

**REPUBLIC OF ALBANIA**  
**ENERGY REGULATOR AUTHORITY**

**LICENSE**  
**FOR**  
**ELECTRICITY MARKET OPERATOR ACTIVITY**

License Number:

Registration Certificate:

Series:

Effective Date:

License issued to:

Company:

Unique Identification Number of the Company (NUIS):

Based on the authority issued by Law no.43/2015 Session II Part Five “On Power Sector”, Energy Regulator Authority (“ERE”) issues this license (“the License”), to perform electricity market operator activity (TEE), to the above-mentioned Person, called “The Licensee”, subject to the License Conditions attached and its integral part as well as the conditions defined in ERE Board Decision.

This License enters into force on the date written above and shall continue to be effective, until the end of the given period or when withdrawn by ERE in accordance with the License Conditions contained herein.

**ERE CHAIRMAN**

**LICENSE CONDITIONS  
FOR  
ELECTRICITY MARKET OPERATOR ACTIVITY**

Series: \_\_\_\_\_

License Number: \_\_\_\_\_

Is issued to: \_\_\_\_\_

(Full name of the Licensee)

## 1. General Provisions

1.1 ERE is the only authority in the Republic of Albania, recognized under Law no. 43/2015 Session II Fifth Part “On Power Sector” to issue and declare the effectiveness of this License.

1.2 If any condition of this License becomes void, cancelled or ceases to be effective, this condition shall be deleted from the License and the remaining Conditions shall continue to be fully into force.

1.3. ERE has the exclusive right to amend this license, if the conditions and the circumstances have changed as well as to meet the Market Rules, Grid Code, Distribution Code and Metering Code provisions approved by ERE according to the Legislation in Force.

1.4 In the Republic of Albania shall be issued only one license for Electricity Transmission Operator Activity.

1.5 The following words and phrases used in this License, the License Conditions and the Annexes, when used, shall have the following meanings:

**“Energy Regulator Authority” or “ERE”** means the regulatory institution of power and natural gas sector, that operates in conformity with this law no. 43/2015 “On Power Sector” and law no.102/2015 “On Natural Gas Sector”.

**“Market Operation”** means the activity performed by the market operator regarding electricity market management and preparing the financial reports for market participants, without including electricity sale-purchase, in conformity with the market rules expectations.

**“Market Operator”** means the responsible structure licensed for the operation, organization and management of the electricity market.

**“Electricity Activities”** are economic activities related to electricity generation, transmission, distribution and electricity supply, as well as electricity market operation.

**“Board”** means ERE decision making body, appointed according to the above mentioned law.

**“Dispatch”** means the activity performed by Transmission System Operator, consisting in real time management of electricity flows and implementation of the necessary measures for coordinated operation of power system components, including the generation plants, transmission grid and the necessary ancillary services necessary for the system operation.

**“License”** means an authorization issued to a person for performing an activity in the power sector, in conformity with the provisions of this law, in conformity with the provisions of this law.

**“Law”** in this act shall in any case mean Law no 43/2015 “On Power Sector”

**“Legislation in force”** means the Laws in the Republic of Albania approved by the Parliament and other secondary laws approved by ERE or other bodies charged by the law;

**“Electricity market model”** means a document prepared and approved in conformity with the provisions of this law, which defines the relations between different electricity market participants.

**“Market Rules”** means the detailed rules that define the way of market operation and management, participant’s registration, balancing responsibility from electricity market participants, rules to balance the power system, rules for calculating the imbalances for the responsible balancing parties, rules for financial liabilities of the balancing responsible parties in case of imbalances, as well as other issues regarding market operation.

**“Declared Export”** means electricity dispatch corresponding to electricity amount delivered simultaneously to another country as declared import based on a contractual agreement.

**“ENTSO-e** means European Network of Transmission System Operators for Electricity.

**“Licensee”** means a person that holds a license for electricity activities, in conformity with the provisions of this law.

**“Distribution System Operator” or “DSO”** means a legal person, responsible for a secure, reliable and efficient operation of the distribution grid, ensuring the maintenance and development of the distribution system extended in a defined area and where applicable its connections with other systems to ensure long-term ability of the system to meet the reasonable demands of electricity distribution, in harmony with the environment and electricity efficiency.

**“Transmission System Operator” or “TSO”** means a legal person, responsible for the operation, maintenance, and development of transmission system, including the interconnections with other cross-border systems, to ensure long-term ability of the system to meet the reasonable demands of electricity transmission.

**“Grid Operator”** means transmission system operator and/or electricity distribution system operator.

**“Balancing Responsible Party”** means an electricity market participant or a representative selected by him, responsible to Transmission System Operator for the imbalances established during its operation.

