

**Approved by ERE's Board of Commissioners Decision No. 69, date
24.06.2008**

The Republic of Albania
Energy Regulatory Authority

**LICENSE
For
DISTRIBUTION OF ELECTRIC ENERGY**

Series: _____ License Number: _____

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

License Issued To: _____
(Name and legal address)

Fiscal code: _____

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

Under the authority granted to it pursuant to the Third Part of the Law No.9072, dated 22.05.2003 "On the Power Sector", the Energy Regulatory Authority ("ERE") grants this Distribution License ("License"), to perform the activity of distribution of electric energy (DEE) at regulated tariffs, to the above-named natural or legal person, hereinafter "Licensee", subject to the License Conditions attached to this License. This License is effective as of the date above written and will continue in effect for a period of 30 years, unless terminated by the Licensee or withdraw by the ERE in accordance with the License Conditions contained herein and with legal framework in force. The ERE shall determine, not less often than once every five years, whether the conditions of the license have been met, and if they have not may terminate the license.

[Chairman]

[Seal of ERE]

LICENSE CONDITIONS
For
DISTRIBUTION OF ELECTRIC ENERGY

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 No.9072, dated 22.05.2003 “On the Power Sector ”, to issue and declare the effectiveness of this License.
- 1.2** If any condition of this License ceases to be effective, that condition shall be deleted from the License Conditions and the remaining License Conditions shall continue in full force and effect.
- 1.3** No transfer of this License, in whole or in part, shall be made to any other Person without the prior written approval of the ERE. When approving a transfer, the ERE may modify the license period or other License Conditions upon good cause shown.
- 1.4** ERE amend the License in accordance with Article 19 of the Power Sector Law, and also in the following cases:
 - a.** need for guaranteeing national defense and security as well as the public order after taking into consideration the position of the cognizant state authorities;
 - b.** need for guaranteeing the reliability and uninterrupted electricity supplies to consumers;
 - c.** risk of taking citizens’ lives or impairing their health, as well as of impairing the environment or of damaging third parties’ property, when the hazard does not necessitate revoking the License;
 - d.** a clear factual mistake has been made in the license; or
 - e.** when a change is made in the Albania law applicable to Licensee that materially increases the cost of providing the level of service required under this License without provision for the recovery of such costs by Licensee.

1.5 Licensee may request an amendment to this License by submitting a detailed written request and justification of the requested amendment. Such a request may be granted only if the Licensee can show that the amendment will not lead to lower quality service, or higher prices and tariffs, for Licensee's customers and users. In any case ERE will carry out a modification process according to Article 19 of the Power Sector Law.

1.6 Licensee may file to ERE a written request for renewal of the License no less than 6 (six) months prior to the expiration of the initial License's term. Licensee's term shall be extended when the Commission, based on the governing law of power sector, regulation on licensing procedures and upon credible evidence, concludes that:

- a)** Licensee has fulfilled the License conditions and adhered to the requirements of all applicable laws and regulations during the initial License term.
- b)** The Distribution Network will operate safely and reliably during the extended term and that would be to users and consumers' benefit.

1.7 In case the Commission refuses to extend the License's term, until its expiration Licensee may:

- i)** if granted approval by the ERE, transfer the ownership over the facilities, which it uses to perform the Licensed activity to a third party – a purchaser. The facilities shall be transferred only in their entirety unless the ERE, pursuant to governing Power Sector Law, determines otherwise; or
- ii)** if granted approval by the ERE, transfer the operation of activity/facilities of the Licensee to an other subject which in ERE judgment may carry out the licensed activity by ERE.
- iii)** In the event that the Licensee does not transfer the ownership of facilities before the expiration date of the initial License and revoking of licensed activity may result in a risk for the national defense and security, the public order or the uninterrupted electricity supply to consumers, the ERE by its initiative may assign a subject for carrying out of licensee functions that may be necessary for the uninterrupted performance of those function.

1.8 According to the Power Sector Law only one license for Distribution of Electric Energy with regulated tariffs will be granted in the Republic of Albania.

