establish an associated business.
29. ERE may prevent or set special conditions for engagement of the Licensee in activities other than the Licensed Activity and for the establishment of the Associated Businesses, to protect the System Users and be ensured that there are no activity cross-subsidies.
30. The Licensee is not responsible for the failure to meet the License Conditions in case of a Force Majeure, to that extent and for the period that the Force Majeure does not permit the completion of the License Conditions. In case of the Force Majeure the Licensee shall immediately inform ERE and other Users of the System with whom they have signed an agreement. The Licensee shall restore the provision of its interrupted services under the terms and conditions stipulated in the Distribution Network Code, the legislation in force and the distribution contract.
31. The Licensee shall plan and take measures for the security of natural gas supply in accordance with the standards established in the Emergency Plan pursuant to Article 6 of Law No. 102/2015 “On Natural Gas Sector”, and shall be responsible for the security of natural gas supply within the scope of its competence while performing the Licensed Activity.
32. When the Distribution System Operator is part of a vertically integrated company, it shall be independent in its organization and decision taking aspects, from other activities not related to the distribution.
33. If the Distribution System Operator is part of a vertically integrated company, to be independent, in the organizational and decision taking aspect, from other activities not relating to natural gas distribution, it shall have full decision making rights, independent from the integrated company in relation with the necessary assets for the operation, maintenance or distribution network development. The distribution system operator drafts the compliance program, where are provided the measures to ensure that the discriminatory conduct is exempted and to ensure that its respect is adequately monitored.

#### **Article 4**

##### **Centralized Control and the Coordination of the Distribution System**

1. The Licensee shall manage and coordinate the Distribution System operation in conformity with the Distribution System Code, the Regulations and Rules approved by ERE.

2. To ensure the coordination of the Licensed Activity and the efficient and sustainable operation of the Distribution System, the Licensee installs, uses, and maintains the necessary equipments to protect the Distribution System from operational errors, connection losses or any other possible event which may damage the Distribution System or the equipments, installations connected with it.

## **Article 5**

### **Changes in the Distribution System**

1. The Licensee shall immediately inform ERE for any event that may lead to important changes of the distribution capacities for the compressor lines and stations of the Distribution System, for a period longer than 30 (thirty) days and submit at ERE its opinion for the appropriate settlement and to reduce the damaged impact.
2. The Licensee shall inform ERE for the plans to reduce the pipeline or equipments pressure of the Distribution System at least twelve (12) months before the planned reduction and submit at ERE a detailed explanation of the actions and measures to reduce the potential negative impact.
3. The Licensee shall not sign contracts for which he is or shall be aware of the consequences that constitute a violation of the License Conditions.
4. The Licensee may suspend the Distribution System services for one or more System Users, for a period of time, when the action or not action of a Person endangers the sustainability, safety and quality of the Distribution services for the other Users of the Distribution System and may prevent the compliance of the License Conditions. The Licensee, without delay shall inform ERE and any other Person affected from this situation, regarding the suspended actions according to this paragraph. These notifications shall contain a justified opinion regarding the nature, size, expansion period for these suspensions. The Licensee shall restore the provision of its suspended services under the terms and conditions stipulated in the Distribution Network Code, other applicable Rules and Regulations, and the distribution contract.
5. The Licensee shall establish and implement a compliance programme setting out measures taken to ensure that discriminatory conduct is excluded and shall appoint a compliance officer pursuant to Article 51(4) of Law No. 102/2015 “On Natural Gas Sector”.
6. The Licensee shall carry out other duties as assigned within the scope of the Licensed Activity by Law No. 102/2015 “On Natural Gas Sector”, other applicable laws of Albania, the applicable Rules and Regulations, and these License Conditions.

