



REPUBLIKA E SHQIPËRIË

ENERGY REGULATORY AUTHORITY

BOARD

DECISION

No. 271, dated 28.12.2020

ON OPENING THE PROCEDURE TO DEFINE THE ELECTRICITY PURCHASE PRICE PRODUCED FROM, WIND AND SOLAR SMALL RENEWABLE RESOURCES AS WELL AS THE BIODEGRADABLE PART OF THE SOLID WASTE THAT UTILISE THE INDUSTRIAL, URBAN AND RURAL WASTES FOR 2020

Based on article 10, point 3, of Law no. 7/2017 “*On the promotion of the use of energy from renewable sources*”, Council of Ministers Decision no.369, dated 26.04.2017 “*On approving the methodology to define the electricity purchase price generated from wind and solar small renewable resources*”, Council of Ministers Decision no. 27, dated 17.01.2018 “*On approving the methodology to define the electricity purchase price generated from the biodegradable part of the solid waste that utilise the industrial, urban and rural wastes*” and article 15 of the “*Rules on ERE Organization, Operation and Procedures*”, approved with ERE Board Decision, no. 96, dated 17.06.2020, the Energy Regulatory Authority Board (ERE), on their meeting dated 28.12.2020, after reviewing the report Protocol no. 142/14, dated 24.12.2020, prepared by the Tariff and Prices Directory,

Observed that:

- ERE is obliged to define the electricity purchase price generated from the solar small renewable resources with an installed capacity up to 2 MW and wind small renewable resources with an installed capacity up to 3MW, in accordance with the methodology approved by the Council of Ministers.
- 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, based on the references of the table presented in this Council of Ministers Decision regarding LCOE (Leveled Cost of Electricity) and WACC (Weighted Average Cost of Capital) or the concrete data of the investments cost that shall be ensured for the following years.
- Council of Ministers Decision no. 27, dated 17.1.2018 “On approving the methodology to define the electricity purchase price generated from the biodegradable part of the solid waste that utilise the industrial, urban and rural wastes” defines, among other things, that the investments for which the subjects are provided with the relevant authorization after January 1, 2018 and onwards, ERE shall approve the price based on the data collected, about real investments cost, if they result different from the provisions of this methodology.

- On the basis of the methodology approved with Council of Ministers Decision no. 369, dated 26.04.2017, it is the calculation of the cost of electricity production from renewable sources through the calculating formula of LCOE (Leveled Cost of Electricity) as follows:

$$\text{LCOE} = \frac{\text{NPV of Total Costs Over Lifetime}}{\text{NPV of Electrical Energy Produced Over Lifetime}}$$

where:

- It** = Investment expenditures in year t (including financing)
- Mt** = Operations and maintenance expenditures in year t
- Ft** = Fuel expenditures in year t
- Et** = Electricity generation in year t
- r** = Discount rate
- n** = Life of the system

- Meanwhile, the methodology approved with Council of Ministers Decision no. 27, dated 17.1.2018 determines the criteria of calculating the price that shall be paid for an output unit as payment for the produced power, in order to achieve a certain financial return - or simply decide the price that the project must gain for mwh, in order to achieve break-even or the revenues to equalize production costs.

$$\text{LCOE} = \frac{\sum \frac{(I_t + M_t + F_t)}{(1 + r)^t}}{\sum \frac{E_t}{(1 + r)^t}}$$

- ERE based on the provisions of Law no. 7/2017 “On the promotion of the use of energy from renewable sources”, as well as the by-legal acts into force, based on the experience to approve the prices for the priority producers based on the aforementioned legislation, through the official letter protocol no. __, dated __. 12.2020 submitted to the Ministry of Infrastructure and Energy (MIE) it was required information regarding the subjects for which the latter issued (1) prior authorization, (2) final approval on the operation for electricity production from small renewable resources from sun and wind; as well as small generators of renewable resources from the biodegradable part of solid waste, that utilise the industrial, urban and rural wastes.
- The information required via the official letter shall be used for the evaluation and review of data necessary for the calculation of prices for the technologies in question, based on the provisions of the legislation into force.

For all of the above mentioned, ERE Board,

Decided:

1. To open the procedure to define the electricity purchase price produced from, wind and solar small renewable resources as well as the biodegradable part of the solid waste that utilise the industrial, urban and rural wastes for 2020.

2. The Tariff and Price Directory, shall inform the interested parties about ERE Board Decision.

This decision enters immediately into force.

This decision may be complained on Tirana Administrative Court within 30 calendar days from the day of its publication on the Official Gazette.

This decision shall be published on the Official Gazette

ERE CHAIRMAN

Petrit AHMETI