1.9 The following words and phrases used in the License, these License Conditions and Annexes, shall have the meanings set forth below:

Ancillary Services	All necessary services for the operation of a transmission and distribution system.
Associated Business	Any business which, directly or indirectly, in whole or in part: <ol style="list-style-type: none"> 1. is owned by Licensee; or 2. owns Licensee; or 3. is owned by a Person which is owned by Licensee.
Law No.9072 dt.22.05.2003 “On Power Sector”	This law including all changes occurred or which may occur in the future and which in following will be used with abbreviation Power Sector Law
Charges for Use of Electric Energy Distribution Network	Charges that Licensee may impose for the use of its Distribution Network as may be approved by the ERE from time to time.
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.
Distribution	Transport of electric power on medium-voltage and low-voltage distribution networks (35 kV, 20 kV, 10 kV, 6 kV and 0.4 kV) for delivery to consumers.
Distribution Network (DN)	Electric lines (typically medium and low-voltage 35 kV, 20 kV, 10 kV, 6 kV and 0.4 kV), transformers and switchgears, used to deliver and supply of electricity to consumers.
Electricity	Both electric energy and electric capacity unless the context requires otherwise.
Tariff consumers	A person that purchase electric energy from Retail Public Supplier with tariffs approved by ERE. All persons that purchase electric energy and which are not qualified consumers are tariff consumers.

Eligible Customer	A customer that has the right under Legislation in Force or applicable ERE regulations to choose the electricity supplier for the electricity used for his own needs.
Users	Persons which use network and services of distribution company
ERE	The “ERE” means the Electricity Regulatory Entity or its successor regulatory entity.
Legislation in Force	Laws of the Republic of Albania enacted by the Albanian Parliament and in effect during this license period.
Distribution system	Includes busbars, switching equipments, and transformers in substations 110/35/20/10/6 kV and all elements in voltage level lower than 110 kV in possession of distribution company
License for Distribution of Electric Energy	The authorization given to one person according to provisions of third part of Law No.9072 dt.22.05.2003 “On Power Sector”.
Licensed Activity	Activities necessary for, and directly related to, the operation of a Distribution Network for the purpose of supplying electrical energy to consumers with Regulated Tariffs. Licensed Activity does not include the activities of the purchase or sale of electric energy and capacity, activities that are performed for tariff customers by the Retail Public Supplier.
Licensee	The Person that holds this License for Distribution of Electric Energy that is named on the cover page of this License.
Person	Person shall mean any physical or legal person
Power Losses Factor	Estimated power losses in the electric network of a specific voltage expressed in percent of the total amount of electricity delivered into the respective network within the relevant accounting period.
Qualified Supplier (QS)	A Person who has the right to supply electricity to Eligible Customers as defined by Legislation in Force or applicable ERE Regulations and Rules.
Regulated Tariff	A tariff currently in effect and approved by the ERE pursuant to Legislation in Force and ERE Regulations and Rules.
Regulations and Rules	Standards, codes, regulations, orders and other prescriptions legally in force approved by the ERE.
Service Cost Calculation Methodology	Procedures for the calculation of Qualified Supplier Tariff imposed by Licensee for connections to its Distribution Network facilities. Qualified Suppliers and Tariff consumers will pay the same tariff of distribution network which belongs to the voltage

level were they are connected.

Small Power Producer	Producer of electric power from a power plant connected to the Distribution System.
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 person responsible for transmission and dispatching activities and the process of controlling the operation of generating plant and other power industry facilities and resources to provide system stability, security, reliability, safety and efficient operation of the power system.
Network Operator	The structure of Distribution System Operator which carry out scheduled and unscheduled operations on distribution system taking in consideration the program for safeguard of operational security and quality standards according to technical conditions.

