

The Republic of Albania
Electricity Regulatory Authority

LICENSE
For
GENERATION OF ELECTRICITY FOR POWRE PLANTS WITH
GENERAL CAPACITY UNDER 5 MW

Series: _____ License Number: _____

Effective Date: _____
(ERE decision, No. ____, date ____. ____. ____)

License Issued To: _____
(Name and legal address)

Plant: _____
(Name, location)

Fiscal Code: _____

Registration Certificate: _____
(Series, Number, Place of Registration)

Under the authority granted to it pursuant to Third Part of the Law “On the Power Sector” No. 9072, dated 22.05.2003, the Albanian Electricity Regulatory Authority (“ERE”) grants this Generation License for General capacity under 5 MW (“License”), to perform the activity of generation of electric energy (GEE), to the above-named Person, hereinafter “Licensee”, subject to the License Conditions. This License is effective as of the date above written and will continue in effect for a period of ___ years, unless terminated or suspended by the ERE in accordance with the License Conditions contained herein.

[Chairman]

[Seal of ERE]

The Republic of Albania
Electricity Regulatory Authority

LICENSE CONDITIONS
For
GENERATION OF ELECTRICITY FROM EXISTING POWER PLANT WITH
GENERAL CAPACITY UNDER 5 MW

Series: _____ License No. _____

Issued To _____
(Full name of Licensee)

1. General Provisions

- 1.1 The ERE is the only authority in the Republic of Albania, recognized under Third Part of the Law “On the Power Sector” No. 9072, date 22.05.2003, to issue and declare the effectiveness of this License.
- 1.2 This license is effective for a period _____ months/year for the generation of electricity from power plants with general capacity under 5 MW.
- 1.3 If any condition of this License becomes null and void, that condition shall be deleted from the License conditions and the remaining License conditions shall continue in full force and effect.
- 1.4 No transfer of assets, in whole or in part, shall be made to any other Person without the prior written decision of the ERE.
- 1.5 The ERE has the exclusive right to modify this License in case the conditions and circumstances have changed and to comply with the provision of any Grid Code, Distribution Code, Metering Code or Market Rules adopted by the ERE pursuant to Legislation in Force.
- 1.6 At any time, Licensee shall hold only one license for the Generation of Electricity for power plants with general capacity under 5MW.
- 1.7 The withdrawal of a permit or authorization issued by the competent bodies makes the condition for the withdrawal of this license.
- 1.8 The following words and phrases used in the License, these License Conditions and Annexes, when capitalized, shall have the meanings set forth below:

Ancillary Services

Services required to maintain established standards of safety, reliability and quality of electricity. Ancillary Services include: reactive power compensation, power-frequency control and voltage level, maintenance and fast start-up of some reserve capacity, and other services of this kind.

Associated Business

Any other business which, directly or indirectly, in whole or in part:

1. is owned by Licensee; or
2. owns Licensee; or
3. is owned by a Person which is owned by Licensee.

Cross Subsidies

Transfers of funds or allocations of costs within the accounts of Licensee or among Associated Businesses for financial support of one activity or business at the expense of another.

Electricity Supply

Is the supply or sale of electric energy to customers.

ERE

The “ERE” means the Electricity Regulatory Entity or its successor regulatory authority

Force Majeure

An act or event including acts of nature or social events which occurs in the country such as earthquake, cyclone, lightning, flood, volcanic eruption or fire or an act of war, armed conflict, insurrection, terrorist or military action, which prevent the Licensee from performing its obligations under this License or other acts and events which are

- (i) beyond the reasonable control and not arising out of the fault of the Licensee,
- (ii) the Licensee has been unable to overcome such act or event by the exercise of due diligence and reasonable efforts, skill and care.

Generation

Production of electricity through transformation of different power sources from generating units under 5 Mw of the Licensee.

Generating Unit

Individual units and/or main equipment of the power station or power stations owned by the Licensee to produce electricity as more fully described in Annex A hereto.

Legislation in Force

Laws of the Republic of Albania enacted by the Parliament and in effect during this License period.

License

A license issued by the ERE authorizing the licensee to provide a supply of electricity to with existing power plants with a general capacity under 5 MW.

Licensed Activity

Generation of electricity with capacity under 5 MW by Licensee including necessary related activities.

Licensee

The Person that holds this License for Generation of power plants with general capacity under 5 MW that is named on the cover page of this License.

License for Supply of Electricity at Regulated Tariffs

A license issued by the ERE authorizing the licensee to provide a supply of electricity to consumers within a fixed geographic area at tariffs regulated by the ERE.

