

The Republic of Albania
Electricity Regulatory Authority

LICENSE
For
TRANSMISSION ACTIVITY

Series: _____ License Number: _____

Effective Date: _____

License Issued To: _____
(Name and legal address)

Company: _____
(Name, location)

Fiscal Code: _____

Registration Certificate: _____
[Series, Number, Place of Registration]

Under the authority granted to it pursuant to the Third Part of the Law “On the Power Sector ” No. 9072 dated 22.05.2003, the Albanian Energy Regulatory Entity (“ERE”) grants this Transmission License (“License”), to perform the activity of transmission of electric energy (TEE), to the above-named Person, hereinafter “Licensee”, subject to the License Conditions attached to this License and made an integral part hereof. This License is effective as of the date above written and will continue in effect for a period of ___ years, unless terminated or suspended by the ERE in accordance with the License Conditions contained herein.

(Chairman)

[Seal of ERE]

The Republic of Albania
Electricity Regulatory Authority

**LICENSE CONDITIONS
for
TRANSMISSION ACTIVITY**

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 the Third Part of the Law “On the Power Sector ” No. 9072 dated 22.05.2003, to issue and declare the effectiveness of this License.
- 1.2 If any condition of this License becomes null and void or otherwise 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 assets to any other Person without the prior written approval of the ERE. When approving a transfer, the ERE may modify the License period as any other License Conditions upon good cause shown.
- 1.4 The ERE has the exclusive right to modify this License in case the conditions and circumstances have changed and to comply with the provisions of any Grid Code, Distribution Code, Metering or Market Rules adopted by the ERE pursuant to Legislation in Force.
- 1.5 Only one license for Transmission Activity, in the Republic of Albania shall be issued.
- 1.6 The following words and phrases used in the License, these License Conditions and Annexes, when capitalized, shall have the meanings set forth below:

Ancillary Services	Services required for maintaining established standards of safety, reliability and quality for electricity supply. Ancillary Services include: reactive power compensation, frequency and voltage control, voltage levels, fast start-up of some units, maintenance of stand-by capacity and other services of this kind.
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.
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.
Dispatch Activity	Management of the Power System taking into account scheduling and the observance of operational safety and quality technical conditions.
Distribution Network (DN)	Electric lines, transformers and switchgears, typically over medium and low-voltage (110 kv or lower) wires, used to deliver a supply of electricity to consumers.
Electricity	Both electric energy and electric capacity unless the context requires otherwise.
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.
Force-Majeure	A natural or social act or event occurred in the country including earthquake, cyclone, lightning, flood, volcanic eruption, fire or war, armed conflict, riot, terrorist or military action which prevent the licensee from performing its obligations under the license, or other acts or events that are (i) beyond the reasonable control and not arising out of the fault of the Licensee, (ii) the Licensee has been unable to overcome such act or event by the exercise of due diligence and reasonable efforts, skill and care.
ERE	The “ERE” means the Energy Regulatory Entity or its successor regulatory entity.
Legislation in Force	Laws of the Republic of Albania enacted by the Parliament.

Licensed Activity	Activities necessary for, and directly related to, the use of the Transmission System for transporting power and the related dispatching activities and controlling of the operation of generating plants and other power facilities and resources to provide system stability, reliability, safety and efficient operation of the power system.
Licensee	The Person that holds this License for Transmission Activity that is named on the cover page of this License that pursuant to this License owns, operates, maintains and develops the transmission network.
Methodology of Costs Calculation for Ancillary Services	The procedures approved by ERE to calculate the costs to be charged under Tariffs approved by the ERE for providing Ancillary Services to QCS's, Small Power Producers and Eligible Consumers.
Ancillary Services Tariff (AS Tariff)	A schedule of charges and rates approved by the ERE made by Licensee for providing Ancillary Services.
Operating Procedures	Rules developed by Licensee for Dispatch Activity and approved by ERE needed to ensure efficient reliable operation of the Power System and Power Market of the Republic of Albania.
Person	“Person” shall mean any physical or legal person.
Power Market	Retail and wholesale commercial arrangements for the purchase and sale of electricity in the Power System, in order to ensure reliable supply of consumers with power within the power system of the Republic of Albania.
Power Supply License	Licenses hold by Producers, QCS's, Small Power Producers or any other supplier of electricity.
Power System	The interconnected entity consisting of electric plants, power lines, substations and equipment, intended for transmission or distribution of electricity.
Producer	A Person licensed for power generating activity.
Transmission System (TS)	Group of high and medium voltage electric lines (110 kV, 220 kV, 400 kV) and other associated transforming equipment and devices, including ancillary installations, that form an interconnected system used for long distance transmission of electric energy in the Republic of Albania.

