



ENERGY REGULATOR AUTHORITY

DECISION No.120,

Date 27.07.2017

ON

DEFINING THE ELECTRICITY PURCHASE PRICE GENERATED FROM SMALL SOLAR (PHOTOVOLTAIC) GENERATING RESOURCES WITH INSTALLED CAPACITY UP TO 2 MW AND WIND ONES WITH INSTALLED CAPACITY UP TO 3 MW.

Based on article 10 point 2 and 16 of Law no. 43/2015, “On Power Sector”, article 10, point 3 of Law no. 7/2017 “On the promotion of using energy from renewable resources”; and Council of Ministers Decision no. 369, of date 26.04.2017, “On approving the methodology to define the electricity purchase price generated from wind and solar small renewable resources”, article 22 of “ERE Organization, Operation and Procedures Regulation” approved with ERE Board Decision no. 96, of date 17.06.2016, ERE Board on their 27.07.2017 meeting, after reviewing the report of the Technical Directories, regarding “Defining electricity purchase price generated from small solar (photovoltaic) generation resources with installed capacity up to 2 MW and wind ones with installed capacity up to 3 MW”.

Observed that:

- ERE is obliged to define the electricity purchase price generated from solar and wind small renewable resources, based on article 10, point 3 of Law no. 7/2017 “*On the promotion of using energy from renewable resources*”.
- Council of Ministers Decision no.369, of date 26.04.2017, “*On approving the methodology to define the electricity purchase price generated from small solar and wind renewable resources*”, on point 2, charges ERE to approve the electricity purchase price generated from small solar and wind renewable resources, in conformity with the average price for 2017, according to the provisions of this methodology.
- With decision no. 89 of date 07.06.2017, ERE Board has decided to open the procedure “*On defining the electricity purchase price generated from small solar and wind renewable resources*”
- As follows ERE, after reviewing Council of Minister Decision no. 369, of date 26.04.2017, “*On approving the methodology for defining the electricity purchase price generated from small solar and wind renewable resources*”, made a series of questions

for explaining this methodology which were directed to the Ministry of Energy and Industry.

- The Ministry of Energy and Industry with the official letter Protocol no. 4445/1 of date 04.07.2017, send at ERE the explanations as follows:
 - *LCOE (Levelized Cost of Electricity) has the same formula for all generating technologies, from renewable and fossil resources. Also LCOE (Leveled Cost of Electricity) is calculated with the same variables and same international practices of the same field: electricity generation in the generation plant which takes in consideration the capital costs, the self-payment time, operation and maintenance expenses and the fuel costs. Within this meaning, Council of Minister Decision refers this formula which is universal for LCOE and these are the basis of the methodology:*
 - *the best practices of defining LCOE and*
 - *the proposal of the calculating formula or the algorithm based on these practices*
 - *The proposed methodology contains its main elements: (i) rules and principles system; (ii) calculation method and (iii) the concrete object that has to do with the solar and wind plants, respectively 2MW and 3MW and according to all practices. Methodology on defining the electricity purchase price from small generation plants with renewable resources.*
 - *The proposed methodology is for the concrete object: Solar plants up to 2MW and wind plants up to 3 MW, according to article 10 point 3.*
 - *Actually in Albania there are not investments of such nature of solar (PV) plants or wind plants, and for this reason **there is a significant lack** of the data regarding the business plans and the accompanying costs, to perform an accurate cost analysis in the conditions of our country. The information that we have from not required proposals is that there are a variety of analysis and costs which never proceeded in concrete investment. In these conditions, the references are based on the available studies, **and on the basis of these studies it results that the working hours of the solar plants change from the wind ones and this factor, makes the difference in the price calculation for both plants although WACC (Weighted Average Cost of Capital) results the same.***
- Following the practice, ERE organized a technical hearing session on date 10.07.2017 with representatives of the Ministry of Energy and Industry regarding the implementation of Council of Minister Decision no. 369 of date 26.4.2017, “*On approving the methodology for defining the electricity purchase price generated from small solar and wind renewable resources*”.
- By the end of the hearing session the representatives from the Ministry of Energy and Industry was informed that:
 - *The object of the Methodology is to define the electricity purchase price from small generation plants with renewable resources up to 2 MW for the solar plant and up to 3 MW for installations with wind plants. This methodology reflects the power policy of the Council of Ministers, in conformity with the provisions set by the respective legislation.*

