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22.02.2011**

Regulation on Allocation of Interconnection capacities

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1. Introduction and general provisions

These rules are developed in compliance with the Law no. 9072, date 22.05.2003 “On Power Sector” (as amended), Market Model of Electricity, approved by Decision of Council of Ministers No. 338, date 19.3.2008 and Market Rules for Electricity approved by the decision of ERE Board of Commissioners No. 68, date 23.6.2008.

These rules specify the procedures and the auction criteria the available cross border allocation capacity between the control zone of OST sh.a and the neighbours Transmission System Operators in the interconnection lines in both directions including Albanian-Greece, Albanian-Kosovo, Albania- Montenegro lines.

These rules set the requirements that the market participants shall fulfill to participate in the Annual, Monthly, Daily auctions, the procedures for auctions, giving the right for physical transmission, conditions for access in the secondary market of physical transmission and exploitation of the physical transmission right.

Available Transmission capacities (ATC) for export from Albanian and for Import to Albania through the interconnection lines with Greece, Kosovo, and Montenegro are explicitly allocated in the Annual, Monthly and Daily auction carried for each direction.

These rules aim to secure a transparent process monitored by ERE for the available allocation capacities for interconnection.

OST as the Transmission Operator in the Republic of Albania, is in charge of setting the cross border transmission capacity values and their reconciliation with the neighbouring TSOs in compliance with the criteria set by ENTSO-E (European Network of Transmission System Operators).

OST develops and send for approval to ERE the Allocation ATC Rules in its control zone for the coming calendar year, which shall be in force for the whole calendaric coming year. The actual version of the Rules shall be published in the OST website not later than 15 november of the coming calendaric year. After the publication of the Rules the market participants are obligated to follow correctly the rule published in the OST web site.

For a transitory period until 31.12.2011, a part of the available incoming interconnection capacity (import) shall be reserved as below:

- a. 50% of the capacity available is reserved for OSSH-se (CEZ Distribution) to cover the losses in the distribution network ;
- b. 25% of the capacity available is reserved for the wholesale public supplier (KESH sha) to cover the need for energy to tariff customers.
- c. From remaining 25% , OST shall reserve the needed capacities for the qualified suppliers that have a contract in force with the eligible customers. In the cases when this capacity does not fulfill their requests, it shall be divided proportionally.
- d. The remaining available capacity of the incoming interconnection after the capacities have been reserved as per points a, b and c abovementioned, shall be actioned by OST sha.
- e. No reliability right shall be transferred to third parties in case the reliable capacities are not used for one of the reasons anticipated in the points a, b and c abovementioned.

2. ABBREVIATIONS AND DEFINITIONS

TTC (Total Transfer Capacity) – is the maximal exchange program between the controlled zones accompanied with the security operation standards in both systems, based on the available operative information expected, including generation and load.

TRM (Transmission Reliability Margin)- is a part of the cross-border transmission capacity, needed for the safe operation of the transmission system considering the inaccuracy of calculation of transmission capacities and the schedules based on them. This inaccuracy comes as a result of secondary regulation operations, the need for emergency exchanges and deviations in real time from scheduling. Neighbouring TSO's coordinate together the TRM value.

NTC (Net Transfer Capacity) - is the maximal exchange program between two neighboring TSO's considering the applicable reliability standards in all the control zones of the synchronized zone, as well as considering the technical unreliabilities related to the forecast of conditions in the net and the calculations according to the formula below:

$$NTC = TTC - TRM$$

AAC (Already Allocated Capacity) – is the whole transmission capacity, that is allocated to the market participants based on these rules, after the fulfillment of the financial obligations towards OST from the market participants.

ATC (Available Transmission Capacity) - is the difference between net capacity and the already allocated capacity and is calculated based on the formula below:

$$ATC = NTC - AAC$$

Market participant – is a legally registered entity in Albania, licensed by the ERE for carrying out one or more activities in the energy sector and that has signed a contract with OST for the use of cross border capacity.

Action participants - is a market participant that presents to the auction the request for allocation of the right of cross border transmission capacity, with the condition that the relevant contract with OST for the use of cross border capacity is signed before.

Auction period – is the period during which is applied the capacity allocation. This period may be a year, month or one day period.

Auction bid – are the values of the couple capacity- price (MW - €/MWh) in the request presented by the auction participant.

Allocation – is the process in which OST attributes the transmission capacities to the market participants.

Annual auction – is the auction for the allocation right for physical transmission for the previous year.

Annual Available Transmission Capacity (ATC) - is part of the Available transmission capacity that is allocated in the annual auction as the right of physical transmission.

Monthly auction – is the auction for the allocation of the right of physical transmission for the coming month.

Monthly Available Transmission Capacity (ATC) – is part of the available transmission capacities that is allocated in the monthly auction for the previous month.

Daily auction – is the auction for the allocation of the right of physical transmission for the coming day.

Daily available transmission capacity – is the part of available transmission capacity that is allocated in the daily auction.

Specific auction conditions – shall mean the necessary information made available for the auction participants from OST sh.a. website for a certain auction.

Auction means – shall mean the information technology system (IT) used by OST to take the offers from the auction participants including the operations and auction outcomes.