2 Carrying out the Licensed Activity

- 2.1 Licensee is authorized by this License to conduct the Licensed Activity. This right is granted exclusively to Licensee, except for the stipulations of Paragraph 2.2.
- 2.2 During the License term, Licensee has the right to perform all activities reasonably required to accomplish the Licensed Activity, including, without limitation:
 - a. build, operate and own facilities as part of the Network in order to develop the Distribution Network for provision of electricity to consumers;
 - b. connect consumers and users to the Distribution Network;
 - c. install and service commercial electricity meters.
- 2.3 No charges to consumers and users shall be made by Licensee except as may be authorized by Regulated Tariff.
- 2.4 Licensee shall not collude in any way with other Licensees regarding the Licensed Activity to the detriment of existing or potential suppliers, users or consumers.
- 2.5 The licensee shall unbundle its financial accounts within the time period required by Legislation in Force in a manner sufficient to enable the ERE to conclude that no cross-subsidies, anti-competitive activities or discrimination are occurring unless specifically permitted by ERE.
- 2.6 Licensee shall not engage in any carrying out operations or in any other activity which cause anti-competitiveness according to Legislation in Force.
- 2.7 Licensee shall perform the Licensed Activity consistent with principles of economic efficiency and the objective of achieving lowest costs at defined quality and performance standards.

- 2.8 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, or may impose conditions on the performance of such activity, as necessary to protect consumers.
- 2.9 Licensee shall inform the ERE of the establishment of any Associated Business. The ERE may prohibit or impose conditions on the establishment of the Associated Business, as necessary to protect the Republic of Albania consumers.
- 2.10 Licensee shall not impede, prevent or attempt to prevent other licensees or potential competitors from legally engaging in or entering the electric business in the Republic of Albania.

3 Obligations of Licensee

- 3.1 Licensee shall comply with Legislation in Force during the exercise of license functions.
- 3.2 Licensee shall construct and maintain its Distribution Network at a capacity that is adequate to meet the demands of all consumers and users within Albania including the extension or upgrading of its technical facilities as necessary.
- 3.3 Licensee shall develop and promote policies and programs to achieve a high level of quality and reliability of Distribution Services in accordance with ERE Regulations and Rules.
- 3.4 Licensee shall take all necessary measures to improve the operational and economic efficiency of the Licensed Activity in order to assure quality and reliability of distribution services for the benefit of consumers, and in accordance with the Distribution Code.
- 3.5 Licensee shall comply with applicable Regulations and Rules of the Transmission System Operator approved by the ERE, including the execution of all operational orders, instructions and the submission of technical information and all other documentation according to requirements of the Grid Code and Market Rules.
- 3.6 To facilitate the performance of Licensed Activities, licensee may request overhead line and cabling rights, rights of use and expropriation in accordance with Legislation in Force. Licensee, pursuant to Legislation in Force, has the right to purchase land, other property and to perform construction works so long as such actions comply with ERE Regulations and Rules.
- 3.7 **Accounting and Reporting**
 - 3.7.1 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 regulatory accounting rules and procedures approved by the ERE and in accordance with the Law no. 9228, dated 29.04.2004, as amended, Articles 21, 23 and 33 of the Law no. 9072, dated 22.05.2003 "On the Power

Sector" and international accounting principles. Licensee shall submit the annual financial statement to the ERE by June 30 of each year.

3.7.2 Licensee is required to prepare and submit to the ERE by January 31 of each year, an annual report relating to its operations in the previous calendar year and containing the following:

- a. a summary and analysis of the Licensee's distribution activities;
- b. the electricity sales and bill collection data for the year;
- c. the quality of distribution service and details of any measures taken for the improvement of distribution service in the area;
- d. any malfunctioning occurring in the year;
- e. any scheduled and unscheduled outage of electricity according to voltage level.
- f. Losses according to voltage level

3.7.3 Licensee shall submit to the ERE, upon its request and in the form and within the time set by the ERE, any information that is necessary to the ERE in the conduct of its authorized regulatory responsibilities.

3.7.4 Licensee shall allocate common expenses among its Licensed Activity and other types of activities (including licensed activities) on a reasonable basis in accordance with paragraph 3.7.1 of this License and generally accepted business practices. Licensee shall submit to the ERE, documentation setting forth the basis for the allocation of common expenses as well as the results obtained.

3.7.5 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. shareholder up to 5%.

3.7.6 All the official notifications, applications, petitions and claims relating to 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.

3.8 Use of Information

3.8.1 Subject to the Power Sector Law, Grid Code, Distribution Code, Market Rules and relevant regulations requirements, Licensee shall ensure that any information obtained from others as a result of its Licensed Activity shall not be revealed to anyone, except:

- a. with the prior written consent of the Person to whose affairs the information relates;
- b. if the information is already known to the public;
- c. if Licensee is required or permitted to disclose the information to comply with these License Conditions, any orders of the ERE, or any applicable Legislation in Force.

