

**Republic of Albania**  
**Energy Regulator Authority**

**LICENCE FOR ELECTRICITY TRANSMISSION SYSTEM OPERATION**

License Number:

Registration Certificate:

Series:

Effective Date:

License issued to:

Company:

NUIS:

Based on the authority granted by Law no.43/2015 session two Part Five "On Power Sector", Energy Regulatory Authority ("ERE") grants this License ("License"), to perform electricity transmission operator activity, to the above mentioned legal entity, hereinafter "Licensee", subject to the License Conditions attached and its integral part, as well as the conditions defined in ERE Board Decision.

This License becomes effective on the date written above and shall continue to be effective, until the deadline of this license or when terminated by ERE in accordance with the License Conditions contained herein.

**ERE CHAIRMAN**

**Republic of Albania**  
**Energy Regulator Authority**

**LICENSE**  
**FOR**  
**THE OPERATION OF ELECTRICITY TRANSMISSION SYSTEM**

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

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

Issued to: \_\_\_\_\_

(Full name of the Licensee)

**LICENSE CONDITIONS**

**FOR**

**THE OPERATION OF ELECTRICITY TRANSMISSION SYSTEM**

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

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

Issued to: \_\_\_\_\_

(Full name of the Licensee)

## General Provisions

1.1 ERE is the only authority in the Republic of Albania, recognized under Law no.43/2015 Part Four "On Power Sector" to issue this License and declare its effectiveness.

1.2 If any condition of this License becomes void, this condition shall be removed from the License and the remaining Conditions of the License shall continue to be fully effective.

1.3 The assets transfer of the licensee is done according to the definitions of article 44 Law No.43/2015 "On Power Sector" and the "Regulation on asset transfer from the licensee on power and natural gas sector approved with decision no.119 of date 21.07.2016.

1.4. ERE amends this license, in conformity with article 43 of the law and the regulation for the procedures and terms for license issue, modification, transferring or license termination approved by ERE

1.5 In the Republic of Albania shall be issued only one license for the Operation of Electricity Transmission System Activity.

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

1.7 "Electricity activities" are the economic activities related with generation, transmission, distribution, and electricity supply, as well as electricity market operation.

**1.8 "Energy Regulator Authority" or "ERE"** means the regulatory institution of power and natural gas sector, that operates in conformity with this law and natural gas sector law.

**1.9 "Grid Operator"** means transmission system operator and/or electricity distribution system operator.

**1.10 "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.

**1.11 "Certification"** means the procedure, which determines the compliance with the conditions governing the independence and unbundling of Transmission System Operator, according to the definitions of the law mentioned above, as a precondition for defining and approving this operator.

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

**1.13 "Board"** means ERE decision making body, appointed according to this law mentioned above.

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

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

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

**1.17 “Legislation in force”** means the Laws in the Republic of Albania approved by the Parliament including the Law (hereinafter) and other secondary legislation issued implementing the law which are effective during the period of this License;

**1.18 “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.

**1.19 “ERE Rules”** means any secondary legislation approved by ERE implementing the legislation in force, which regulates the licensee activity in the power sector.

**1.20 “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.

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

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

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

**1.24 “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.

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

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

**1.27 “Balancing Responsibility”** means an obligation of market participants for balancing the generation, consumption, electricity sale-purchase processes, in conformity with the agreed schedule, being financially responsible to Transmission System Operator for the created imbalances system.

- 1.28 “Balancing Service Provider”** means an electricity market participant, which provides the balancing service for the Transmission System Operator, based on an agreement for participation in the market balancing, in conformity with the balancing rules of the power system.
- 1.29 “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 Distribution System Operator are electricity market participants only for the purpose of providing electricity needed for covering the losses in the grid, for balancing and ancillary services.
- 1.30 “Grid Codes”** means the Transmission and Distribution Codes. “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 distribution system.
- 1.31 “Transmission Code”** means the set of technical rules, which regulate transmission system operator, as well as define the service conditions provided by Transmission System Operator to the users of transmission system, in conformity with ENTSO-e rules.
- 1.32 “Metering Code”** means the set of minimal norms obligatory to measure and record electricity.
- 1.33 “Balancing Service Provider”** means an electricity market participant, which provides the balancing service for the Transmission System Operator, based on an agreement for participation in the market balancing, in conformity with the balancing rules of the power system.
- 1.34 “Power System”** means an interconnected system, composed of power plants, power lines, substations and transmission, distribution devices, for transmitting or distributing electricity to the customers.
- 1.35 “Transmission System”** means the system used for electricity transmission 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 to deliver electricity to the customers or to the distribution grid, excluding the supply.
- 1.36 “Balancing Service”** means providing reserve capacity contracted and/or balancing electricity, used by Transmission System Operator to perform the balancing.
- 1.37 “Ancillary Services”** means the necessary services for reliable operation of transmission or distribution system.
- 1.38 “Power Company”** means a legal entity 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.
- 1.39 “Declared Import”** means electricity delivered to one country, which, simultaneously, is dispatched as declared export from another country.
- 1.40 “Interconnector”** means a transmission line constructed by Transmission System Operator or a third party, which crosses through the border of the Republic of Albania and that another country as well as connects the national transmission systems of both countries.