Auction web page – is the OST web page (Market Operator) as per article 9 of these rules.

Auction day – is the date on which the auction shall take place, for which the bids shall be presented until the deadline set by OST.

Congestion - is the indetified load in the network elements, or non-fullfillment of security criteria N-1 in flows distribution and/or voltage analysis in the procedure for preparing the work registration for day in advance or real time.

Margin Price – is the lowerets price of the last bid accepted by OST in an auction process.

Capacity owner – is the auction participant that wins the cross border transmission right in auction or that wins this right through transferring in compliance with the requirement sof these rules.

Secondary Market of the Physical Transmission Right – is the mechanism that permits the physical transferring right purchases in Annual auction and/or Month from the holder that has won in auction from another market participant based on these rules.

Transferring capacity – is the transferring of the right to use cross border capacity from the auction winner to another market participant.

Cross boders energy exchange – is the electricity exchange that the market participant carries out with the control zones neighbouring (TSO).

Cross border partner – is a person from the neighbouring control zone with whom the market participant in Albania has a cross border exchange contract.

Control Zone - is the determined part in the European interconnection grid (ENTSO-E), controlled by one or more TSOs.

ERE – is the Albanain Energy regulator according to the defition in the Power Sector Law.

ENTSO-E (European Network of Transmission System Operators for Electricity) – is the association of the European TSO's for electricity.

3. DOCUMENTS AND APPLICATION FORMS

Documents and application forms attached as annexes are part of these rules and are published in OST website:

- Application form for participation in the interconnection capacity auction - Annex 1
- Contract model for the right of use of cross border capacity in the borders of the OST control zone– Annex 2
- Application form for capacity transferring – Annex 3
- Application form for declaration of taking the cross border transmission right allocated by neighbouring TSOs– Annex 4
- List of contact persons in OST- Annex 5
- List of market participants that will take part in auction and schedule nomination – Annex 6
- Tables with TTC, TRM, NTC, AAC and ATC – Annex 7
- Preliminary annual plan of repairment works of interconnectors – Annex 8
- Table with auction results – Annex 9.

4. DETERMINATION OF AVAIBLE TRANSMISSION CAPACITY (ATC)

OST shall, 30 days before the annual auction date for the transmission capacity and reliability line capacity based on power and physical network realitites, which shall be available for the coming years. This scheme shall be adopted by the ERE. Avaiable Transmission Capacity (ATC) at the borders of OST control zone is commonly set with the neighbouring TSOs in compliance ENTSO-E recommendations and Transmission Code.

ATC values are separately set for each border and flow direction and those can not be summed so eliminated through the taking of transmission net value.

OST shall, if technically possib;e, to have a resultant (net) value of the capacity requests for each energy flow on the contrary direction on the congested interconnection line, so that it is used with maximal capacity. Taking into fully consideration the system reliability, transactions that avoid congestion shall never be refused.

The annual ATC value for each interconnection and flow direction is calculated considering the minimum monthly value that is used or exploited in the last years and is coordinated with the neighbouring TSOs.

The monthly ATC value is calculated in compliance with ENTSO-E that consists in preparing and exchanging data in the system between neighbouring TSOs and forming the regional transmission model on which the simulation control is made for the energy moving from one zone to the other. Calculations made by each TSO controlling the reliability level of work for its own zone if it is opened (gets out of work) a certain interconnection line or internal transmission network.

The control includes the network for the voltage level 220 kV and 400 kV. The highest capacity amplitude for which the work reliability is not touched (voltage level and current limit) is accepted as the total possible capacity at that border point.

The net capacity comes from deduction of the total margin capacity (reserve) reliability that takes into consideration the possible mistakes in calculation because the data refer to the net situation foreseen to be in the coming year and having a reserve capacity that can be used in emergency cases of a partial or full breakdown in any interconnection zone. Because the calculations are made by every TSO, it is possible to profit two different values of NTC.

In these cases it is taken as NTC value the minimum of two values. So in cases of disputes between neighbouring TSOs the principle of accepting the minimum two values of NTC at the same border and direction is used. According to the general rule, the NTC capacity is equally allocated 50%-50% in both directions of the flow from the two TSOs that own the interconnector line.

In cases of significant changes of the system situation compared to the situation foreseen, when are calculated the cross border capacities OST and neighbouring TSOs after the recalculation of cross border capacity bilaterally set the new NTC values and the respective ATC ones.

5. DESCRIPTION OF ALLOCATION PROCEDURES

5.1. Methods of allocation right of using ATC

OST organizes annual, monthly, daily auctions for the allocation of the right of using available capacity ATC in both directions of interconnection lines as below:

- a) Annual auction related to physical transmission right for annual available transmission capacity ATC from January 1 until December 31 2011.
- b) After these rules are affective, OST organizes an auction for the outgoing interconnection capacities (export) for the whole remaining period of 2011 according to point 5.1 for the annual auction.
- c) Monthly auctions related to Physical Transmission Right (PTR) for Available Monthly Transmission Capacities from the first day until the last calendar day of the month for 2011.
- d) Daily auction related to Physical Transmission Capacities (PTR) for the

daily Available Transmission Capacities (ATC).

