

REGULATION
ON
THE PROCEDURES OF SUBMITTING AND APPROVING THE INVESTMENT
PLANS FROM THE NATURAL GAS TRANSMISSION AND DISTRIBUTION
OPERATORS

CHAPTER I
GENERAL PROVISIONS

Article 1
Authority

This regulation is drafted implementing articles 16 point 12; 46 point 12 and article 56 of Law no. 102/2015 “*On Natural Gas Sector*”.

Article 2
Object

The object of this regulation are the procedures of submission and approval by ERE, of the natural gas TSO and DSO investment plans.

Article 3
Scope

The scope of this regulation is to define the content and the term to submit on time at ERE the investment plans of TSO and DSO, as well as the assessment and analysis of the applicable criteria and their approval (review) by ERE, to ensure that the investment plans are in conformity with the lowest cost planning principles, the implemented regulations and requests for safety of network operation, quality of service and security of supply as well as the requirements of ENTSO-G related to the network development planning.

Article 4
Application

This regulation is applied for the transmission and distribution operators of natural gas, which are issued with licenses by ERE for the respective activities.

Article 5
Definitions

The terms used on this Regulation shall have the following meanings:

1. **Law** shall mean Law no. 102/2015, “*On Natural Gas Sector*”.
2. **Board** shall mean ERE decision taking body appointed according to Law no .43/2015 “*On Power Sector*”.
3. **ERE** or Energy Regulatory Entity means the regulator institution in electricity and gas sector which functions in conformity with Law no. 102/2015 “*On Natural Gas Sector*”;

4. **Asset** shall mean the fix asset, used by electricity transmission and distribution operators of natural gas ans serves to the implementation of respective licensed activity.
5. **Business** shall mean an activity licensed by ERE for the natural gas transmission or distribution service.
6. **Grid Operator** shall mean the Transmission and/or Distribution System Operator.
8. **Distribution System Operator (DSO)** means a legal, which performs the distribution function and is responsible for the operation, maintenance and if necessary the development of the distribution system at a given area, and where applicable, its interconnection with other systems as well as the provision of long-term capacities of the system to meet the reasonable demands on gas distribution;
9. **Investment** shall mean strategic capital expenditures of a (TSO or DSO) licensee, to improve, or add the assets, used for performing the licensed activity.
10. **Investment plan** shall mean the capital expenditures planned for a regulatory period of a (TSO or DSO) licensee as the case may be, that takes in account the principles, meets the criteria and contains the elements, described in the Law and this Regulation. TSO plans shall be in conformity with TYNDP which is developed for a 10 year period and is submitted to ENTSO-G
11. **TYNDP**- shall mean the 10-year development plan of the pan-european grid.
12. **ENTSO-G** shall mean the European Network of the Transmission System Operators for Gas.
13. **ENC**- shall mean Energy Community Secretariat
14. **Person** - shall mean any natural or legal person.
15. **License** - shall mean an authorization given to a person to perform an activity in natural gas sector, in conformity with the provisions of law no. 102/2015, "*On Natural Gas Sector*".
16. **Licensee** shall mean a person, holding a license for natural gas transmission or distribution activity, in conformity with the provisions of Law no. 102/2015, "*On Natural Gas Sector*".
17. **Regulated Asset Base (RAB)** shall mean the value of all fixed assets, owned by the entity and used to perform one of the licensed activities in natural gas sector.
18. **Regulatory Period** shall mean the period during which the new tariffs become effective and are regulated/reviewed according to ERE decision.
19. "**Ten-year network plan**" refers to the ten-year network plan to be prepared by the TSO.
20. **Transmission System Operator (TSO)** shall mean the legal person, performing the transmission activity and responsible for the operation, maintenance and development of the transmission system, including its interconnections with other cross-border systems, for ensuring the long term ability of the system to meet reasonable demands for natural gas transport;
21. **Day** in each case on this regulation shall mean, calendar day.

Any term used but not defined on this Regulation and that is defined on the Law shall have the meaning given to that term in the Law, unless the context requires otherwise.

CHAPTER II INVESTMENT PLANS

Article 6

General Requirements for drafting the investment plans

In drafting investment plans the transmission and distribution operators for natural gas shall take into account the following principles:

- a) Investment plans shall comply with the requirements of the laws, regulations, methodologies and respective secondary acts that regulate the studies, designs, and the investment performance, including the requirements for the protection of people's life and health, protection of the environment and national security. The investment plans shall be in harmony with the national strategies of natural gas sector development.
- b) The Transmission System Operator shall ensure that the submitted investment plan is in conformity with the provisions of the ten-year network development plan in Albania and with the current ENTSO-G pan-EU TYNDP plan, and is in conformity with the information submitted to ENC for the projects/proposals on the interest of the ENC.
- c) The Distribution System Operator and the Transmission System Operator during drafting the investment plan shall take into consideration the information on the provision of the request and the information on the investment plans for new generation capacities.
- d) Investment plans shall be submitted to ensure high effectiveness, lowest cost, including the taken into account of the measures to manage the demand for natural gas.
- e) Investments plans shall take into account the relations that the distribution and transmission operators for natural gas have with other market participants to ensure the reliability of the natural gas system as well as to meet the safety and quality conditions of natural gas supply of the customers.
- f) Investment plans shall be made available for the public in order to provide the opportunity to interested persons and state institutions to offer their comments regarding these plans.