Supply with Electricity

Includes the supply with electricity and the provided power, except cases when the context asks it differently.

Person

Person shall mean any physical or legal person.

Power Station

All of the systems and equipment, including Generating Units with general capacity under 5MW listed in Annex A and the auxiliary equipment thereof, the units supplying fuel, high-tension

switching equipment and certain objects outside the site (i.e. water works, settling ponds). Assets, tangible or intangible which are owned or controlled in whole or in part, at the date of coming into force of this License or acquired in whole or in part at any time during the term of the License by the Licensee and used for the purpose of Generation.

Power System

The interconnected entity consisting of electric plants, power lines, substations and equipment, intended for transmission or distribution of electricity to consumers within the territory of the Republic of Albania.

Regulated Tariff

A tariff currently in effect, approved by the ERE pursuant to Legislation in Force.

Regulations and Rules

Standards, codes, regulations, orders and other prescriptions in force approved by the ERE.

Transfer

Transfer means any sale, lease or other disposition, in whole or part, of the right to engage in Licensed Activity.

Transmission System Operator (TSO)

The licensed entity responsible for transmission and dispatching activities and the process of controlling the operation of generating plant and other power industry facilities to provide system stability, security, reliability, safety and efficient operation of the power system.

Distributor of Electricity

Distributor of electricity with regulated tariffs within the authorized territory that holds the license given by ERE for this activity.

2. Carrying out the Licensed Activity

- 2.1 Licensee is authorized by this License to conduct the Licensed Activity at the power plants utilizing the Generating Units specified in Annex A. Licensee shall, at all times and in all aspects of its Licensed Activity, produce Electricity in accordance with the standards set forth in the Regulations and Rules approved by the ERE.

- 2.2 Licensee shall promptly notify the ERE of any changes in the capacity of any of the Generating Units or power stations identified in Annex A which will increase or decrease Licensee's available generating capacity in a manner that may significantly affect service to customers for a period more than 30 days.
- 2.3 Any increase in available capacity, except for temporary periods of less than twelve months duration, which exceeds 30% of the amount of capacity identified in Annex A shall require an amendment to this License.
- 2.4 The Licensee will notify ERE and Transmission System Operator on the partly or complete reduction of the generation capacity at least one year before its accomplishment with a detailed explanation for this reason. ERE may exclude the Licensee from this obligation in case the reduction is caused by a Force Majeure.
- 2.5 Planning, construction and making workable the generation capacities of electricity and other installments that are related to them will be carried out by the Licensee in accordance with the Regulations and Rules in force approved by ERE.
- 2.6 The Licensee will not use this license for generation units or power plants with general capacity under 5MW.
- 2.7 While carrying out his activity, the Licensee is required to ensure the safety of people's life and health as well as their property in compliance with the Legislation in Force or other effective regulation and rules.
- 2.8 Licensee shall not impede, prevent or attempt to prevent other licensees or potential competitors from lawfully engaging in or entering the electric business in the Republic of Albania.
- 2.9 Licensee shall not engage in any form of monopoly activity prohibited by Legislation in Force or ERE Regulations and Rules.
- 2.10 Licensee shall perform the Licensed Activity consistent with principles of economic efficiency and the objective of achieving lowest costs.
- 2.11 The Licensee will undertake all the necessary measures to increase the operative and economical efficiency of the Licensed Activity in order to provide quality and stability to the services carried out to the consumers.
- 2.12 The Licensee shall not engage in other activities, which impede or may impede the proper performance of the Licensed Activity. Licensee shall inform the ERE before undertaking any activity, other than the Licensed Activity. The ERE may prohibit Licensee from performing any activity other than the Licensed Activity when it determines the interests of consumers would be harmed.
- 2.13 Licensee shall inform the ERE of the establishment of any Associated Business.

- 2.14 Licensee shall not collaborate in any way with other licensees in preparing and negotiating with the ERE matters related to or affecting electricity tariffs or other charges to consumers, except as may be expressly permitted by ERE Regulations and Rules or collude in any way regarding the Licensed Activity to the detriment of existing or potential suppliers or consumers.
- 2.15 To facilitate the implementation of the Licensed Activity, the Licensee may ask the right of use and expropriate in accordance with the Legislation in Force. The Licensee based on the Legislation in Force, has the right to buy land, and other property and to develop construction work as long as these are in compliance with Rules and Regulations of ERE.