## Article 6

### Obligations for Reporting to the Licensee

1. By February 15 of each year, the Licensee shall submit at ERE a statement on the Licensee activity during the preceeding year. ERE may set special conditions for the reporting form.
2. The Annual Report shall submit the analysis of the operational activity of the Licensee and shall minimally handle the issues as follows:
  - a. natural gas volume distributed during the previous year (total amount of distributed natural gas, the number of the served users) according to the composed units of the Licensed Territory in total and comparisons with the previous years;
  - b. measures taken during the year for which it is being reported for the:
    - i. protection of the tools and equipments from the outside impact, defects and provisions of necessary tools and equipments for the Licensed Activity,
    - ii. work safety;
    - iii. protection of the environment and person's health;
    - iv. monitoring the operation of the Distribution System;
    - v. fulfillment of the conditions for a sustainable, continuous and qualitative activity;
    - vi. fulfillment of the conditions for the efficiency of using the energy; and
    - vii. analysis of the emergency cases and the preventing measures
  - c. realization of the annual development and expansion plan of the Distribution System approved by ERE for the previous year;
  - d. implementation of the repairing and maintenance program for the reporting year;
  - e. inspections, supervisions and the controls performed by competent bodies, attached with the photocopies of the reports, analysis and respective decisions;
  - f. an assessment of the realization of the development and expansion plan level of the Distribution System for the reporting year;
  - g. A preliminary assessment of the development and expansion plan of the Distribution System that shall be fully completed in conformity with point 4.7 of these License Conditions.
  - h. Realisation of the obligation to inform the customers and take the measures to improve the quality of service.

- i. Other data and information required for submission under ERE's approved monitoring and reporting requirements.

## **Article 7**

### **Financial Reporting**

1. The Licensee drafts, submits for auditing and publishes its annual financial statements according to the criteria and conditions defined in the legislations in force and in conformity with the international accounting standards. The licensee shall keep separate accounts for each of the licensed activities that he exercises, as well as any other activity not related with natural gas sector, pursuant to Article 30 of Law No. 102/2015 "On Natural Gas Sector". These accounts may be submitted consolidated, despite the case when the performed activities are connected with the natural gas distribution or transmission activity. The licensee keeps different accounts for other natural gas activities, which may be consolidated, shall be kept separate and the accounts are not related with the activity provided in Law No. 102/2015 "On Natural Gas Sector". Until June 30 of each year the Licensee delivers at ERE the financial statements audited by authorized accounting experts, accompanied with:
  - The financial statement
  - Statement of the revenues and expenses,
  - Statement of capital changes,
  - Statement of money flow
  - Explanatory notes
2. The Licensee shall share the joint expenses between his Licensed Activity and other types of activities (including the authorized activities from other permissions or Concessions) on reasonable basis in conformity with ERE Regulations and Rules and the generally accepted business practices. In conformity with the requirements of point 4.10 of these License Conditions and on ERE request, the Licensee submits at ERE the audited Financial Statements which cover all activities of the Licensee and show that there are no cross-subsidies regarding the Licensed Activity. On ERE request the Licensee submits at ERE even explanations that justify the basis for the allocation of the general expenses performed by the Licensee.

## **Article 8**

### **Notifications**

1. The Licensee shall inform ERE within 10 (ten) days for any change in the:
  - a. Official Address,
  - b. Statute of the Licensee,
  - c. Registration Certificate,
  - d. Fiscal Code,

- e. The Official Representative or other Management Bodies
  - f. Change of the asset structure from 10%, or more,
  - g. Any other change in the organization and operation of the Licensee, which may have an important influence in the Licensee activity.
2. All the official notifications, applications, petitions, claims or other correspondences with ERE regarding the License shall be in the written form and respectively signed by an authorized official or designated representative of the Licensee and ERE according to the case and if send by courier or registered post, by requesting a verification of the receipt notice. The addresses of the parties shall be imposed on the envelope. All the notifications and other correspondences shall be considered to enter into force from the delivery moment, or if not delivered because of an error of the sender, from the submission moment.