3.8.2 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.

3.8.3 Licensee shall develop and submit to the ERE procedures for ensuring compliance with Paragraphs 3.8.1 and 3.8.2. 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 3.8.1 and 3.8.2.

3.8.4 Information provided to the ERE by Licensee shall be considered public unless, upon specific request of Licensee, the ERE by decision ascertains that certain information is of a proprietary nature and that the public interest served by disclosure would not justify or offset the potential commercial harm to Licensee.

3.9 Regulatory Fees

3.9.1 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, date 22.05.2003 "On the Power Sector" and applicable ERE regulations.

3.9.2 If Licensee does not pay the ERE the regulatory fees in accordance with paragraph 3.9.1 within the period required by the ERE, the Licensee shall be penalized in accordance with Article 64 of the Law no. 9072, date 22.05.2003 "On the Power Sector".

3.10 The User Tariff

3.10.1 The User Tariff, applicable to Distribution Network users, shall be regulated and approved by the ERE in accordance with Service Cost Calculation Methodology. Licensee shall adjust the User Tariff from time to time to reflect the real cost.

3.10.2 The total charge to the User shall be determined on the basis of the User Tariff and the quantity of electric energy registered by the meters installed at the borders between the Distribution Network and the consumers connected to the Distribution Network, in accordance with the Metering Code.

3.10.3 The User Tariff, approved by the ERE, shall be set to provide Licensee with:

- a. sufficient revenue to cover reasonable levels of operating costs and justified and prudent investments realized and reasonable profits; and
- b. incentives to reduce costs and operate efficiently

c. decrease of loses

- 3.10.4** During the first two years after the Effective Date of any initial User Tariff, Licensee shall propose to the ERE to change the User Tariff to improve the relationship between the pricing structure and actual costs of providing distribution services.
- 3.10.5** Licensee shall submit a tariff filing in compliance with ERE distribution tariff calculation methodology. The licensee may suggest changes to the cost allocation method used to determine the rates applicable to the distribution network users, and that would allow the licensee to recover the reasonable costs and profits of providing such services. The cost allocation methodology and any amendments thereto shall be considered effective only after their approval by the ERE. This paragraph does not exclude the authority of ERE to initiate the changes mentioned above.
- 3.11** Licensee may demand reasonable payment security from consumers pursuant to its duties or responsibilities in the course of its Licensed Activity in accordance with any applicable ERE Regulations and Rules. Any security obligation shall be clearly stated in the contracts between Licensee and its customers.
- 3.12** Licensee may disconnect a consumer for non-payment of electric bills, in accordance with any applicable ERE Regulations and Rules and agreements with retail public supplier. Licensee shall reconnect the user or consumer upon settlement of outstanding bills, in accordance with any applicable ERE Regulations and Rules.
- 3.13 Access to Distribution Network**
- 3.13.1** Licensee shall provide Distribution Network access to connect to and to use Distribution Network facilities, to consumers and users on a fair, reasonable and non-discriminatory basis.
- 3.13.2** Within 15 days of receiving a request from a distribution network user, Licensee shall respond by providing the applicant with information concerning connections to its distribution facilities or other services, including detailed information on any technical conditions, services and necessary additional permits, requirements for electricity metering, data processing, payments, and terms and conditions of agreements.
- 3.13.3** Licensee shall send to the applicant the draft of the respective agreement within 15 days after receiving an application for connection to, or use of, its Distribution Network facilities. Licensee shall, within 15 days of the execution by the applicant of the agreement, complete the connection for the applicant, unless the ERE grants a longer time for good cause shown by Licensee. In case of disagreement between parties they may ask intervention of ERE for solution of this disagreement according to its authority based on power sector law.
- 3.13.4** Licensee shall not enter into any agreements that could result in a violation of the License Conditions or any provisions of the Distribution Code.
- 3.13.5** Licensee shall require the distribution network users to pay applicable connection fees. Licensee shall give distribution network users the option to pay applicable connection charges either in a lump sum payment of the full amount or monthly payments of equal parts during a

period stipulated in the connection agreement of not less than six (6) months and up to 2 years.