Qualified Competitive Supplier (QCS)	A Person that has the right to supply electricity to Eligible Customers as defined by Legislation in Force or ERE applicable Regulations and Rules.
Regulations and Rules	Standards, codes, regulations, rules, orders and other prescriptions in force approved by the ERE or other authority indicated by law.
Small Power Producer Supplier	A Licensed Producer of electric power from a power plant having a capacity of less than 5 Megawatts. A Person licensed to supply electricity to customers.
Transmission Service	Transmission of electric power between or among two or more points of the Transmission System.
Transmission Service Tariff (TS Tariff)	The rates approved by the ERE, that Licensee is authorized to charge for power Transmission Service in the Transmission System.
Transmission System User (TS User)	Persons performing licensed activities in the power system such as Producers, Distributors, Eligible Customers connected to the Transmission System and benefiting from Transmission Services
Wheeling	Movement of electric power among transmission systems of regional countries using the Albanian Transmission System.
Wheeling Tariff	Price approved by ERE that Licensee is authorized to charge for Wheeling, through the Albanian Transmission System.

2. Carrying out the Licensed Activity

- 2.1 Licensee is authorized by this license to conduct the Licensed Activity in the Republic of Albania. This right is granted exclusively to Licensee.
- 2.2 No charge shall be made by Licensee for Transmission Services or Ancillary Services except as may be authorized by a TS Tariff approved by the ERE from time to time pursuant to Legislation in Force and ERE Regulations and Rules. With respect to a vertically-integrated company holding a License for Transmission Activity and License to engage in distribution and generation activities, the Regulated Tariff filed by the Distribution Licensee shall include applicable charges to consumers for all licensed activities engaged in by the vertically-integrated company chargeable to consumers, provided, however, that the charge for each licensed activity and the total charge shall be separately stated in any Regulated Tariff

approved by the ERE within six months after the deadline provided in Article 33 of the Law No. 9072, “On the Power Sector”, date 22.05.2003.

- 2.3 Licensee shall use and maintain the Transmission System according to Transmission Code and Government Decrees of the Government of the Republic of Albania, ERE Regulations and Rules, and this License conditions to ensure efficient coordination and control of the Power System of the Republic of Albania.
- 2.4 Licensee shall, without discrimination, connect to the Transmission System all Eligible Consumers and all Persons holding Licenses to exercise activities in the power sector and shall transmit their contracted power.
- 2.5 Licensee shall not impede, prevent or attempt to prevent other licensees or potential participants or competitors from engaging or entering:
 - a) the electric business in the Republic of Albania; or
 - b) the business of importing or exporting electricity to or from the Republic of Albania unless Licensee is directed otherwise by Legislation in Force.
- 2.6 Licensee shall not engage in Cross Subsidies. If Licensee is a vertically-integrated electric power company, it shall unbundle its financial accounts according to generation, transmission and distribution activities 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.
- 2.7 Licensee shall not engage in any form of monopoly or other anti-competitive activities prohibited by Legislation in Force or ERE Regulations and Rules.
- 2.8 On or before 15 February of every year, Licensee shall send a written statement to the ERE, in a form specified by the ERE, certifying that Licensee has complied with the provisions of Paragraphs 3.4, 3.5, and 3.6 during the previous twelve month period.
- 2.9 While carrying out his activity, the Licensee is required to ensure the safety of people’s life and health as well as their property in compliance with the Legislation in Force or other effective ERE Regulation and Rules.
- 2.10 Licensee shall not collude with other persons to the detriment of existing or potential licensees or consumers involved in the Power System. Licensee may collaborate with other Persons on issues related to power system security, reliability and modernization.
- 2.11 Licensee shall perform the Licensed Activity consistent with principles of economic efficiency and the objective of achieving lowest costs without endangering the quality and reliability of the Transmission System.