### **Third Part**

#### **Article 9**

##### **Third Party Access in the Distribution System and Exclusion from this Right**

1. Distribution System Operator shall ensure access in the distribution system, within distribution capacity limits and the technical rules, in conformity with the criteria and the conditions defined in the Distribution Network Code approved by ERE.
2. In conformity with Article 54 of Law No. 102/2015 “On Natural Gas Sector”, the Distribution Network Code and other applicable Regulations and Rules approved by ERE, the Licensee shall ensure the access of the Third Parties in the Distribution System in the License Territory of the System Users in a fair, transparent way and without discrimination. Distribution Network Code and other applicable Regulations and Rules approved by ERE, the Licensee shall ensure the access of the Third Parties in the Distribution System in the License Territory of the System Users in a fair, transparent way and without discrimination.
3. When the Distribution System Operator provides the same service for different customers, then this service is provided according to the same criteria and contractual conditions, using the harmonized contracts and/or in compliance with the Distribution Network Code.
4. Distribution System Operator publishes the conditions and criteria approved by ERE, including the rules, guarantees and the tariffs for ensuring third party access in the distribution system. These conditions and rules shall be objectively implemented for all the customers and without discrimination between the network users.
4. Third party access services are issued to the guarantees by the network users for the financial ability. Such guarantees shall not compose unnecessary obstacles for the entry into market and shall be non discriminatory, transparent and proportionale.
5. The Distribution System Operator may refuse the access in the distribution system, in conformity with the criteria and conditions defined on article 43 of this Law.



## **Article 10**

### **Abandonement and Rehabilitation**

1. In conformity with the effective Regulations and Rules, the Licensee abandons the equipments and plants and rehabilitates the location of the equipments and the surrounding environment in cases when:
  - a. the equipments and the plants are out of service, damaged and are not repaired during 6 (six) calendar months period, and;
  - b. the Licensee has not informed ERE that he intends to use, repair or replace these equipments and plants.
2. The Licensee shall immediately undertake the necessary measures to move the abandoned equipments and make the restoration of the area in the conditions that it was before the beginning of performing the licensed activity and repair any damage caused as the result of the Licensee activity.
3. All the expenses for abandoning the equipments or facilities and the rehabilitation of the area and the environment are on the account of the Licensee.
4. The Licensee shall keep ERE and the Albanian State out of any damage costs and other responsibility including the rehabilitation of the environmental damages caused or that have come as consequence of the Licensee errors in performing the activity according to this License.

## **Fourth Part**

### **Article 11**

#### **Regulatory Tariffs**

The Licensee shall pay at ERE the tariffs in a regular way during the time of holding the license in conformity with Article 14 of Law No. 102/2015 “On Natural Gas Sector”, the legislation in force and the “Regulation on defining the regulatory tariffs for the licensee in power sector” approved with ERE Board Decision no. 190 of date 23.11.2017. If the Licensee does not pay these tariffs on the required amount and time then he shall be penalized according to the legislation in force.

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#### **Tariffs**

1. The tariffs defined by ERE takes into account the need to integrate the system, reflect the real costs, to properly return the investments of the licensee.
2. The Distribution Tariff is regulated and approved by ERE based on “The Methodology of calculating the tariff for using the natural gas transmission and distribution network”.

3. The Distribution Tariff approved by ERE shall be imposed to ensure the Licensee with:
  - a. Sufficient revenues to cover reasonable costs levels, including the capital cost;
  - b. Ensuring a reasonable profit rate, and
  - c. Incentives to reduce the costs and operation in an efficient way.