- 3.13.6** In the conduct of the Licensed Activity, Licensee shall treat distribution network users of the same category or voltage level in a fair and non discriminatory manner according to legal framework in force.
- 3.13.7** Licensee may, in accordance with Distribution Code and other relevant regulations, suspend its services provided in accordance with this License for any period during which the action or inaction of one or more distribution network users threaten the safety, security, reliability or quality of operation of the Distribution Network or services provided to other consumers or suppliers, or may prevent or impede the performance of the Licensed Activity by Licensee or during emergency situations in the supply of electric power as defined by Legislation in Force. When the Licensee has taken action under this article, it shall report the action to the ERE within 24 hours.
- 3.14** A disagreement between Licensee and a distribution network user or Licensee and/or another licensee involving a matter within the jurisdiction of the ERE that cannot be resolved through negotiations conducted between the parties shall be decided by the ERE, after full hearing of the parties before the ERE, within the scope of ERE authority and in accordance with ERE Regulations and Rules.
- 3.15** A decision of the ERE may be appealed to the Appeal Court of Tirana according to Legislation in Force.

3.16 Electricity Metering and Losses

- 3.16.1** Licensee shall provide reading of its commercial meters located at the interconnection points.
- 3.16.2** Licensee shall provide meters of costumers and users of the Licensee system, including Qualified Suppliers, and the Retail Public Supplier on a non-discriminatory and confidential basis and shall be reasonably compensated for the relevant costs from the User Tariffs.
- 3.16.3** Licensee shall:
- a.** Ensure that all customers have meters in accord with Metering Code;
 - b.** maintain a system for estimating the amount of power consumed by consumers for whom actual meter readings are not obtained or are not precise consistent with legislation in force and applicable ERE regulations, but Licensee shall maximally minimize the occasions where estimations are required;
 - c.** determine hourly energy consumption for Eligible Customers served by Qualified Suppliers by measurement, estimation of hourly load consumption or by any other acceptable method; and
 - d.** obtain approval from the ERE for methods and procedures used to determine and estimate electricity consumption.
- 3.16.4** Licensee is responsible for purchasing all energy needed to cover loses in the distribution system.

- 3.16.5** Licensee shall prepare a schedule for reducing losses in the Distribution Network, as provided in and shall submit the schedule for approval by the ERE within 30 after the effective date of the License and annually each year thereafter.
- 3.16.6** Licensee shall cooperate with the Transmission System Operator and provide all information concerning the operation of the Distribution Network required by the TSO. When the meter readings or verification have to be performed by OST or duly authorized party by ERE, the licensee shall facilitate the access to the meter reading facilities within the premises of the distribution company.
- 3.16.7** Licensee shall inform and take the approval of ERE at least one year in advance on plans to conduct major changes in its electricity network, if these changes could lead to a reduction in network capacity or a decrease in Distribution Network reliability. Upon the request of the ERE, Licensee shall submit to the ERE economic and technical substantiation of its intended actions.

3.17 Operations development plan

- 3.17.1** Within six (6) months of the License effective date, Licensee shall prepare and present to the ERE an Operations development plan covering not less than 3 (three) years.
- 3.17.2** The plan must be focused on development, reconstruction and rehabilitation of Licensee's Network with the purpose of improved servicing of its customers. It must include, but will not be limited to, the following:
- a.** A construction program;
 - b.** An investment program with economic and financial analyses of the investment projects;
 - c.** A program aimed at reduction of Network electricity losses;
 - d.** A repair program to secure, jointly with the investment program, more reliable Network operation;
 - e.** Quality-of-service indicators and a program to achieve the targets;
- 3.17.3** The Network program should not discriminate unreasonably among consumer categories. The Licensee will submit a report showing its activities relating to the Development plan to the ERE once every six months.
- 3.17.4** The ERE may, after hearing, require modifications to the Operation development plan where such modifications are required to ensure that the obligations under the present license are met.