For its part of transmission capacity, OST applies the method of market based explicit auction with marginal price payment.

Annual Auctions

The annual value of ATC for each border and direction I published no later than 25th November of the year V-1, for the year V, and the annual auction is organized no later than 30 November. The annual auction bids are submitted from the bidder in closed envelopes. The exact dates and relevant information related to the annual auction shall be published in OST website.

OST opens all the submitted bids within the determined deadline in presence of the authorized representative of the auction participants and reads for every bid:

- The bidder name
- Requested capacity in MW
- Quantity requested in MWh
- Unit price for every bid Euro/MWh
- The border for which the capacity is requested
- The direction for which the capacity requested

The right of using the cross border capacity allocated in annual auctions shall be applied from the hour 00:00 of January 1st until hour 24:00 of December 31st.

During repairing works of interconnection lines, OST may reduce the right of use of the allocated capacity in annual auction, proportionally with the reductions of ATC value in these periods.

Monthly Auctions

Monthly values of ATC for the month M are published no later than the date 15 of the month M-1, and the monthly auction for the month M are organized at the same time for all the borders no later than the date 20 of the Month M-1. The exact dates and relevant information related to the monthly auction shall be published in the OST website.

Monthly auction bids shall be submitted by the bidder in closed envelopes.

For the monthly auctions, if any border and direction, there are some time periods with different ATC values, then for each period a special auction is organized for the respective ATC value.

OST opens all the presented bids within the deadline set in presence of an authorized representative of the auction participants and reads for every bid:

- The bidder name
- Requested capacity in MW
- Quantity requested in MWh
- Unit price for every bid Euro/MWh
- The border for which the capacity is requested
- The direction for which the capacity requested

The right of use for cross border allocated capacities in the monthly auctions shall be applied from the hour 00:00 of the first day of month M, until the hour 24:00 of the last day of the respective period that shall be published in the ATC table values for the relevant month.

Daily auctions

Daily auctions may take place in seven (7) days of the week on the auction day. For the daily auctions the steps below are followed:

- a) Available Transmission Daily Capacities (ATC) are published in the OST web site for auctions no later than day D-2, hour 11.00 after the mutual agreement with the TSOs of the countries that the interconnection line corresponds.
- b) Daily auction takes place between the hour 13:50 and 14.30 of day D-2 of the auction. The accurate process in presenting the bids for the daily auction is described in details in the auction guidelines that are available in the OST website for auctions. The daily auction includes the following phases:
 - i. Procedure opening for the presentation of the closed bid hour 13:15 - 13:45
 - ii. Silent period hour 13:45 - 13:50
 - iii. Procedure opening for the presentation of the bid code hour 13:50 - 14:30
- c) Only those bids submitted from the market participants that fulfill the requests of the Auction Rules, especially those of the bid limit and bid submission for the daily auction shall be accepted.
- d) Each market participant shall be notified for his bid results between the hour 08:05 and 8:30 of the coming day D-1 of the date that the daily auction will take place. The auction results are published in OST web site.
- e) The abovementioned hourly programs may be modified from the Auction organizer (OST) through specifics of the auction.

f) Physical Transmission Rights allocated by OST in the daily auctions shall undergo the principle “Use It Or Lose It”.

OST shall take all the necessary steps for the quick establishment of the electronic framework for the auctions.

5.2 Request presentation for allocation capacity in yearly/monthly/daily auctions

Request presentation for allocation of the right of use of the cross border capacity in closed envelopes, for yearly and monthly auctions and e-mail for daily auctions, in the address given by OST based on the procedures of these rules.

The OST allocated capacity implies the right of use of cross border capacity in band for each hour of the relevant auction period for all the period covered by the auction.

Presenting the request for transmission of cross border capacity, if the total quantity of the requested capacity in the respective border and decision is higher than the quantity of the available capacity (ATC) published in OST web site (there is congestion), the auction participant takes over the obligation to make the payment for the cross border capacity reserve.

5.3 Auction mechanism

Available transmission capacities (ATC) are allocated with auction procedure from OST as the right of Physical Transmission, in every interconnection line and direction based on the terms and conditions of these rules.

Case 1:

If the sum of all submitted bids for a certain auction is equal or less than the Available Transmission Capacities (ATC) for the holder of the Physical Transmission Right there is no final price and in this case the winning participants win the right of transmission without carrying out any payment towards OST.

Case 2:

If the sum of all submitted bids for a certain auction surpasses the quantity of the available transmission capacity (ATC), for the holder of the Physical Transmission Right is set the price for each allocated MWh. For this purpose the bids are listed based on the price, starting from the higher price and ending with the lower price. The requested capacities with bids are given as the bid, which represents the above level that is the sum of interconnection requested capacities from the market participants passing at Available Transmission Capacities (ATC) (marginal bid). The marginal bid price is also the final price.

The final price set based on the above principles is used as the bases for the calculation of the price capacities and is applied to all the holders of the Physical Transmission Right.