**1.41 “New Interconnector”** means an in-completed interconnector and/or completed but not commissioned, by the date that this license enter into force.

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

**1.43 “Balancing Market”** means the market based management, of the power system balancing operations, operated by Transmission System Operator.

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

**1.45 “Electricity Market”** means a system for effective sales and purchases, including electricity derivate, by the requests and offers, submitted in long-term and short-term periods.

**1.46 “Trader ”** shall mean any legal entity, operating electricity trading activity.

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

**1.48 “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 obligation 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, reasonable efforts, skills and his care.

**1.49 “Associated business”** meansy any business who directly or indirectly, fully or partially:

- is owned of a Licensee; or
- owns the Licensee; or
- is in the ownership of a Person, which is owned by the Licensee.

**1.50 “Regulatory payment”** is the annual payment that all licensed companies in power sector pay on ERE account, to cover the costs of its regulatory activity. The regulatory payments for every licensed company shall be approved each year by ERE based on a methodology approved by this institution

## **C? Performing the Licensed Activity**

2.1 Licensee is authorized by this License to perform Electricity Transmission Activity in the Republic of Albania. This right is given exclusively to the Licensee. During the License period, the Licensee has the right to perform all activities required to fulfill the licensed activity and that are not permitted by the legislation in force.

2.2 Licensee shall use and maintain the Transmission System in conformity with the Law, Codes, Coucil of Ministers Decisions of the Republic of Albania, other ERE Regulations, the conditions of this License and other secondary acts in force to ensure the operation and control of the Transmission System in the Republic of Albania.

2.3 Licensee, based on transparent, efficient and non-discriminatory procedures shall ensure the connection of the system users with the Transmission Grid based on the provisions of the Law, ERE Rules which regulate the Grid connection process.

2.4 Licensee shall not impede, prevent or attempt to prevent the other Licensees or new market participants to be legally engaged or to enter in electricity business in the Republic of Albania.

2.5 Licensee shall keep separate accounts for each license activity that he exercises and for any other activity not related with the power sector, to prevent cross-subsidies and the violation of competition in the power sector. These accounts may be submitted consolidated, except the case when the performed activities are related with electricity distribution or transmission.

The incomes ensured by the Licensee by any right over transmission grid shall be specified on the accounts of the licensee.

2.6 Licensee shall not be engaged in performing other activities that cause anti-competition according to the legislation in force.

2.7 Licensee shall keep accounting records and shall prepare financial statements, in conformity with article 45 of the Law and the unified accounting standards approved by ERE. The Licensee is obliged to submit at ERE the financial statements for every exercising year. The financial statements are deposited at ERE within January 31 for the following exercising year, while the audited copy of these statements is deposited at ERE within June 30.

2.8 Licensee shall not collaborate with other persons to damage the licensees or the Clients included in Electricity Activities. Licensee may collaborate with other Persons for issues regarding the increase of security, stability and modernization of the transmission system.

2.9 Licensee shall perform the Licensed Activity in conformity with economic efficiency principles and the objective to achieve lowest costs and environmental impact without jeopardizing the quality and stability of Transmission System.

2.10 Licensee contributes in the security of supply by guaranteeing the security of the system and stability of the transmission capacities;

2.11 Licensee shall draft and promote policies and programs which aim to respect the quality and stability standards set for Transmission System, according to ERE Regulations and Rules.

2.12 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 other activities except the Licensed one; or
- b) establish an Associated Business.

2.13 Licensee is not responsible for not-completing the License Conditions in case of a Force Majeure to that extent that the Force Majeure is the reason for not completing the License Conditions. In this case, the Licensee shall immediately inform ERE and other Licensees or the Clients with whom the Licensee has signed Electricity Transmission Agreements.