- d. sufficient incentives in the long and short term plan to increase efficiency, to promote the integrity of the market and the security of supply and to offer the support for the research activities.
4. For the natural gas quantity distributed by the Licensee, and for the services provided by him, the Licensee is authorized to impose payments for all Distribution System Users on the condition that these payments shall be according to the Distribution Tariff approved by ERE. The value of these payments is defined according to the Distribution Tariff and the natural gas quantity registered on the meters installed in the:
  - a. The Limit of the Distribution and Transmission System on which it is connected; and
  - b. The Limit of the Distribution System and the Customers that receive direct connection with the Distribution System,
5. Based on the application of the Licensee or with its own initiative, ERE may review the Distribution Tariff and amend it, in conformity with the legislation in force and the Methodology for calculating the usage tariff for the natural gas transmission and distribution network”, approved by ERE.

## **Article 13**

### **Metering and Reporting System**

1. The Licensee shall register all Natural Gas volumes that enter or exit from the Distribution System in conformity with the Distribution System Code. In places when there is no meter or the meters do not record correctly, the Licensee shall define the hourly quantities of natural gas distributed in conformity with the Metering System Code approved by ERE pursuant to Article 104 of Law No. 102/2015 “On Natural Gas Sector” and shall undertake without delay the measures for the installation or repair of the necessary metering equipments.
2. The Licensee shall keep detailed monthly reports on the quantity of natural gas that enter or exists in the Distribution System, the Distribution System Operation and other details of the Distribution System.
3. The Licensee submits on monthly basis to all Users of the Distribution System, with whom he has connected contracts to ensure the Distribution service, the data regarding the Quantity of Natural Gas distributed in conformity with the contract connected for each User.

## **Fifth Part**

### **Article 14**

#### **Monitoring the Performance of the Licensed Activity**

1. ERE monitors the Licensee regarding the implementation of the License conditions,

reviews the Licensee reports and when it sees reasonable ERE inspects the assets, accounts or other data and requires the audit of the Licensee activity. The audit costs are for the account of the Licensee. For this purpose, ERE shall inter alia have an unrestricted access to the Licensee's accounts pursuant to Articles 30 and 31 of Law No. 102/2015 "On Natural Gas Sector". Following an argued complaint of a third party, or with its own initiative, ERE may initiate an administrative investigation of the Licensee Activity compliance with the License Conditions and the legislation in force.

2. Distribution System Operator activities are monitored by ERE in such a way that the operator (DSO) does not benefit from its vertical integration and distort competition.
3. The Licensee shall ensure full access of ERE authorized representatives in the documentation and the reports of the Licensee to control the licensed activity in conformity with the Regulations and Rules approved by ERE. The Licensee shall give all the necessary measure during the control process.
4. If after the investigation, ERE is of the conclusion that the Licensee has not met the License Conditions, ERE may review the Licensee tariff and/or take the necessary measures in conformity with Law no.102/2015 "On Natural Gas Sector" the Regulations and Rules, to protect the interests of the Distribution System Users and Natural Gas customers.
5. The Licensee shall inform ERE for any violation of the License Conditions within 7 (seven) calendar days from being informed of such a fact.
6. The Licensee shall implement all the decisions taken by ERE, including the fine payments set by ERE, in conformity with the Regulations and Rules.

## **Article 15**

### **Quality of Service**

1. The Licensee is obliged to:
  - a) ensure qualitative service of natural gas Distribution regarding;
    - i. the continuance of delivery
    - ii. the quality of natural gas that enters in the Distribution System and the maintenance of its quality until the exit from the System and
    - iii. the commercial quality of service.
  - b) draft a methodology for the standards of monitoring natural gas quality in the entry and exit points of the Distribution System as part of the Transmission Network Code to be approved by ERE, and
  - c) monitor in continuance the quality of distributed natural gas and submit at ERE the periodical reports, in conformity with the approved methodology.
3. The Licensee shall ensure and comply with the quality and level of maintenance of the

Distribution System as defined by the Ministry responsible for energy and minimum standards and requirements regarding quality of service set by ERE and shall provide its services in line with quality specifications and conditions stipulated in the Distribution Network Code.

