



REPUBLIC OF ALBANIA
ENERGY REGULATORY AUTHORITY

Board

DECISION

No. 264, dated 20.12.2018

ON

DEFINING THE TRANSITORY PERIOD TO MAKE EFFECTIVE THE LICENSES TRANSFER OF THE ELECTRICITY DISTRIBUTION SYSTEM OPERATION, OF ELECTRICITY DISTRIBUTION OPERATOR (OSHEE) COMPANY, TO THE “DISTRIBUTION SYSTEM OPERATOR” (O.S.SH) COMPANY; ELECTRICITY SUPPLY LICENSE AND THE UNIVERSAL SERVICE OBLIGATION OF THE ELECTRICITY SUPPLY, OF THE ELECTRICITY DISTRIBUTION OPERATOR (OSHEE) COMPANY, TO THE “UNIVERSAL SERVICE SUPPLIER” (FSHU) COMPANY

Based on articles 16 and 37, point 2, letters “c”, “ç” of Law no. 43/2015, “*On Power Sector*”, as amended, article 3, point 50, article 22, point 2, letters “a” and “b”, of Law No. 102/2015, “*On Natural Gas Sector*”; article 113 point 3, of Law No. 44/2015, “*Administrative Procedures Code*”, as well as article 15 of the “*Rules on ERE organization, operation and procedures*”, approved with ERE Board Decision no. 96, dated 17.06.2016, ERE Board, on their meeting dated 20.12.2018, after reviewing the report prepared by the Technical Directorates on defining the transitory period to make effective the licenses transfer of the electricity distribution system operation, of the Electricity Distribution Operator (OSHEE) company, to the "Distribution System Operator" (O.S.SH) company; the electricity supply license and the universal service obligation of electricity supply, of the Electricity Distribution Operator (OSHEE) company, to the "Universal Service Supplier" (FSHU) company,

Observed that:

- In the framework of the reform in the power sector and implementing Law No. 43/2015, “*On Power Sector*”, as amended, Council of Minister Decision No. 519, dated 13.07.2016, “*On approving the Electricity Market Model*”, as well as Order No.157, dated 12.02.2018, on the “*Establishment of three companies controlled by*

the Electricity Distribution Operator”, OSHEE company has established three companies as follows:

- **The Distribution System Operator** (OSSH) company with a private bid and with activity object in the: the electricity distribution, construction, operation and maintenance of the electricity distribution network to ensure electricity for the customers, the connection of the customers and the electricity distribution network users, the installation and the electricity metering services etc as well as any other profitable activity on the interest of the company;
 - **Universal Service Supplier** (FSHU) company with a private bid and with activity object in the: electricity supply of the end use customers acting in the regulated market defined from the legislation in force, providing and ensuring the trading quality of service, as well as any other profitable activity in the interest of the company.
 - **“Free Market Supplier”**, (FTL) company with a private bid and with activity object in energy purchase and management and the operation in the free market etc, as well as any other profitable activity in the interest of the company.
- ERE with its Board Decision no.198, dated 03.09.2018, has licensed “Free Market Supplier”, (FTL) company in electricity trading activity”; With Board Decision no. 199, dated 03.09.2018, has licensed “Free Market Supplier” (FTL) company in electricity supply activity”; With Board Decision no. 215 dated 11.10.2018, ERE has transferred the electricity supply license, approved with ERE Board Decision No. 97, dated 27.10.2014, valid until on 27.10.2019 and the universal service obligation of electricity supply of the Electricity Distribution Operator company (OSHEE), approved with ERE Board decision No. 112, dated 08.07.2016, to the "Universal Service Supplier" (FSHU) company” and with its Board Decision no. 216, dated 11.10.2018, ERE has transferred the electricity distribution system operation license, of the Electricity Distribution Operator (OSHEE) company, approved with ERE Board of Commissioners Decision, No. 96 dated 27.10.2014, to the "Distribution System Operator" (OSSH) company, valid until 27.10.2044.”
 - OSHEE company with the official letter Protocol no. 21171, dated 26.11.2018, submitted at the Ministry of Infrastructure and Energy the request for orientation within the framework of OSHEE company unbundling.
 - Referring to the guarantee of supply and the quality of service, OSHEE company observes that there are three elements about which it is required clarification about the obligations and rights coming for the Distribution System Operator;
 - the requirements for the quality regulation;
 - the requirements for the access in the distribution network of the generation resources;
 - ensuring access for the users.

- The three abovementioned requests are defined on the quality regulation for the distribution service, about which OSHEE company applied at ERE to postpone the terms and the request in an escalating way of the standard criteria of performance for different areas, based on the performance reassessment on this areas during the transitory period and the situation of the electricity distribution sector.
- Further, a part of the important effects in the quality of the distribution service comes from the connection of the generation resources in the distribution network of OSSH company. On this areas, the distribution network is unplanned to inject electricity from other alternative resources.
- Another issue that requires attention to be solved are the power transformers owned by the third parties composing 47% of the electricity cabins inventory connected on the Distribution System.
- It takes time for the accurate definition of the organizational charts and the management processes of electricity portfolio in conformity with the functions and the activities that shall be covered by each operator;
- Also it requires the review and the completion of the legal and by-legal framework in conformity with the obligations for ensuring the uninterrupted electricity supply and according to the quality standards for the customers.
- As follows the Ministry of Infrastructure and Energy (MIE) with the official letter ERE protocol no. 798/1, dated 19.12.2018, has submitted the orientation within the framework of OSHEE company unbundling.

On this correspondence MIE has some concerns regarding:

- the accurate definition of the organizational charts and the processes of managing the electricity portfolio in conformity with the operations and activities covered by each operator;
 - review and completion of the legal and by-legal framework in conformity with the obligations for ensuring uninterrupted supply and according to quality standards to the customers.
 - the proposed by- legal amendments referring to a market model which may be considered as an optimal model not only for OSHEE company, but even for the other operators in the Power Sector, where the target is the sector stability or the comply of other obligations provided in the Law.
- On a preliminary assessment of proposed solutions, MIE as the shareholder of OSHEE company, judges suitable a transitory period of 12 months to make effective the transferring of the licenses approved by ERE with respective decisions.
 - The transitory period of 12 months is necessary to approve the respective legal and by-legal acts.
 - As follows OSHEE company with the official letter Protocol no. 798, dated 19.12.2018, based on article 37 of Law no. 43/2015, “*On Power Sector*”, as amended,

requires from ERE to define a transitory period for transferring the licenses approved by ERE according to MIE proposal.

For all of the above mentioned, ERE Board,

Decided:

1. To define a transitory period of 12 months, to make effective the transferring of the electricity distribution system operation license, of the Electricity Distribution Operator (OSHEE) company, to the "Distribution System Operator" (O.S.SH) company; approved with ERE Board Decision no. 216, dated 11.10.2018; the license of the electricity supply and universal service obligation of electricity supply, of the Electricity Distribution Operator (OSHEE) company, to the "Universal Service Supplier" (FSHU) company approved with ERE Board Decision no. 215, dated 11.10.2018.
2. Until the termination of the transitory period of 12 months, the electricity distribution system operation; the electricity supply and the universal service obligation of electricity supply activities, shall continue to be performed by OSHEE company
3. Legal and Customer Protection Directory shall inform the stakeholders for ERE Board Decision.

This decision enters immediately into force.

This decision is published in the Official Gazette.

This decision shall be claimed on Tirana Administrative Court, within 30 calendar days from the publication in the Official Gazette.