Article 7

Operator's responsibilities

1. Each TSO and DSO shall prepare investment plans according to the regulation periods and for each subsequent year in conformity with the Law. ERE shall accept investment plan additions which are submitted up to six months following the submission of the investment plan application, in order to reduce the burden on TSO and DSO. Investment plans shall be accompanied with table and graphical submission of the referring data and an implementation timeframe.
2. Transmission and distribution operators for natural gas shall submit at ERE the annual report of the investment plans implementation for the previous year by showing the progress of the planned investment and ensuring an explanation for any amendment in the plan. The annual report shall be submitted not later than 3 months after the termination of the period on which it is applied the investment plan.

Article 8

Investment plans for the natural gas transmission Operators

1. The ten year investment plan for natural gas transmission system operator according to article 46 of Law 102/2015, “*On Natural Gas Sector*” shall be drafted in a 10 (ten) year transmission network development plan, based on supply and demand, which is being reviewed until on October 31 of each year, after being consulted with all the interested parties keeping into account the existing and the planned foresee of supply and demand. The 10 year network development plan shall:
 - a. take into account the information for the natural gas market participants, as well as information on the main transmission infrastructure that needs to be built or upgraded over the next 10 (ten) years;
 - b. contain data for all the approved investments and identify new investments, which have to be executed in the next three years;
 - c. define a time-period for all the project investments.
2. When elaborating the ten-year network development plan, the TSO shall make reasonable assumptions about the production, supply, consumption and exchanges of natural gas with other countries, taking into account investment plans for surrounding networks as well as investment plan for the storage facilities and LNG re-gasification.
3. The 10 year network development plan shall aim:
 - a) Improve and development of gas transmission system to increase its sustainability and country’s security of supply with natural gas.
 - b) Reduce of technical losses in the transmission network.
 - c) The establishment/increase of interconnection operation capacities with border systems
4. In planning the investments to complete the above purposes, the operator shall be based and respect:
 - a) The planification and development criteria of the transmission system defined on the Transmission Code and the procedures provided for the transmission system development.
 - b) The information and data ensured by natural gas transmission operators/participants and the users of the transmission system.
 - c) Criteria of projecting the main elements of the transmission network (pipeline and storage facilities).
 - d) Construction or rehabilitation period of a natural gas facility.
 - e) Full analysis of cost benefit, ensuring cost effectiveness of the project and justifying cost, including detailed investment plan with the defined deadlines (feasibility study including environmental impact assessment).
5. In the provided investment plan, the operator shall include the list of projects planned to be implemented.
6. The investment plan submitted at ERE shall be accompanied with explanatory reports regarding:
 - a. Methodologies used to calculate load and peak load requirements according to condition no.1 by submitting them with tables and graphs, which dictated the construction or rehabilitation of the transmission, distribution grids of the

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connection points with the grid and the regulatory equipments of natural gas pressure etc.

- b. Investment impact on the improvement of the transmission capacities, improvement of the system performance, the reduction of technical losses and other performance indicators regarding the performance of the transmission operator etc.
- c. Costs, detailed information on the losses, demands for financing and their resources, the period over which each investment will be recovered, and other related matters.
- d. Full cost benefit analysis proving the cost-effectiveness of each planned project and justifying costs related to them.
- e. Detailed implementation of the plan/schedule, accompanied with a feasibility study, environmental impact study, ownership and utilization rights.

Article 9

Investment Plans for the natural gas distribution Operator

1. The Distribution System Operator shall draft according to Law no.102/2015, “On Natural Gas Sector” the network development and investment plan with a view to ensure the security, reliability, regularity and quality of the supply in the distribution system. The Distribution System Operator in drafting the development and investment plans shall take into account the legal provisions for the environmental protection and energy efficiency.
2. The development and investment plan of the distribution network is drafted by the Distribution System Operator for 10 (ten) years and shall be adopted each year for the next 10 (ten) years. The development and investment plan shall contain short, medium and the long term indicators. The short term indicators shall cover a period of 3 (three) years, the medium term a period of 6 (six) years and the long term a period of 10 (ten) years.

This plan shall comprise the investments aiming to:

- a. Increase of the security level for natural gas distribution system.
 - b. Reducing the technical and non technical losses in the natural gas distribution system.
 - c. Maintain the technical parameters for natural gas supply as provided in the Distribution Code.
 - d. Fulfilling and modernizing the natural gas metering system in the distribution system.
3. In planning the investments the operator shall be based and respect:
 - a. Criteria of planning and developing the distribution system defined in the Distribution Code.
 - b. Study of the existing loads and foreseen load development in the future.
 - c. Appropriate design criteria for the main elements of the distribution network (management, operation, maintenance, and development of the distribution system).
 - d. The time period to implement the investment for constructing or rehabilitating assets.
 4. In the foreseen investment plan, the operator shall reflect the list of projects, which shall be implemented.
 5. The investment plan is accompanied with explanatory reports regarding:
 - a) Methodologies used to foresee the demand, load and peak load according to

condition no.1 by submitting them with tables and graphs, which dictated the construction or rehabilitation of substations (HV/MV), transforming cabins, voltage regulating devices, etc.