The auction participants may submit up to 10 bids for each border/flow direction and period of time set in the auction announcement. The bid submitted in the

auction represents the pair of values capacity-price (MW- €/MWh). The bid price does not include the value added tax (VAT), that is calculated separately by OST. The minimum value of the requested capacity in a bid is 1MW and the maximum value of the bid/bids is equal with the ATC value. The bid price is given in €/MWh, with 2 decimal point shifra dhjetore, and the minimum value offered is 0,01€/MWh.

After the bid deadline, OST groups the bids for each border, direction, period of time and lists them according to the descending bid price, forming a list of descending bids “ capacity-price”.

The last accepted bid may be reduced in the case the remaining capacity is lower than the requested capacity. The bid price is effective also for this reduced capacity. In the case that for the remaining capacity there are two or more bids with the same price, then the capacity reduction is made proportionally with the requested capacity for each bid by rounding in the full lower value.

The participant by submitting the request, admits that his bid may be reduced as per the explicit auction procedure (in case his bid is the lowest in the list and can not be completely realized), and the bid price is effective for each capacity reduction.

In the case the sum of bid capacities for a border, direction and respective time interval, is greater than the available capacity (ATC) published according to the auction procedure, then participants have won the transmission right in auction, are obligated to pay the reserving of the cross border capacity, calculated according to the formula:

Payment (€)= (marginal price (€/MWh)x allocated capacity (MW) x number of hours for the auction period (hours of the month or part of it)).

5.4 Announcement of auction results

When the yearly and monthly auction is concluded, OST notifies each participant in the auction and publishes within two calendar days from the auction day in its web site, on the results sending the electronically information on:

- Setting of border, direction and relevant period
- Available Transmission Capacity ATC (MW)
- Value of requested capacity in the bid (MW) and the bid price (€/MWh)
- Bid status (accepted, partially accepted, refused)
- Value of allocated capacity (MW) and price (€/MWh)
- Total value of requested capacity
- Total value of allocated capacity
- Number of participants that participated in auction
- Number of participants that profit the transmission right
- Total number of bids for that border and direction

Auction participants may ask explanations in OST regarding the auction results, no later than hour 12:00 of the second day after the relevant notification from OST.

OST answers for these requestes explaining within hour 14:00 of the same day. If the auction participant does not submit any complain within this time, than the announced result is considered final and servs as the basis for calculating the reserve and billing payment.

After closure of each auction, within two days, OST published in its web site a table with all the general data results including:

- Border and direction
- Auction period
- Available capacity ATC
- Total capacity requested in the bid
- Tototal capacity allocated in the auction
- All the submitted requests determining for each participant the offered capacity and the unit/price for every border and direction
- Names of all participating companies, determining for each participant the capacity won or not for every border and direction as well as the marginal price (the lowerest price of the last bid accepted by OST in an auction procedure) that shall be paid by all the winning companies
- Code of contract with OST for allocation of capacity
- Information on presence/lack of congestion

Within 5 working days from the auction, OST publishes in the wbe site, for every border and direction, a graph with the values of pairs price-capacity.

For the daily auctions the results are published in the coming day of the auction (D-1) between 8;05 until 8:30. The participants may ask explanations related to the daily auction within hour 9:00am of day D-1 and OST shall give all the respective explanations within hour 10:00 of the same day.

5.5 Calculation of payment for reserving the cross border capacity and value added tax

a) Monthly/yearly Auction

Payment for reserve of cross border capacity allocated to participants in yearly/monthly auctions, is calculated in monthly basis according to the planned number of hours in use of the avaiable allocated capacity. The payment shall be carried in advance, before the use of right of transmission, according to the pro-forma that is issued by OST not later than 8 days before the beginning of the month in which shall be used the transmission right and the pro-forma date is published in the auction procedure calendar. OST forwards a pro-forma on monthly basis to every participant in the yearly/monthly auction. In this pro-forma is calculated and separately written the Value of Added Tax (VAT) of 20% of the calculated sum as per the abovementioned formula for the capacity use. Each of the above sums as well as their total, are presented in the pro-forma in Euros(€). The participants shall pay the total sum in the pro-forma, which includes VAT. The pro-forma paymet shall be made in OST account in Lek equivalent with the

amount in Euros, calculating the average daily exchange rate of the Bank of Albania in the payment day. Instructions on the payment shall be given in the pro-forma issued by OST. The last deadline for the payment is 3 working days after receiving the issued pro-forma from OST to the auction participant. The pro-forma shall be paid in full, without any reduction or compensation, in OST account within the deadline stated in the pro-forma. In case the participant does not make the payment within the deadline established then he loses the right of using allocated transmission capacity for the respective month and shall not be permitted to participate in the auction of the coming month, until the whole payment of the pro-forma is made together with the respective interest calculated for this time-delay.

b) Pro-forma data

The pro-forma shall be sent by fax or mail and shall include the following data:

- Technical determination of borders/directions in which the capacity is allocated for participants
- Number of bid in the auction
- Allocated capacity (MW)
- Bid price (€/MWh)
- Number of planned hours of capacity use(hours)
- Value of payment for reserve of cross border capacity (Euro)
- Value of VAT (Euro)
- Value of total invoice that shall be paid by the participant (Euro)

6. TRANSFERRING OF ALLOCATED CAPACITY

The participant that won the right of using the cross border capacity, cannot return this capacity to OST, not even partially, in exchange of the respective payment made independently from the use of impossibility to use this capacity in compliance with the principle "Use it or lose it".