- *Being that there are no other experiences or data on the real costs of the projects, the price referring as weighted in the methodology, shall serve to ERE during the decision-taking for 2017.*
 - *If ERE during the implementation of these prices throughout 2017, sees fluctuations, discrepancies or uncertainties, ERE may make concrete proposals to improve or review the methodology for the ongoing period.*
- Based on the proposal of the methodology approved by the Council of Ministers, taking into consideration the lack of the data regarding the investment costs and the operation of solar and wind technologies in the country, the lack of previous experiences for the investment and the support of the investments in that area as well as making a comparison with the prices of the region for these resources, to enable the promotion of the investments in this technology, ERE after reviewing the Council of Minister Decision no. 369 of date 26.04.2017, *“On approving the methodology for defining the electricity purchase price generated from small solar and wind renewable resources”* and the argumentative report of the methodology takes in consideration:
 - the location risk
 - the risk of the power policies to promote renewable resources
 - to find the IRENA study for the calculation of LCOE (Leveled Cost of Electricity) for Albania taken into consideration from Council of Minister Decision no. 369 of date 26.04.2017, *“On approving the methodology for defining the electricity purchase price generated from small solar and wind renewable resources”*, for a 15 period that is provided to be issued to energy renewable resources in Albania according to Law 7/2017 *“On the promotion of using energy from renewable resources”*.
- As follows throughout this period with the official letter no. 255/1 of date 19.07.2017 the Competition Authority, in response of ERE official letter Protocol no. 453 of date 13.06.2017 on which it is send ERE decision no.89 of date 07.06.2017 for opinion, explains that the Competition Authority after reviewing ERE decision, concluded that:
 - shall say his opinion after receiving the full, right and clear information, according to the requirement point 2 of the decision.
 - throughout this process shall be taken into account Competition Authority decision no. 408 *“ On some recommendations for the Energy Regulator Authority on the draft methodology of the fix electricity tariff from the renewable resources”*
- From our part it was followed the communication with the official letter no.453/2 of date 25.07.2017 where we send our demands to MEI as well as MEI official letter no 4445/1 of date 04.07.2017.
- By the end of this communication the Competition Authority with the official letter No.453/3 of date 27.07.2017, expressed to ERE his opinion, saying that: The Competition Authority considers suitable the provisions of Council of Minister Decision no. 369 of date 26.04.2017, *“On approving the methodology to define the electricity purchase price generated from small solar and wind renewable resources”*.

- To collect most comprehensive data ERE held a working group which performed monitoring on UKKO solar (PV) plant to take information regarding the investment costs, O&M, work expenses, as well as the financial costs and the full capacity working hours.

For all of the above mentioned, ERE Board,

Decided:

1. For 2017 the price for all plant construction contractors shall be:
 - a) for the electricity solar PV(Photovoltaic) resources on the value 100 Euro/MWh
 - b) for the electricity wind resources 76 Euro/MWh
2. Beginning from 2018, for the following investments ERE based on the collected data, regarding the real costs of the investment, if they result different from the provisions of Council of Minister Decision no. 369 of date 26.04.2017, "*On approving the methodology to define the electricity purchase price generated from small solar and wind renewable resources*", shall propose MEI to improve and review the Council of Minister Decision.
3. Legal and Customer Protection Directory shall inform the interested parties for ERE Board decision.

This decision enters immediately into force.

This decision is published in the Official Gazette.

This decision may be complained at Tirana Administrative Court, within 30 calendar days from the publication in the Official Gazette.

ERE CHAIRMAN
Petrit AHMETI

ON HIS ABSENCE AND WITH HIS
ORDER
ERE BOARD MEMBER
Adriatik BEGO