**“Energy Community Parties”** means the Contracting Parties of Energy Community Treaty, the European Union and its member states.

**“Person”** means a natural or legal person.

**“System Users”** means natural or legal persons supplying or being supplied with electricity by the transmission or distribution system.

**“Electricity Market Participant”** means a legal person, registered as an electricity market participant, which includes the generators, traders, suppliers, the customers, Transmission System Operator, Distribution System Operator, closed distribution systems and market operator. Transmission System Operator and Transmission Distribution Operator are electricity market participants only for ensuring the necessary electricity to cover the losses in the grid, for balancing and ancillary services.

**“Grid Codes”** means the Transmission and Distribution Code

**“Distribution Code”** means the set of technical rules, which regulate distribution grid operation, and set the service conditions provided by distribution system operators for the users of the distribution system.

**“Transmission Code”** means the set of technical rules, which regulate transmission system operation, as well as define the service conditions provided by Transmission System Operator to the users of transmission system, in conformity with ENTSO-e rules.

**“Metering Code”** means the set of minimal norms obligatory for measuring and recording electricity.

**“Power System”** means an interconnected system, composed of power plants, power lines, substations and transmission, distribution devices to transmit or distribute electricity to the customers.

**“Distribution System”** means the system of lines, supporting structures, transforming and switching devices, used to distribute electricity and its delivery to the end-use customers, excluding the supply.

**“Transmission System”** means the system used to transmit electricity in high and very high voltage level, connected in parallel with other countries systems that above all includes the lines, supporting structures, transforming and switching devices for delivering electricity to the customers or to the distribution grid, excluding the supply.

**“Ancillary Services”** means the necessary services for reliable operation of transmission or distribution system.

**“Power Company”** means a natural or legal person performing at least one of the following activities: generation, transmission, distribution, supply or electricity purchase, which is responsible for commercial, technical or maintenance obligations regarding these activities, excluding the end use customers.

**“Distribution”** means electricity transport in the distribution system with high, medium and low voltage, to deliver it to end-use customers, excluding the supply.

**“Declared transit”** means the amount of electricity coming from another country, which is not consumed within the country, but is transmitted to a third country.

**“Electricity Organized Market”** means the platform organized for electricity sale/purchase based on day ahead and/or intraday market.

**“Electricity Market”** means a system for effective sales and purchases, including even electricity derivatives, by the demands and offers, submitted in long term and short term periods.

**“Trader”** means any legal person, performing electricity trading activity.

**“Electricity Trade”** means a process performed by a legal person that purchases electricity, to resale it within or outside the country where he performs his activity.

**“Force Majeure”** means an act or natural, social event, such as earthquakes, lightning, cyclones, floods, volcanic eruptions, fires or wars, armed conflicts, insurrections, terroristic or military acts, which prevent the licensee to fulfill his obligations according to the license, as well as other acts or events which are beyond the reasonable control and did not arise out of the licensee fault and the licensee has been unable to prevent such act or event by exercising his will and reasonable efforts, skills and his reasonable care.

**“Associated Business”** means any business which is directly or indirectly, fully or partially:

- a) owned by the Licensee; or
- b) owns the Licensee; or
- c) is owned by a Person, which is owned by the Licensee.

**“Cross-Subsidies”** Transfer of funds or cost allocation within the Licensee accounts or among Associated Businesses to financially support an activity or business with the costs of the other.

## **2. Performing the Licensed Activity**

2.1 Licensee is authorized by this License to perform Electricity Market Operator Activity in the Republic of Albania. This right is given exclusively to the Licensee.

2.2 Licensee shall not impose payments except those approved by ERE according to the Legislation in force and the ERE Regulations and Rules. The Licensee in conformity with the Market Rules, is authorized to perform the activities as follows:

- To administer Electricity Market Rules;
- To maintain a transparent process for Capacities Allocation;
- The registration procedure in the electricity market;
- To implement financial guarantees rules of the participants for electricity market registration;
- To administer and maintain the IT;
- To keep transparent accounts for the Market Operator as well as for the participants in the electricity market;
- To invoice the financial obligations to the Market Operator;
- As well as all the obligations deriving from the Market Rules;

2.3 The Licensee shall not impede, prevent or attempt to prevent the other licensees or potential participants or competitors to engage or enter:

- (a) in the power sector activities business in the Republic of Albania; or
- (b) in the electricity import/export business in or from the Republic of Albania, except when the Licensee is guided otherwise by the Legislation in force.