- b) Investment impact on improving the system performance, the reduction of technical losses and other performance indicators regarding the performance of the transmission operator etc.
- c) Costs, detailed information on the losses, demands for financing and their resources, the period of liquidating the investments and other issues.
- d) Full cost benefit analysis proving the cost-effectiveness of each planned project and justifying costs related to them.
- e) Detailed implementation of the plan/schedule, accompanied with a feasibility study, environmental impact study, ownership and utilization rights.

CHAPTER III

PROCEDURES OF SUBMITTING AND APPROVING THE INVESTMENT PLAN

Article 10

Procedure of submitting and approving the investment plans

1. A procedure for approving the investment plan shall initiate with the submission of the request for such approval by TSO or OSHEE together with a detailed investment plan according to the provisions in article 8 and 9 as well as Annex 1 of this Regulation. The licensee shall submit the investment plan at ERE after having consulted with the stakeholders.
2. If the request for approving the investment plan is in conformity with the conditions defined in this Regulation, ERE Board shall take the decision to open the procedure to review the investment plan.
3. Before taking the approval of the investment plan by ERE, TSO shall take the opinion of the Ministry of Finance and Economy regarding the investment plan that it shall submit.
4. ERE, after reviewing the investment plan and verifies that is in conformity with the above mentioned requirements, fully approves it.

Article 11

The terms for submitting and approving the investment plan

1. ERE has defined the terms of submitting and approving the investment plans in the context of applying and approving the tariffs for the performed activities from transmission and distribution operators in the natural gas market. This last one mentioned shall submit at ERE the investment plan for the subsequent year on the same time with the application for tariff.
2. ERE shall publish the notification for submitting the investment plan from transmission and distribution operators not later than 7 (seven) days from the date of accepting the application to receive the comments from the stakeholders. They shall submit their comments within 15 (fifteen) days from the publication.

3. ERE may require explanations or make questions regarding investment plans submitted by the applicant, from the submission day to their approval.
4. ERE may organize hearing sessions with the participation of the stakeholders.
5. ERE shall review and take the decision for complete approval of the investment plan before the approval of the transmission and distribution tariffs.

Article 12

Criteria for approving the investment plan

1. ERE may approve the Investment Plan in general according to the project priorities. The information submitted in the investment plan is used by ERE to define the Regulated Asset Base (RAB) of the licensed activities for the respective activities in the natural gas sector.
2. On approving the investment plan ERE shall take into consideration:
 - a. If the investment improves the level and quality of service.
 - b. If the plan is able to improve and reduce the technical and non technical losses.
 - c. If the plan contains and reflects the measures to minimize cost including transparent practices and purchase rights.
 - d. If the plan is sufficiently detailed, documented and consists of the right flexibility scale for implementation.
 - e. If the investment plan has analyzed and evaluated some alternatives and has justified as to why the other alternatives are not included.
 - f. If the investment plan is in conformity with the overall development strategy of the natural gas sector.
 - g. If the plan is realized within the defined term.
3. If ERE finds it reasonable may require the performance of a study for evaluating the technical aspects and economic efficiency of the investment.

Article 13

Notification for the Decision

1. Within 3 (three) working days from the final decision, ERE shall inform the transmission or distribution operators for natural gas and shall send them a copy of the decision.
2. ERE Board Decision for the approval of the investment plan for transmission and distribution operators for natural gas shall be published in the Official Gazette.
3. Within 7 (seven) days from taking ERE Board decision, the licensee has the right to submit a request for review at ERE in conformity with ERE Rules for operation, organization and procedure.

**CHAPTER IV
OTHER PROVISIONS**

Article 14
Confidential information

If any operator claims that its investment plan includes information and data that it considers confidential, it shall indicate such information when submitting the investment plan, and such information and data shall be assessed by ERE, if they are confidential information according to the rules and procedures applied for such information and data.

Article 15
Court complaint

A complaint against an ERE Board Decision, on approving or not the investment plan may be filed by the transmission or distribution operators for natural gas, may make a complaint in the court within 45 days from the publication of ERE decision in the Official Gazette.

Article 16
Amendment of the Regulation

This Regulation is object of review and amendment with ERE Board decision in conformity with the Rules on ERE organization, operation and functioning.

Article 17
Entry into force

This regulation enters into force after the publication in the Official Gazette.

Article 18
Final provisions

The procedure of submitting and approving the the investment plan by transmission and distribution operators for natural gas was approved with ERE Board Decision no. 18 dated 10.01.2018

Annex 1: Investment table for 2018

Description of the Asset Group (in conformity with the Calculation List)	Account Number	Expected time to set into operation	Expected value Capitalized (to be included in the Regulated Asset Base)	Expected durability	Expected annual depreciation