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

3.1 Licensee is obliged to implement the Legislation in force during the exercise of the operations according to this license.

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

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

3.2.2. 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

If the Licensee does not make this notification, ERE may apply the fines according to the Law.

3.2.3. All the official notifications, applications, claims or other correspondences regarding the License shall be in the written form and signed respectively by an authorized official or appointed representative of the Licensee or ERE and shall be sent on courier or registered post, 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. Shall be considered accepted all the notifications send by official email communicated before officially from the parties.

#### **3.3. Use of Information**

3.3.1 The licensee for any information received as the result of his Licensed Activity is obliged to implement the Confidentiality of Transmission System Operator according to Law no. 64.

#### **3.4. Centralized Control and Coordination of the Electricity Transmission Grid**

3.4.1. Licensee shall direct and coordinate Transmission System operation in conformity with the Transmission Code and ERE Regulations.

3.4.2. Transmission System Operator:

- a. installs and processes all types of information , communications and systems, including *wireless* system necessary for the transmission system
- b. exchanges or allocates the balancing services with transmission system operators of the neighbouring countries to regulate the frequency within the grid, in conformity with operational agreements between transmission system operators of the region and the provisions of this law to promote regional cooperation.

3.4.3. Licensee shall provide the Ancillary Services in conformity with the Law, Transmission Code, ERE Decisions and Regulations.

**3.5. Registration and the reporting system of Transmission System Operation shall be in conformity with the Transmission Code.**

3.6. The Licensee shall immediately inform ERE and other interested parties for any circumstance leading to important changes in the Transmission System in conformity with the legislation in force and the Transmission Code.

3.7. Only the Transmission System Operator has the right to invoice and collect the transmission tariff/tariffs, previously adopted by ERE, in conformity with the transmission methodology.

**3.8. Access and Connection with the Transmission System**

3.8.1. Transmission System Operator guarantees access to the grid for all users of the transmission system, on transparent, non-discriminatory basis based on the definitions of article 29 of the law and the approved and published tariffs by ERE.

3.8.2. The Licensee shall inform all system users, may suspend the Transmission Services according to the License Conditions for a period of time, in conformity with the legislation in force, including the cases when the user repeatedly violates the operation and security of the system.

**3.9. Regulatory Payments**

3.9.1. Licensee shall pay at ERE the regulation payments on a regular and continuous basis during the period of this License as defined by ERE in conformity with Law no. 43/2015 "On Power Sector" and ERE applicable regulations.

3.9.2. If the Licensee does not execute the payment within 30 days after receiving the notification, ERE has the right to apply the administrative measure in conformity with the "Regulation on imposing the fine and facilitation from them".

**4. Control on the Performance of the Licensed Activity**

4.1. ERE shall monitor the implementation from the Licensee of the License Conditions, shall review the reports obtained by the Licensee and at any time after the notification, is authorized to inspect the assets or accounting records and may require a technical and/or accounting audit of the Licensee's activities.

4.2. ERE authorized representatives have the right to access the Licensee's premises, devices and documents to inspect the Licensed Activity in conformity with ERE Regulations and Rules. The licensee shall provide any required assistance necessary for ERE during this inspection.

4.3. Upon the evidenced complaint of any third Person or upon its own initiative, ERE may initiate an investigation on implementing the License Conditions or ERE Decisions and Rules.

4.4. If after the investigation, ERE concludes that the Licensee has not implemented the License ~~Conditions, ERE may correct the licensee tariffs and/or undertake other measures within the~~

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authority recognized informed by the Law actions to protect electricity customer's interest, to the termination of this License.

**4.5.** Licensee shall inform ERE for any violation of these License Conditions within the deadlines defined in the regulation "On ERE organization, operation and Procedures".

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

## **5. License Modification and Termination**

5.1 Modifying the conditions of this license and its termination shall be in conformity with the Law and the Regulation approved by ERE "On the procedures and terms for license issue, modification, transferring, renewal or license termination in power sector" as well as the "Regulation for License termination procedures"

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## **6. Settling the Disputes and the Right to Appeal**

6.1. Any controversial issue or claim between the Licensee and any Transmission System User regarding the License Conditions shall be settled with understanding if possible, in conformity with the Legislation in force, ERE decisions and Rules.

6.2. If the settling is not reached with understanding, ERE upon the request of any Person that is a party in such dispute shall settle it and issue its decision in conformity with the Legislation in force and ERE Regulations and Rules.

6.3. Licensee may appeal ERE decisions in conformity with ERE law and regulations.