2.4 Licensee shall not engage in Cross-Subsidies. If the Licensee is a vertically integrated company in electricity, it shall share the financial accounts according to the generation, transmission, and distribution activities within the deadline required by the Legislation in force sufficiently to enable ERE conclude that there are no cross-subsidies, anti-competitive activities or discrimination.

2.5 Licensee shall not engage in any form of monopoly or anti-competitive activity prohibited by the Legislation in force or Regulations and Rules approved by ERE.

2.6 Within February 15 of every year, the Licensee shall sent to ERE the written declaration with the information for performing the activity during the previous year and fulfilling the legal framework in the power sector, in the form specified by ERE.

2.7 The Licensee shall not collaborate with other persons to damage the licensees or the customers included in the Power System.

2.8 Licensee shall perform the Licensed Activity in conformity with transparency principles.

2.9 Licensee shall not engage in other activities that prevent or may prevent the performance of the Licensed Activity. The Licensee shall inform ERE in cases when he aims to:

- a. engage in any other activity except the licensed one; or
- b. establish an Associated Business.

2.10 Licensee shall inform ERE for the establishment of any Associated Business. ERE may prevent or impose special conditions for the establishment of Associated Businesses necessary to protect the customer's interests.

2.11 Licensee is authorized to impose the payments approved by ERE.

2.12 Licensee is not responsible for not fulfilling the License Conditions in case of a Force Majeure to that extent that the Force Majeure is the reason for not fulfilling the License Conditions. In this case, the Licensee shall immediately inform ERE and the other Licensees or the customers with whom the Licensee has signed an agreement.

### **3. Obligations of the Licensee**

#### **3.1. Applicable law**

The Licensee is obliged to implement the Legislation in force, all Council of Ministers Decisions and the Regulations and Rules approved by ERE.

#### **3.2. Accounting and Reporting**

3.2.1. Licensee shall keep accounting registers and shall prepare financial balances, which shall be kept separately for the Licensed Activity and any other activity (including other licensed activities) where the Licensee is engaged, in conformity with the accounting rules and the procedures approved by ERE as well as the legislation in force for Accounting. The Licensee shall submit at ERE annual financial balances within January 31 for the following performing year. The Licensees, which operate in electricity market, are also obliged to submit the audited copy of financial statements, within June 30 of the next year.

3.2.2. If the Licensee foresees an emergent situation as defined by the Legislation in force, the Licensee shall inform ERE without delay and this information shall describe the measures taken by the Licensee to prevent or improve the foreseen emergency situation effects.

3.2.3. Licensee shall allocate the common expenses between its Licensed Activity and other types of activities (including authorized activities by another Licensee) on reasonable basis in conformity with ERE Regulations and Rules and the generally accepted business practices. The Licensee shall submit at ERE, on his request, the documentation that sets the basis for allocating the common expenses between the activities that will be performed as well as the obtained results after this allocation.

3.2.4. The Licensee shall inform ERE within 10 days for any change of the:

- a) address
- b) Licensee status;
- c) registration certificate;
- d) fiscal code ;

e) main governing bodies; or

f) asset structure with over 10%.

If the Licensee does not make this notification, ERE may impose fines in conformity with the Law and the Legislation in force.

3.2.5. All the official notifications, the applications, petitions, claims or other correspondences with ERE regarding the License shall be in the written form and signed respectively by an authorized official or designated representative of the Licensee or ERE, and shall be sent on courier or registered post by requiring a verification of the receipt. The addresses of the parties shall be on the envelope. All the notifications and other correspondences shall be considered effective from the delivery moment, or if not delivered because of the sender's fault from the publication moment, they should not be taken into evidence.

3.2.6. Licensee shall submit at ERE Periodical progressive information on monthly, 4-months and annual basis:

- i. The expenses and operative incomes;
- ii. Cash-Flow (monthly and progressive) statements;
- iii. Transit, traded electricity table, (monthly);
- iv. Electricity deviation table to the contracts (monthly);

#### **4 Legal and administrative independence**

4.1 Licensee is not authorized to be engaged in any of the power and gas sector activities if such a thing is not provided by the legislation in force.

4.2 Responsible persons for managing the Licensee, has no right to participate in the managing structures of any other company in the power and gas sector.

4.3 Licensee shall have an electronic official page.

4.4 Licensee shall publish in the official website all the documentation, except the confidential one.

4.5 Licensee shall not make discriminations between the parties in the Electricity Market.

4.6 Licensee shall always act implementing effective Market Rules.

4.7 Any proposal by the Licensee for any amendment in the Market Rules shall be consulted with the interested parties.

4.8 Licensee shall ensure dhe appropriate equipments to perform its activity as software, IT, etc and shall publish the necessary standards for communication by using international standards and those in conformity with Market Rules.