- 2.12. Licensee shall take all necessary measures to improve the operational and economic efficiency of the Licensed Activity, and ensure agreed quality and reliability of power according to Regulations and Rules approved by ERE.
- 2.13. Licensee shall develop and promote policies and programs aimed at complying with quality and reliability standards set forth for the Transmission System, according to ERE Regulations and Rules.
- 2.14. Licensee shall not engage in other activity that shall or might impede carrying out the Licensed Activity. Licensee must inform the ERE in cases when Licensee intends to:
- a) engage in other activity than the Licensed Activity; or
 - b) set up an Associated Business.
- 2.15. 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 consumers.
- 2.16. Licensee is authorized to charge for providing Ancillary Services. Ancillary Services fees are calculated according to the Methodology of Calculating Ancillary Services Costs and in accordance with the Ancillary Services Tariff filed with and approved by the ERE.
- 2.17. Licensee is not responsible for non-compliance with License Conditions in the case of a Force Majeure only to the extent that the Force Majeure is responsible for such non-compliance with License Conditions. In the case of a Force Majeure, Licensee must immediately notify the ERE and other licensees or consumers, with whom Licensee has entered into Power Transmission Contracts.

3. Obligations of Licensee

- 3.1 Licensee shall comply with Legislation in Force and all Government Decrees and Regulations and Rules approved by ERE.

3.2 Accounting and Reporting

- 3.2.2. 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 adopted by the ERE and in accordance with the Law “On the Accountability” Nr. 7961 dated 19 January 1993, Article 33 of the Law “On the Power Sector” No.9072, dated 22.05. 2003. Licensee shall submit the annual financial statement to the ERE by June 30 of each year.

3.2.1 If licensee anticipates an emergency situation as defined by Legislation in Force, licensee shall notify without delay the ERE and such notice shall describe what steps the Licensee will take to avert or ameliorate the impacts of the anticipated emergency situation.

3.2.2 Licensee shall allocate common expenses among its Licensed Activity and other types of activities (including activities authorized by another license) on a reasonable basis in accordance with ERE Regulations and Rules and generally accepted business practices. Licensee shall submit to the ERE, upon its request and in the form and within the time set by the ERE, documentation setting forth the basis for the allocation of common expenses among activities to be conducted, as well as the results obtained after this allocation.

3.2.3 Licensee must notify the ERE within ten (10) days of any changes in:

- (a) address;
- (b) the Licensee's statute;
- (c) registration certificate;
- (d) fiscal code;
- (e) senior management; or
- (f) assets structure by over 10%.

If Licensee fails to notify the ERE, the ERE may apply penalties according to Article 64 of Law "On the Power Sector", No. 9072, date 22.05.2003.

3.2.5 All the official notifications, applications, petitions, claims or other correspondence with the ERE associated with the 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.

3.3 Use of Information

3.3.1 Licensee shall ensure that any information obtained 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, according to orders of the ERE, or any applicable Legislation in Force; or
- d) if the information must be disclosed in the normal course of performing the Licensed Activity.

3.3.2 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.

3.3.3 Licensee shall develop and submit to the ERE procedures for ensuring compliance with Paragraphs 3.3.1 and 3.3.2. The 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 3.3.1 and 3.3.2.

3.3.4 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 its disclosure does not serve the public interest.

3.4 Centralized Control and Coordination of the Power Transmission Grid

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

3.4.2 To assure a coordinated Dispatch Activity and effective and reliable operation of the Transmission System, Licensee shall install, use and maintain such devices to allow protection of the Power System from operational mistakes, sudden loss of load or generation capacity, or any other expectable event with harmful impact for its normal work.

3.4.3 Licensee shall provide Ancillary Services in accordance with the Transmission Code and ERE Regulations and Rules.

3.5 Record-Keeping and Reporting System

3.5.1 Licensee shall keep records, on an hourly basis, on all electricity flows entering or leaving the Transmission System, including Wheeled Power. In the places where there are no meters or meters do not register such flows, Licensee shall determine the hourly quantity of these electricity flows according to effective Operational

Procedures and undertake without delay measures to install appropriate metering equipment.

- 3.5.2 Licensee shall maintain monthly detailed reports on incoming and outgoing power flows, Transmission System operation, power balance, exceptional power flows, Ancillary Services, Wheeling and other details on Transmission System operation.
- 3.5.3 Monthly, Licensee shall submit to all TS Users, with whom it has concluded contracts on providing Transmission Services, data on transmitted power.
- 3.5.4 Payment for power transmitted or wheeled by Licensee, as well as for Ancillary Services provided by it, is the responsibility of the TS Users, consumers and Persons wheeling power.