3. Obligations of Licensee

- 3.1 Licensee shall comply with Legislation in Force and all Government Decrees and Regulations and Rules of the ERE not in conflict with Legislation in Force.

3.2 Accounting and Reporting

- 3.2.1. Licensee shall keep accounting records and prepare financial statements, which shall be kept separately for the Licensed Activity and any other activities (including other licensed activities) engaged in by Licensee, in accordance with accounting rules and procedures adopted by the ERE and in accordance with the Law “On the Accountability” No. 7961 dated 19 January 1993, Article 33 of the Law “On the Power Sector” Nr.9072, dated 22.05. 2003 and international accounting principles. Licensee shall submit the annual financial statement to the ERE by June 30 of each year.
- 3.2.2. Licensee is required to prepare and submit to the ERE by the end of February of each year, an annual report relating to its operations in the previous calendar year and containing the following:
 1. a summary and analysis of the Licensee’s activities;
 2. the electricity production during the year;
 3. the quality of generation and details of any measures taken for the improvement of generation quality;
 4. any malfunctioning occurring in the year;
 5. details of any change made to the Generation Assets, including details of any elements that have been expanded, decommissioned or replaced during the year.
- 3.2.3. If licensee anticipates an emergency situation as defined by Legislation in Force, licensee shall notify without delay the ERE and such notice shall describe what steps the Licensee will take to avert or ameliorate the impacts of the anticipated emergency situation.
- 3.2.4. Licensee shall allocate common expenses among its Licensed Activity and other types of activities (including licensed activities) on a reasonable basis that does

not harm the quality of service of the Licensed Activity in accordance with Paragraph 3.2.1 of this License. Licensee shall submit to the ERE documentation setting forth the basis for the allocation of common expenses as well as the results obtained.

3.2.5. Licensee shall notify the ERE within 10 days of any change in:

- a. address;
- b. the Licensee's statute;
- c. registration certificate;
- d. fiscal code;
- e. senior management; or
- f. assets structure by over 10%.

3.2.6. All the official notifications, applications, petitions, claims or other correspondence with the ERE associated with the obligations under this License should be in writing, duly executed by an authorized officer or designated representative thereof, of Licensee or the ERE, respectively, and be delivered via messengers (courier) or registered mail, requiring a verification of receipt. The addresses of the parties should appear on the envelope. All notices or other correspondence shall be considered effective from the moment of delivery or, if they were not delivered due to the sender's fault, from the moment of presentation.

3.3. Use Of Information

3.3.1 Licensee shall ensure that any information obtained from others as a result of its Licensed Activity shall not be revealed to anyone, except in cases when:

- a. the prior written consent of the Person to whose affairs the information relates is given; or
- b. the information is already known to the public; or
- c. Licensee is required or permitted to disclose the information to comply with these License Conditions, according to an order of the ERE, or any applicable legal provision.

3.3.2 Licensee shall ensure that any Associated Business does not use any information in Licensee's possession to gain an unjustified competitive advantage, and shall ensure that it does not disclose any information to any other Person (including those of another Associated Business) that could enable that Person to obtain any kind of unjustified commercial advantage.

3.3.3 Licensee shall develop and submit to the ERE procedures for ensuring compliance with Paragraphs 3.3.1 and 3.3.2. Upon the request of the ERE, Licensee shall undertake any necessary steps to safeguard the confidential information in Licensee's possession and to submit to the ERE reports concerning the observance of the obligations stipulated in Paragraphs 3.3.1 and 3.3.2.

3.3.4 Information provided to the ERE by Licensee shall be considered public unless, upon specific request of Licensee, the ERE by formal decision ascertains that certain information is of a proprietary nature and that its disclosure does not serve the public interest.

3.4 Obligations of Licensee to Transmission System Operator

3.4.1 Licensee shall place the entire production capacity of its Generating Units, in case it is integrated in the Power System, at the disposal of the Transmission System Operator in order to achieve the coordination of balances within the Power System.

3.4.2 Licensee shall comply with the Code of Distribution and Regulations and Rules of the Transmission System Operator and Distributors of electricity approved by the ERE, including execution of all operational orders, instructions or directions and the submission of technical information and all other documentation required.

3.4.3 The Licensee will implement the regulation approved by ERE for the facilitation of entering the network of power plants with general capacity under 5 MW.

3.4.4 Licensee shall provide Ancillary Services whenever requested by the Transmission System Operator in accordance with Regulations and Rules and Code of Transmission and Distribution approved by the ERE.