## **Article 16**

### **Confidentiality of Information**

1. The Licensee shall ensure that any information received as the result of performing the Licensed Activity shall not be informed to anyone except of the cases:
  - a. the information shall be disclosed during the performance of the Licensed Activity in conformitz with the transparency requirements defined on article 53 of Law no. 102/2015 “On Natural Gas Sector” and without prejudice to the Licensee’s obligation to preserve the confidentiality of Commercially Sensitive Information.
  - b. when the Licensee is required to declare the information in conformity with the License Conditions
  - c. it is decided by ERE
  - d. it is issued the prior written consent of the Person to whom the information is concerned;
  - e. with Court decision and implementing the effective legislation;
  - f. if the information is public;
2. The Licensee shall ensure that any associated business shall not use any information of the Licensee to gain an unjustified competitive advantage and shall ensure that he shall not disclose any information to any other Person (including other Associated Businesses) that may enable this person to reach in an unjustified commercial benefit.
3. Any Commercially Advantageous Information possessed by the Licensee shall be disclosed in a transparent and non-discriminatory manner, and shall be easily and equally accessible by all actual or potential System Users and other interested parties. Disclosure of Commercially Advantageous Information shall be processed so as to prevent any preferential treatment of individual System Users or other interested parties, whether in terms of the scope, contents and/or form of the information disclosed, and/or the time of its disclosure.
4. The Licensee shall draft and submit at ERE the procedures to ensure the implementation of this point. The Licensee’s confidentiality policy may be prescribed in its compliance programme, as referred to in point 4.22 of these License Conditions, and/or its other bylaws. The Licensee’s confidentiality policy shall be published on its website and freely accessible by any interested parties.
5. The Licensee shall undertake any necessary step to keep the confidential information owned by the Licensee and to report at ERE in conformity with the obligations submitted on this article.

6. The information sent to ERE from the Licensee shall be considered public except of the cases when on specific request of the Licensee, ERE with a decision defines that this information is of ownership nature and shall not be made its public disclosure.

7. ERE preserves the confidentiality of the Commercially Sensitive Information ensured by the Licensee under the terms and conditions defined in the legislation in force.

## **Part Six**

### **Article 17**

#### **Amendments of the License**

Amending the Conditions of this License shall be in conformity with the “Regulation on the procedures and terms for license issuance, modification, transferring or license removal on natural gas sector” and article 28 of Law No.102/2015 “On Natural Gas Sector”.

### **Article 18**

#### **Setting the administrative measure and License Removal**

1. If the Licensee does not comply with the conditions of this license, ERE may apply administrative measures, according to article 106 of Law no. 102/2015 “On Natural Gas Sector”, and the “Regulation on the conditions and procedures for imposing the levies and the concrete measure for any violation”.
2. ERE may remove the License in conformity with Article 27 of Law No. 102/2015 “On Natural Gas Sector” and the “Regulation on the procedures of removing the license on power and natural gas sector”.
3. If the Licensee amends its legal statute, or the control structure of the shareholders interest without ERE authorization, ERE Board decides the abrogation of the license decision and the License becomes void. The next subject of the Licensee shall apply for a new License in conformity with the “Regulation on the procedures and terms of license issue, modification, transferring or license removal on Natural Gas Sector.

### **Article 19**

#### **Settling the Disputes and the Right to Appeal**

1. Any dispute between the Licensee and the Distribution System User, or any other person connected with the Distribution activity, or the Conditions of this License shall be settled with understanding, in conformity with the effective Legislation.
2. If the settling of the disputes with understanding is not reached, then based on the request of each party, part of this dispute, ERE issues its decision implementing article 98 of Law No. 102/2015 “On Natural Gas Sector” and the “Regulation for Handling the Complaints Submitted by the Customers and Settling the Disputes between the Licensee

on Power and Natural Gas Sectors”.

3. The Licensee may appeal ERE decision at Tirana Court within 45 days from taking the decision.
4. The licensee has the obligation to implement ERE Board decision until issuing a decision from the competent Court on the request to review ERE decision.