The participant may transfer the capacity won at an auction to one or more other market participants in the electricity market in Albania. The transfer to one or more market participants may be carried out only with the permission and consent of OST. The parties that have agreed for the capacity transfer, are obligated to send common request to OST for the realization of capacity transfer. The request is made in written form based on the application form "Request for capacity transfer" that is attached to these rules. The request shall be completed correctly, with the data of the party transferring the capacity and as well as those of the party that will take the capacity and signed by the authorized persons of these parties, is sent by fax or submitted in hand to OST.

The request for capacity transfer is obligated for both parties and after it has been submitted to OST, it can not be changed or withdrawn. Within one working day of

takinf this request of capacity transferr, OST shall answer in a written form to both interested parties for the capacity transfer. In case that parties have respected all the provisions and requests of these rules, OST has the obligation to accept the request for transfer. Otherwise the request shall be denied.

The market participants may transferr the capacity for the full or partial quantity. The minimum capacity that is transferred is 1MW. The capacity may be transferred for the whole auction period (monthly) or for a part of it. The minimum period is one day (24 hours).

The capacity transfer may be realized only from the participant that has made the payment of the capacity reserve according to the pro-forma send from OST for the respective month when the transfer is made, in addition the participant that profits the capacity must have paid all the obligations towards OST, which for the capacity transfer realization between the parties, does not burden them with any financial obligation.

The request for capacity transfer yearly/monthly is submitted to OST no later than 3 (three) calendar days before the period daily or monthly, of the delivery beginning.

OST sh.a. publishes in the web site the below data related to capacity transfer:

- Name of the company that is transferring the capacity
- Name of the benefiting company
- Energy capacity (MW) that is transferred for each hour
- Border and direction of the capacity that is being transferred.

7. IMPLEMETATION OF THE RIGHT OS USE OF ALLOCATED CROSS BORDER CAPACITY

The right of use of the allocated capacity is implemented through nominating of schedules of the cross border exchange, in compliance with the Grid Codes and Market Rules in force.

The market participant that wins the right of use of the cross border capacity from the auction organized by OST or the auctions of the neighboring TSOs applies this right through nomination of schedules of cross border exchange. In the case the transmission right is given to Neighboring Operators, the market participant that profits this right is obligated to notify OST by completing the respective form that is part of these rules and is send by fax or submitted in hand to OST, no later than three days before the beginning of the respective month or before the day when the transmission right becomes effective.

The nominating values of the cross border schedule must not overcome the total allocated transmission capacity for each participant.

The right of use of cross border capacity is executed based on the principle “use it or lose it” and in compliance with the Transmission Code.

All the owners of yearly/monthly capacities must declare the use of capacities no later than day D-2 hour 10:00 for day D. Changes in nominations after this time are not possible.

The capacities that are nominated within the last nomination deadline, must not be used or transferred from their owners and considered lost. The capacity owners shall not be compensated, reimbursed or paid the damage for the non nominated capacities, even though OST shall have daily auctions to reallocate the non nominated capacities.

In case the capacity owner does not use the declared capacity to OST, then he shall not be permitted to participate in the auction of next month.

In case the capacity owner systematically does not use the declared capacity to OST, than he will not be permitted to participate in the auctions of the next six months.

The companies that have secured rights as per point 1 of these rules declare the use of reserved capacity two working days before the day the monthly auction shall take place and in case of non declaration, all the above mentioned provisions are applied.

8. RESTRICION OF THE RIGHT OF USE OF ALLOCATED CAPACITY IN AUCTION

OST has the obligation to make all the efforts to secure the realization of the right of use of the cross border capacity allocated in auctions. OST may reduce the undetermined values of the cross border capacity allocated in yearly/monthly auctions, for technical causes in the time before use or during the period of the capacity usage. The allocated capacity according to the auction results is not guaranteed in the cases described in the Market Rules and these Rules.

The right of use of cross border capacity for each participant and in every border/direction allocated in yearly auctions, may be partially or totally reduced, for a certain period of time, for technical causes planned and known in advance (scheduled) as well as for causes that can not be planned or known in advance (unscheduled).

In cases of reduction of capacity use for scheduled causes, the participants (capacity owners) shall be notified for this, no later than 10 days before the beginning of the respective month when is planned to be made the reduction of cross border capacity. The reduction shall be made proportionally according to the capacity won by each participant in the respective border/direction.

The reduction of allocated cross border capacity in yearly/monthly auctions, for unscheduled causes includes the reduction of net capacity (NTC) for unexpected causes, under emergency conditions in the power system of the country and/or neighbouring systems, according to the description made in the Transmission Code, in cases of Force Majeure and in cases of electricity market suspension as stated in Chapter III of the Market Rules.