4 Monitoring and Controls 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, is entitled to inspect Licensee's accounting records and may require a technical and/or accounting audit of Licensee's activities.
- 4.2 Authorized representatives of the ERE may access Licensee's premises, equipment and documents to inspect the Licensed Activity in accordance with ERE Regulations and Rules. Licensee shall provide any assistance requested by the ERE during said inspection.
- 4.3 Upon the substantiated 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 If after investigation, the ERE concludes that Licensee has failed to comply with License Conditions, the ERE may revise Licensee's tariffs and / or take other actions within its scope of authority in order to protect the interests of users and consumers or ensure compliance with the terms and conditions of the present license.
- 4.5 Licensee shall inform the ERE of any violation of these License Conditions within one week from such violation becoming known to Licensee.
- 4.6 Licensee shall obey decisions issued by the ERE, including the payment of fines imposed by the ERE, in accordance with Legislation in Force.
- 4.7 Licensee is responsible for detection, discover and prevention of energy thievery.

5 License Termination

- 5.1 The ERE may terminate the License in accordance with the Power Sector Law and ERE Regulations and Rules when:
 - a. Licensee requests the withdrawal of the license;
 - b. Licensee violates these License Conditions, including the failure to pay fees as required in the License;
 - 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;
 - f. The term of the license expires; or
 - g. The dissolution of the legal person holding the license.
- 5.2 If Licensee changes its legal status or the shareholder controlling interest is changed without authorization from the ERE, the License becomes null and void and the successor of Licensee shall apply for a new license in compliance with the ERE procedure for license issuance.
- 5.3 The Licensee is obliged to perform the activities specified in the license. If, during the performance of the licensed activity, circumstances appear for which the Licensee, reasonably, is not able to perform the

activities specified in the License, the Licensee shall immediately inform the ERE and will follow its instructions.

- 5.4** This License may only be transferred with the prior written consent of the ERE and in accordance with the terms and conditions set forth herein. Any decision of the ERE to any transfer of this license shall be subject to the ERE being satisfied that the transferee will have the technical and financial capability to comply with the terms and conditions of this license.
- 5.5** Any transfer of license without approval of ERE will be annulled and will constitute an infraction of this license.
- 5.6** Where the License is terminated as a consequence of Licensees conduct in violation of the terms of the License, Licensee shall be liable for the costs imposed on the ERE, the Government of Albania, and market participants as a result of such termination, as determined by ERE, including costs relating to the orderly transfer of the license to a new qualified licensee.
- 5.7** Where ERE determines that Licensee has violated one or more terms of the License, Licensee shall be given a reasonable opportunity to correct the violation prior to the termination of the License, unless the violation involves corruption or dishonesty proved by due authorities according to legislation in force.

6 Network operation and maintenance

- 6.1** Licensee assumes the obligation to operate the Network in a way to ensure secure and reliable supply of electricity, in compliance with technical regulation and requirements by:
 - a.** using equipment that meet technical requirements, rules and safety standards;
 - b.** using an adequate number of skilled personnel to work for Network operation and maintenance;
 - c.** adhering to the national, international and EU standards, approved for application in the Republic of Albania, and all other technical regulations and standards, approved by the cognizant bodies.
- 6.2** Licensee assumes the obligation to perform Network rehabilitation and development with the purpose of improving Distribution service, in conformity with any programs or plans approved by ERE.
- 6.3** Licensee will adhere to any applicable laws when performing its activities for design and construction of Network energy facilities.
- 6.4** Equipment purchased by the Licensee for the purpose of Network rehabilitation and reconstruction must have better performance specifications than the existing equipment and should be in accordance with EU standards.
- 6.5** In the event of failure or breakdown, Licensee must remedy the Network within the shortest possible period of time. If the fault of a delay lies with Licensee, he will bear responsibility before the Network consumers in accordance with the general conditions of the applicable contracts for Distribution service.