## **5 Use of Information**

5.1 The Licensee shall ensure that any information received as the result of its licensed activity shall not be revealed to anyone, except of the cases when:

- a) it is given the prior written consent of the Person to whom the information is connected;
- b) information is public;
- c) when the Licensee is required or allowed to disclose the information to fulfill the Conditions of this License according to ERE order, or any applicable legal provision; or
- d) information shall be disclosed in the normal course of performing the Licensed activity.
- e) it is provided in the Legislation in force.

5.2 Licensee shall ensure that any Associated Business shall not use any information of the Licensee to obtain unjustified competitive advantage and shall ensure that he will not disclose any information to any other Person (including other Associated Businesses) that may enable this Person to obtain any kind of unjustified commercial advantage.

5.3 Licensee shall undertake any necessary step to save the confidential information in the Licensee ownership and to report ERE in conformity with the Legal obligations.

5.4 Information sent to ERE by the Licensee shall be considered public except of the cases when upon specific request of the Licensee, ERE by decision defines that this information is of ownership nature and its disclose does not serve to public interest.

5.5 Licensee shall not enter into agreements which he knows or shall know that may lead to the License Conditions violation.

5.6 Licensee shall respect the Laws and Decisions of the Albanian Government as well as ERE Regulations and Rules.

## **6 Control on the Performance of the Licensed Activity**

6.1. ERE shall monitor the implementation of the License Conditions by the Licensee, shall review the Licensee reports and is authorized to inspect the assets or accounting records and may require a technical and/or accounting audit of the Licensee activities. ERE may perform monitoring to the Licensee at any time after the written notification of this last one.

6.2. ERE authorized representatives have the right to enter in the Licensee premises, to control the devices and documents to verify the Licensed Activity in conformity with ERE Regulations and Rules. The Licensee shall provide any required help, necessary for ERE during this inspection.

6.3. Upon the verified complaint of any third Person or with its own initiative, ERE may initiate an investigation implementing the License Conditions or ERE Regulations and Rules, including the review of business practices from the Licensee regarding the Licensed Activity.

6.4. If after the investigation, ERE concludes that the Licensee failed to implement the License Conditions, ERE may undertake measures to the termination of this License.

6.5. Licensee shall inform ERE for any violation of these License Conditions.

6.6. Licensee shall implement all decisions issued by ERE, including full payment of the fines imposed by ERE, in conformity with ERE Regulations and Rules, for violating the License Conditions.

## **7 License Amendment**

7.1. Amending the terms of this license is made in conformity with Law no. 43/2015, “On Power Sector” and the Regulation approved by ERE for the procedures and terms for license issue, modification, transferring, renewal or license termination in power sector.

7.2 ERE may amend the License Conditions in cases as follows:

- a. based on a final court decision
- b. with the request of the licensee

7.3 ERE shall take the final decision only after taking into consideration the customer’s and other licensee’s interests. The interested parties shall be informed in a written form for any proposed amendment. If ERE and the Licensee reach to an agreement for these amendments, the License Conditions shall be amended. If the agreement is not reached the Licensee may appeal to the Administrative Court.

7.4 The amendments made in the License Conditions shall be published in the Official Gazette of the Republic of Albania.

## **8 License Termination and Renewal**

8.1. This license lost its power with the end of the deadline defined in the licensing decision.

8.2 ERE may terminate the License in conformity with the Law and ERE Regulations and Rules in the cases when:

- a. licensee requires the license abrogation;
- b. licensee violates the License Conditions;
- c. licensee violates the Legislation in force;
- d. licensee is declared bankrupt and is unable to fulfill the obligations of the License Conditions;
- e. licensee has obtained the license by defrauding.
- f. is before final court decision

8.3. If the Licensee amends his legal status or the shareholder that controls the interest is changed without ERE authorization, the License becomes null (void) or is cancelled and the Licensee successor may apply for a new license in conformity with ERE procedures for issuing a license.

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

9.1. Any controversial issue or claim between the Licensee and any Market Participant shall be settled with understanding as soon as possible, in conformity with the Legislation in force and ERE Regulations and Rules.

9.2. If the resolution is not reached with understanding, then ERE based on the request of any Person that is a pair in this dispute shall resolve it and issue its decision in conformity with the Legislation in force and ERE Regulations and Rules.

9.3. Licensee may appeal against ERE decision in administrative or judicial way according to the Law provisions.

9.4. Licensee shall obey ERE temporary decisions pending Tirana Administrative Court decision or any other court in the Republic of Albania with jurisdictional competence.