In cases of reduction of allocated cross border capacity in yearly/monthly auctions, in cases of restrictions for expected causes as Force Majeure according to point 40, article 3 of Law No 9072 date 22.5.2003 “ On Power Sector” as amended, the participants (capacity owners) do not have the right to ask for return or compensation of the sum paid for reserving the right of use of cross border capacity.

OST may suspend the right of use of cross border capacity for the respective month for each participant, if the capacity owner fails to complete the OST and ENTSO-E rules regarding nomination and harmonization of exchange schedule, as well as if the capacity owner has financial obligations unpaid towards OST. In this case the capacity owner loses the right of participation in the auction of the coming month, until he fulfills all the obligations towards OST.

9. INFORMATION PUBLISHING IN OST sh.a. WEB SITE

Minimum information that must be published in OST web site includes:

- a. Auction Rules and all their amendments
- b. Notifications according to Auction Rules
- c. Auction Specifics
- d. Name, fax and telephone number/s, address/ess, e-mal and contact person of OST
- e. Application forms and documents to be downloaded and used regarding the Auction
- f. Net Transmission Capacity (NTC)
- g. Available Transmission Capacity (ATC)
- h. Allocated Transmission Capacity (AAC)
- i. Table with auction results

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- e. Application forms and documents to be downloaded and used regarding the Auction
- f. Net Transmission Capacity (NTC)
- g. Available Transmission Capacity (ATC)
- h. Allocated Transmission Capacity (AAC)
- i. Table with auction results
- j. Planned restrictions

- k. Repair works period
- l. Indicating calendar for yearly and monthly auctions
- m. List of Auction participants
- n. Other relevant information.

10. MONITORING OF ALLOCATED CAPCITIES

All the allocation operations shall be documented accurately. No allocation is permitted to be made without the requested accompanying documentation.

Until date 10 of every month OST Sh.a submits with the ERE an analysical, informative and argumentative report for the allocation of capacities in compliance with these rules.

OST has the obligation to give to ERE tranmsparently all the requested information for the allocation of interconnection capacitites in the frame oof ERE authority to monitor the licensees.

11. REVIEW

These rules shall be reviewed by the ERE Board of Commissioners according to the ERE Rules of Practice and Procedure.

12. BECOME EFFECTIVE

These rules shall become effective on 1.07.2011.

ANNEX 2 – Model of Contract

1. The Albanian Transmission System Operator(OST sh.a.), Tirana, Bulevardi ‘Gjergj Fishta’ Nr. 10, with registration number _____, with identification tax number _____, represented by the director of the company _____,

and

2. xxx _____, (address, no. of Registration, no. of tax identification), represented by _____ ,

Are parties in this contract and agree as below;

Contract

on

The right of use of cross border transmission capacity at the borders of the control zone of OST for 2011

Article 1

Contract subject

1.1 This contract specifies the rights and obligations between OST and xxx as market participants in the energy market in Albania, regarding Available Transmission capacity (ATC) in yearly, monthly and daily auctions and the exercise of the right of use of the allocated capacity and nomination of schedules

1.2 With the signature of this contract , xxx declares that has full acknowledgement and without turning back, and irreversibly accepts without reserves or limits “the Rules on allocation cross border capacity in the border of the control zone managed by OST (herein below referring as “ the Rules”); that are established by OST and published in its web site.

Article 2

Use of allocated cross border capacity and schedule balancing

2.1 XXX exploits its right to use cross border transmission capacity participating in the capacity auctions organized by OST in accordance with the Rules of cross border capacity.

2.2 XXX exploits the use of allocated capacity bu nominations of cross border exchange, and sends them to OST in accordance with the Market Rules, Grid

Codes, ENTSO-E Rules, Rules and documents on the possibility of reduction of electricity import/export in compliance with the Market Rules.

2.3 the right of use of cross border transmission capacity that is allocated to XXX in yearly, monthly auctions, is not guaranteed by OST, because the pre-determined value of the cross border capacity yearly, monthly, daily may be reduced before the moment the allocated capacity is used. This reduction shall be made according to the terms and conditions stated in the Market Rules.

2.4 To XXX is not given the right of reimbursement for the damage or loss of profit, due to the reduction of the right of use of the cross border capacity, due to conditions for which OST is not responsible.

Article 3

Tariff billing and payment

3.1 The tariff of the right of use of cross border capacity, for the allocated capacity in auctions (yearly and monthly), shall be calculated on monthly basis according to the number of planned hours of possible use of cross border capacity. XXX is obligated to pay the total tariff amount in OST for the reserve of cross border capacity that is allocated in the auction. XXX shall pay the tariff before the beginning of use of transmission right, according to the pro-forma issued by OST.

3.2 In the pro-forma, the VAT value is added to the amount of tariff capacity, according to the legislation in force. Each of the abovementioned amounts as well as the total shall be presented in the pro-forma in Euros (EUR). XXX is obligated to pay the total amount stated in the pro-forma. The pro-forma payment shall be made in the OST account in Leks at the equivalent value of the amount in Euros, according to the Albanian Bank rate on the payment day. Instructions on the payment are given in the pro-forma.

General billing conditions

3.3 For the use of allocated capacity in auctions, XXX must make the payment written in the pro-forma, in advance, for every month, for the OST at the bank that is declared in the bill.