- 6.6 Licensee shall manage the Network in such a way that the instructions of the Transmission System Operator (TSO) are adhered to and followed, and are at all time in accordance with the Grid Code.
- 6.7 Licensee shall communicate to the TSO without delay all events and changes, including failures and breakdowns that can affect the operation or integrity of the Transmission network and the electric power system, when Licensee becomes aware of such events. Licensee shall provide the TSO any information requested by the TSO pursuant to the TSO tariff and any applicable contracts and/or rules approved by the ERE.
- 6.8 For the purpose of operating Licensee facilities must be fitted with technical equipment for telecommunication, remote measuring and signaling and failure-precaution control and with System for Control and Data Acquisition. The Licensee shall provide the required premises, power supply, air conditioning, technical and operative servicing of equipment. The Licensee shall design, install and provide technical maintenance of the protection relays and automated equipment required for the reliable operation of the Distribution system in accordance with the requirements of the Grid Code and Distribution Code.

7 Operating control

- 7.1 Licensee shall provide Distribution Network operating co-ordination and control and shall perform its functions in compliance with the Network rules, current legislation and instructions of the TSO.
- 7.2 The Network operator will issue oral and/or written instructions to the Network facilities' operating personnel on duty, to consumers and to Small Power Producers connected directly to the Network and these instructions are binding on them. The Network Operator instructions along with OST instructions shall be registered in an operating log, which must be retained for a period of at least [6 months] and made available to ERE on request.
- 7.3 The Network operator shall keep a log and other documentation for its operating work. Licensee management departments shall determine the type of operating documents, procedures and conditions of their drawing up as required by the current legislation.
- 7.4 The licensee will install System for Control and Data Acquisition.

8 Outage and interruption of electricity supply

- 8.1 The Licensee may interrupt or restrict electricity supply, without prior customer notification, by instruction of the Transmission System Operator, and on its own determination:
 - a. in case of power deficiency or for preventing a power deficiency;
 - b. if health and life of people are at risk;
 - c. if Network integrity is jeopardized;

8.6 Electricity supply interruption under this subsection shall last until the consumer removes the reason that justified the interruption, in which event service shall be restored not later than 48 hours after removal of the reason.

9 Quality of service

9.1 Licensee shall plan, operate and develop the Network, providing quality of service in compliance with the Network rules and Distribution Code approved by the ERE.

9.2 In performing its activities under this License, Licensee shall be guided by service quality indices and the related binding targets for Network development established in plans approved by the ERE.

9.3 Within one year after the effective date of the License, Licensee shall propose binding indices of service quality for a specified period, together with penalties and rewards for the failure to meet and for exceeding the standards set forth in the indices. These indices shall require from Licensee to improve the standards of service quality. The ERE shall review and approve these indices and shall have the authority to enforce them.

9.4 The Licensee shall present annually to the Commission a report describing its performance relative to the service quality indices approved by ERE.

10 Relations with consumers

10.1 The Licensee shall develop, subject to ERE approval, general terms and conditions governing its relations with its customers. The Licensee may request modification of those general terms and conditions, subject also to ERE review and approval.

10.2 The Licensee shall place the terms and conditions in view in all its offices, shall post them on its website, and shall give consumers the opportunity to receive a copy of the document.

10.3 Licensee shall publish, post on its website, and submit to consumers detailed information about electricity prices and tariffs for different consumer categories.

10.4 Licensee shall provide detailed bills to customers upon request, and shall keep sufficient documentation to support the amounts billed.

10.5 Licensee shall establish in the company structure a dedicated unit for relations with consumers. Licensee must hire sufficient number of adequately qualified personnel for this unit.

10.6 Within 6 (six) months after the License effective date Licensee shall prepare processes and rules for dealing with consumers complains and will submit those processes and rules to the ERE. The processes and rules shall include at least the following:

- a.** data about organization of the dedicated unit, including location, working hours, hours for visiting consumers, contact telephone numbers, etc.;