3.4.5 Contracts for sale of electricity by Licensee will be registered at the Transmission System Operator when approved by the ERE.

3.4.6 All power supply contracts (power purchase agreements) between the Licensee and other entities should be consistent with the model contracts approved by the ERE.

3.9 Regulatory Fees

Licensee shall pay regulatory fees on a regular and continuous basis during the term of this License as determined by the ERE in accordance with Article 12 of the Law No.9072, dated 22.05.2003 “On the Power Sector” and applicable ERE regulations.

4. Control Over the Performance of Licensed Activity

4.1 The ERE shall monitor Licensee’s compliance with these License Conditions, review reports obtained from Licensee and, at any time, may inspect Licensee’s accounting records and require a technical and/or accounting audit of Licensee’s activities.

- 4.2 Authorized representatives of the ERE may inspect Licensee's premises, its equipment and documents to verify compliance of Licensed Activity performance with the License Conditions and ERE Regulations and Rules. Licensee shall provide any required assistance necessary for the ERE during the said inspection.
- 4.3 Upon the complaint of any third party or upon its own motion, the ERE may initiate an investigation of Licensee's compliance with these License Conditions or ERE Regulations and Rules.
- 4.4 Licensee shall inform the ERE of any violation of License Conditions within one week from such violation becoming known to Licensee, providing an explanation and reasons for such violation.
- 4.5 If after investigation, the ERE concludes that Licensee has failed to comply with License Conditions, the ERE may revise Licensee's tariffs and contracts and/or take other actions within its scope of authority to protect the interests of electricity consumers.

5. Amendment of License

- 5.1 The ERE may amend the License Conditions in case they do not comply with:
 - a) the Legislation in Force and Government Decrees of the Republic of Albania consistent with Legislation in Force;
 - b) decisions issued by the District Court of Tirana or another court of competent jurisdiction.
- 5.2 At any time either Licensee or the ERE may propose any other amendments to these License Conditions, in addition to those stipulated in Paragraph 5.1, by transmitting a written proposal, together with any supporting arguments, to the other party.
- 5.3 The ERE shall make the final decision only after taking into consideration the interests of consumers and other licensees. Interested Persons shall be informed in writing of any proposed amendments. If the ERE and Licensee reach an agreement on such amendments, the License Conditions shall be so amended. If an agreement is not reached, the Licensee may appeal to the District Court of Tirana.

6. License Suspensions and Termination

- 6.1 The ERE may suspend or terminate the License in accordance with the ERE Regulations and Rules when:
 - a. Licensee requests the withdrawal of the license;
 - b. Licensee violates the License Conditions;
 - c. Licensee violates the Legislation in Force;

- d. Licensee is declared bankrupt and is unable to perform obligations under these License Conditions;
 - e. Licensee obtained the license fraudulently.
- 6.2 If Licensee changes its legal status or the shareholder controlling interest is changed without a special authorization from the ERE, the License becomes null and void and the successor of Licensee shall apply for a new license in compliance with ERE procedure for license issuance.

7. Dispute Resolution and the Right to Appeal

- 7.1 Any controversial issue or claim between Licensee and any TN User related to Dispatch Activity or License Conditions will be solved on an amiable basis as possible, in compliance with Legislation in Force and ERE Regulations and Rules.
- 7.2 The Disagreement between the Licensee and a consumer or between the Licensee and another licensee that have to do with matters within the jurisdiction of ERE that might not be solved through negotiations between the parties will be solved by ERE, after the parties are heard before, within the scope of authority of ERE in compliance with the Regulations and Rules of ERE.
- 7.3 If resolution is not reached on an amiable basis, then the ERE upon petition of any Person that is a party to such dispute shall resolve the dispute and issue its decision thereon according to Legislation in Force and applicable ERE Regulations and Rules.
- 7.4 Any party in dispute may appeal the ERE decisions to the District Court of Tirana.
- 7.5 Parties must obey the ERE decisions that are pending appeal before the District Court of Tirana or other courts of the Republic of Albania of competent jurisdiction.

The Republic of Albania
Energy Regulatory Authority

LICENSE
For
GENERATION OF ELECTRICITY FOR EXISTING POWER PLANTS WITH
GENERAL CAPACITY UNDER 5MW

License issued to:

(Full name of Licensee)

Series: _____ License No: _____

Effective Date of the present Annex: _____

ANNEX A

Authorized List
of
POWER PLANTS AND ELECTRICITY GENERATING UNITS

Power plant	Unit Number	Installed Capacity	Date Placed in Service