3.4 OST shall issue the relevant pro-forma for XXX for the allocated capacity in auction, no later than 8 (eight) days before the beginning of the coming month, for which it is given the right of capacity use. The pro-forma is transmitted to XXX by fax and the original copy is sent by mail.

3.5 The pro-forma sent should be paid within 3(three) working days from the issuing date. The payment is considered effective when the respective sum of money has arrived in the OST account.

3.6 XXX is obligated to pay the whole sum in the pro-forma, without any reduction or compensation, in OST account, within the time frame set in the pro-forma.

3.7 In case of delay of the payment, OST shall charge the interest to XXX with the bank interest rate.

3.8. with bank interest rate, shall be understood the interest rate of the one day deposits applied by the Bank of Albania in its relation with the commercial banks, published by the Bank of Albania, at the nearest day from the first day of calculation of the delayed interests.

3.9 XXX shall pay the whole pro-forma amount until the determined deadline, independently from any possible obligation unpaid from OST to XXX for any kind of reason.

3.10 If XXX fails to pay the financial obligations to OST within the determined time, OST has the right to take measures towards XXX by interrupting the nomination schedules, the right of use of cross border capacity and the right of participation in the capacity auctions, until the respective payment is made in compliance with the Rules.

Amendments to rights and obligations

Article 4

4.1 XXX may do the transfer of cross border capacity according to the method and conditions stated in the Rules.

4.2 If any provision of this contract is abrogated due to possible amendments to these Rules, the other contract provisions that are excluded from the amendment shall remain effective and shall be interpreted in compliance with the specific amendment of the Rules.

4.3 No amendment of this Contract shall be effective if it is not made in a written form and with the consent of both parties.

Dispute resolution

Article 5

5.1 Parties shall try to resolve possible disputes during the implementation of this contract in a friendly way.

5.2 If the dispute can not be resolved in a friendly way, it shall be solved by the competent Court.

5.3 During the dispute time, Parties shall not interrupt the performance of the Contract, only under circumstances that require the interruption or suspension of the some rights of use of the allocated capacity.

Confidentiality

Article 6

6.1 Parties agree that the obligations stated in this Contract and the information presented in it, shall be considered confidential and they shall not reveal those to third parties and shall not publish those during the time the Contract is

effective, apart from the data OST publishes in its web site, based on the obligations coming from the auction rules.

6.2 If necessary, this information is given to the state authorities, organization and institutions, where the Republic of Albania or OST is a member of, then each party shall inform the other party in a written form, before giving the requested information.

Enter into force of the Contract

Article 7

7.1 This contract shall become effective on the date of its signature from the authorized representatives of the Parties.

7.2 This contract is made in 5 identical copies, two for XXX and three for OST.

**Signature of the authorized representatives
For OST**

For XXX

Declaration form on taking the cross-border transmission right allocated by
neighbouring TSO's

Technical Indicator of Borders/Direction:	_____ 1)																																																		
Period of one or more days for the cross-border capacity rights allocated annually, monthly, or weekly by auction from neighboring TSO's	From: __.__.20..... (dd1.mm1.20.....)	To: __.__.20..... (dd2.mm2.20...)																																																	
“Band” (MW)	_____																																																		
Daily and hourly values in cases of daily auction of the cross-border capacity right or allocation in annual, monthly or weekly auction not in band (MW) (allocated by neighboring TSO's)	__.__.20..... (dd.mm.20.....)																																																		
<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 2.5%;">1</td><td style="width: 2.5%;">2</td><td style="width: 2.5%;">3</td><td style="width: 2.5%;">4</td><td style="width: 2.5%;">5</td><td style="width: 2.5%;">6</td><td style="width: 2.5%;">7</td><td style="width: 2.5%;">8</td><td style="width: 2.5%;">9</td><td style="width: 2.5%;">10</td><td style="width: 2.5%;">11</td><td style="width: 2.5%;">12</td><td style="width: 2.5%;">13</td><td style="width: 2.5%;">14</td><td style="width: 2.5%;">15</td><td style="width: 2.5%;">16</td><td style="width: 2.5%;">17</td><td style="width: 2.5%;">18</td><td style="width: 2.5%;">19</td><td style="width: 2.5%;">20</td><td style="width: 2.5%;">21</td><td style="width: 2.5%;">22</td><td style="width: 2.5%;">23</td><td style="width: 2.5%;">24</td> </tr> <tr> <td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td> </tr> </table>	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24																											
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24																												

TSO	_____ 2)	OST sh.a.
Company name		
Company Address		
Authorized person		
Nr.Tel.		
Nr.Fax.		
E-mail		
Date		
Authorized person signature		
Authorized person Stamp		

1)
Here are the abbreviations that may be used for borders and directions such as : ALRS – for borders and directions from Albania to Serbia
RSAL –for borders and directions from Serbia to Albania etc....

2)
Here are explanations on abbreviations used for neighbouring TSO's such as: EMS – OST Serbia, etc.....