- b. terms and conditions for connection of consumers to Network, applications for investigating the conditions and procedures for connection of consumers to Network, terms for check and response, rejection procedure, including submission of application forms, etc.;
 - c. minimum technical requirements for connection of facilities of independent generators and customer installations and networks to the Network;
 - d. terms and conditions for concluding contracts for electricity sales on General conditions;
 - e. terms and conditions for filing claims, applications and proposals; and
 - f. procedures and time frames for investigating and replying to filed complaints, applications and proposals.
- 10.7** The processes and rules established pursuant to paragraph **f**, above, shall be publicly available, including on the Licensee's website, and provided to customers upon request.
- 10.8** Licensee shall keep documentation comprising all complaints, applications and proposals and the replies to each of them for a period of 3 (three) years after the date of receipt or reply, whichever is later.
- 10.9** Licensee shall establish a system for filing and handling complaints, applications and proposals of consumers.
- 10.10** Licensee shall consider every complaint and reply in writing to complainant to advise whether his/her complaint is honored or rejected within a 15 working days from its receipt.
- 10.11** In the event that Licensee does not reply within the period indicated or the reply does not satisfy the complainant, complaints, applications and proposals may be addressed to the ERE. If the ERE, after receiving a position from Licensee, decides that the specific complaint is justified, it shall give binding instruction to Licensee.
- 10.12** Licensee shall submit to the ERE, in its annual report, detailed information concerning:
- a. total number of complaints, applications and proposals in the previous calendar year;
 - b. breakdown of complaints, applications and proposals by categories such as failure to satisfy applications for services, quality of service, etc.; and
 - c. method of settling complaints, such as: assignment for repair or compensations paid to complainant and reasons for rejection of complaints, etc.

11 Work safety and safe operation of Network

- 11.1** Licensee shall operate, maintain and develop the Network in such a way that any foreseeable risks for personnel, consumers or other persons are eliminated to the highest possible degree in normal operating conditions and in cases of failure.

11.2 Licensee shall adhere to all current technical requirements, regulations and standards regarding:

- a. operation and maintenance of the Network, equipment and facilities, used to perform License activities;
- b. operation and maintenance of commercial meters; and
- c. system repairs.

11.3 In connection with its performance under the prior section Licensee shall:

- a. compile and apply internal manuals for operation of Network and facilities;
- b. hire sufficient number of adequately qualified personnel for operation and maintenance of Network, installations, equipment, facilities and commercial meters.

11.4 Licensee shall adhere to the current regulations and standards of health and safety at work and shall:

- a. introduce and maintain adequate internal regulation, regarding health and safety of its personnel in compliance with the current legislation;
- b. provide all necessary dedicated and protection work clothes, protection means and materials; and
- c. make sure there are conditions for good sanitation and medical care of workers and clerks in compliance with sanitary standards and requirements.
- d. Environment protection obligations
- e. Public health obligations applicable for all distribution network users, excluding those already covered from public supplier license holder and which are applied for tariff clients.

12 Emergency situations

12.1 Licensee will not be considered to have breached the conditions of this License in case it is prevented from fulfilling them by force majeure or other emergency circumstance.

12.2 Under emergency conditions, Licensee shall:

- a. undertake appropriate action to guarantee the reliability of construction, maintenance and operation of the distribution network;
- b. ensure the necessary cooperation from the authorities and institutions, which are responsible for acting in emergency situations, in order to resume the possibly affected electricity supplies within the shortest practical period of time;

- c. fulfill its obligations aimed at reducing the hazards and losses regarding the life, health, and property of third parties;
- d. takes immediate measures to participate for as short period of time as possible, along with its workers and clerks, in the restoration of the Network, which has been destroyed or damaged as a result of those emergency circumstances;
- e. Within 24 hours of the event constituting the emergency, Licensee shall notify the ERE of the emergency situation and the actions it will undertake to return the system to normal operation.

12.3 If licensee anticipates an emergency situation as defined by Legislation in Force, licensee shall notify the ERE within 24 hours and such notice shall describe what steps the Licensee will take to avert or ameliorate the impacts of the anticipated emergency situation.

13 Dispute Resolutions and the Right to Appeal

- 13.1** Any controversial issue or claim between Licensee and any User related to License Conditions will be solved on an as amiable basis as possible, in compliance with Legislation in Force and ERE Regulations and Rules.
- 13.2** 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.
- 13.3** Licensee may appeal ERE decisions to the District Court of Tirana within 30 days from the publication of the decisions in the Official Journal.
- 13.4** Licensee must obey ERE decisions that are pending appeal before the District Court of Tirana.

The Republic of Albania
Energy Regulatory Entity

LICENSE
For
DISTRIBUTION OF ELECTRIC ENERGY

License issued to:

(Full name of Licensee)

Series: _____ License No: _____

Effective Date of the present Annex: _____