3)
In case of a day – dd2.mm2.20...are empty

List of contact persons in OST

1. Name.....Surname.....Position and in charge ofNr. tel.....Nr. Fax....E-mail.....
2. Name.....Surname.....Position and in charge ofNr. tel.....Nr. Fax....E-mail.....
3. Name.....Surname.....Position and in charge ofNr. tel.....Nr. Fax....E-mail.....
4. Name.....Surname.....Position and in charge ofNr. tel.....Nr. Fax....E-mail.....
5. Name.....Surname.....Position and in charge ofNr. tel.....Nr. Fax....E-mail.....
6. Name.....Surname.....Position and in charge ofNr. tel.....Nr. Fax....E-mail.....
7. Name.....Surname.....Position and in charge ofNr. tel.....Nr. Fax....E-mail.....
8. Name.....Surname.....Position and in charge ofNr. tel.....Nr. Fax....E-mail.....

List of Market Participants that may take part in Auction and Schedule Nomination

1	FULL NAME	
	ADDRESS	
	Tax identification No. (NIPT)	
	TYPE, NUMBER AND LICENSE DATE	
	CONTACT(Nr. Tel, Nr. Fax. E-mail) AND CONTACT AUTHORIZED PERSON (Name and Surname)	
	CONTRACT DATE FOR THE CROSS-BORDER CAPACITY USE IN THE BORDERS OF CONTROL ZONE	
2	FULL NAME	
	ADDRESS	
	TAX IDENTIFICATION NO. (NIPT)	
	TYPE, NUMBER AND LICENSE DATE	
	CONTACT(Nr. Tel, Nr. Fax. E-mail) AND CONTACT AUTHORIZED PERSON (Name and Surname)	
	CONTRACT DATE FOR THE CROSS-BORDER CAPACITY USE IN THE BORDERS OF CONTROL ZONE	
3	FULL NAME	
	ADDRESS	
	TAX IDENTIFICATION NO. (NIPT)	
	TYPE, NUMBER AND LICENSE DATE	
	CONTACT(Nr. Tel, Nr. Fax. E-mail) AND CONTACT AUTHORIZED PERSON (Name and Surname)	
	CONTRACT DATE FOR THE CROSS-BORDER CAPACITY USE IN THE BORDERS OF CONTROL ZONE	
4	FULL NAME	
	ADDRESS	
	Tax identification No. (NIPT)	
	TYPE, NUMBER AND LICENSE DATE	
	CONTACT(Nr. Tel, Nr. Fax. E-mail) AND CONTACT AUTHORIZED PERSON (Name and Surname)	
	CONTRACT DATE FOR THE CROSS-BORDER CAPACITY USE IN THE BORDERS OF CONTROL ZONE	

Table with TTC, TRM, NTC, AAC and ATC values

Interconnection with Montenegro

Border/Direction	Period	TTC	TRM	NTC	AAC	ATC
Albania-Montenegro	1-30/.../2010		50		0	
Montenegro-Albania	1-30/...2010		50		0	

Interconnection with Kosovo

Border/Direction	Period	TTC	TRM	NTC	AAC	ATC
Albania-Kosovo	1-30/.../2010		50		0	
Kosovo-Albania	1-30/...2010		50		0	

Interconnection with Greece

Border/Direction	Period	TTC	TRM	NTC	AAC	ATC
Albania-Greece	1-30/.../2010		100		0	
Greece-Albania	1-30/...2010		100		0	

Preliminary Annual Plan of Remonts in Interconnections

Interconnector	From	To
Albania-Montenegro 400kV Line		
Albania-Montenegro 220 kV Line		
Albania-Kosovo		
Albania-Greece		

Auction results Table

BORDER AND DIRECTION	
AUCTION PERIOD	
AVAIABLE TRANSMISSION CAPACITY ATC	
TOTAL CAPACITY REQUEIRED IN BIDS	
TOTAL CAPACITY ALLOCATED IN AUCTIONS	
LAST ACCEPTED BID IN CONGESTION CASES	
NUMBER OF PARTICIPANS IN AUCTION	
NUMBER OF PARTICIPANS PROFITING THE TRANSMISSION RIGHT	
TOTAL BID NUMBER	
PRICE OF LAST ACCEPTED BID	
INFORMATION ON PRESENCE/LACK OF CONGESTION	

Application Form for participation in the Interconnection Capacities Auction for
the period

.....-.....

of presenting: _____

Full Name	
Address	
NIPTI	
Type, number and License Date	
Address to be sent agreements, agreements annexes, invoices	
E-mail to be sent agreements, agreements annexes, invoices	
Director (authorized person) name and surname	
Telephone	
Fax	
E-mail	
Person/s responsible for financial issues	
Telephone	
Fax	
E-mail	
Person/s responsible to participate in allocation procedure	
Telephone	
Fax	
E-mail	
Person/s responsible for presentation of schedules <u>This person must be available 24 hours per day, 365 days per year</u>	
Telephone	
Fax	
E-mail	
Official address e-mail for presentation of schedules and their messages	
Website	

(Write: Company name)
 (Write: Name and Surname of authorized person)
 (Write: Title of the Authorized Person)
 (Space for: Signature of Authorized person)
 (Space for: Company Stamp)