3.6 Changes in the Transmission System

- 3.6.1 Licensee shall immediately notify the ERE of any circumstances that lead to significant changes in the capacity of lines and transformer stations of the Transmission System, for a period exceeding thirty (30) days and provide an opinion to the ERE as to the most appropriate solution to reduce harmful impact.
- 3.6.2 Licensee shall inform the ERE of intentions to reduce high voltage lines or Transmission System transformers at least twelve (12) months in advance of planned reduction and provide to the ERE a detailed explanation of intended actions and measures to be taken to reduce possible harmful impact.
- 3.6.3 Licensee shall immediately inform the ERE of any installations or disconnections of high voltage lines, transformers and other devices.
- 3.6.4 Licensee shall notify the ERE and other interested parties about any dysfunction or casual dangers that occur in the Transmission System and system conditions during any such events. Licensee shall submit, within five (5) days after such events, a written report describing causes of the mentioned events, actions taken, as well as the measures that will prevent or limit the future reoccurrence of such events.
- 3.6.5 Licensee shall build and maintain the Transmission System at a sufficient capacity needed to meet requirements of all TS Users, expanding and modernizing it as needed. If Licensee intends to build new Transmission System facilities (including high voltage lines, transformer stations), it shall submit to the ERE and support such plans by conducting feasibility studies.

3.6.6 On or before 15 February of every year, Licensee shall submit to the ERE a report on the Transmission System condition, existing problems and solutions to overcome them in a report format set forth by Regulations and Rules of the ERE.

3.6.7 On or before 31 March of every year, Licensee shall submit to the ERE proposals on short-term and long-term least cost development of the Transmission System in a report format set forth by ERE Regulations and Rules.

3.7 Transmission and Wheeling Services Tariff

3.7.1 Transmission Services Tariffs (TS Tariffs) and Wheeling Services Tariffs (WS Tariffs) are regulated and must be approved by the ERE.

3.7.2 Pursuant to Legislation in Force and applicable Regulations and Rules, Licensee may appeal to the ERE to adjust the existing TS and WS Tariffs for good cause shown.

3.7.3 Licensee shall be entitled to charge TS Users fees for providing Transmission and Wheeling Services provided such fees are included in TS and WS Tariffs approved by the ERE. The amount of fees shall be determined on the basis of TS and WS Tariffs and the amount of electric energy registered by the meters installed at:

- a) the border of the Transmission System and the Distribution Network;
- b) the border of the Transmission System and Customers who take service by direct connection to the Transmission System; and
- c) interconnections with other Power Systems.

3.7.4 TS and WS Tariffs approved by the ERE shall be set to provide Licensee with:

- a) sufficient revenue to cover reasonable levels of costs including capital costs; and
- b) incentives to reduce costs and operate more efficiently.

3.7.5 The ERE may revise TS and WS Tariffs from time to time in accordance with Legislation in Force and applicable Regulations and Rules.

3.7.6 Licensee may propose to the ERE amendments to the Methodology of TS and WS Tariffs Calculation to improve the correspondence of TS and WS Tariffs to real costs of providing Transmission and Wheeling Services.

3.8 Access and Connection to Transmission System

3.8.1 The Licensee is obligated to ensure fair, reasonable, and non-discriminatory access to TN Users:

- a) to transmit power within the Transmission System;
- b) to wheel power;
- c) to connect to the Transmission System;
- d) to build or amend facilities; or
- e) to use new technological means.

3.8.2 Within fifteen (15) days from receiving an access request from an applicant, Licensee shall provide the applicant with the information on connecting to the Transmission System facilities or providing other services, including detailed information on needed technical conditions, additional authorizations, requirements for metering, information processing, payment, agreement terms and conditions.

3.8.3 Licensee shall not enter into agreements that Licensee knows or should know may lead to a violation of License Conditions.

3.8.4 Licensee may suspend Transmission Services according to License Conditions for any period of time, when actions or lack of actions of several licensees or consumers or other entities jeopardize reliability, safety and quality of the Transmission Service or services provided to other licensees and/or consumers, or may prevent or impede the compliance of Licensee with License Conditions.

3.9 Other obligations

3.9.1 Licensee shall design, within three months after the issuance of the License, and propose to the ERE for approval the Methodology of Costs Calculation for Auxiliary Services. The Methodology of Costs Calculation for Auxiliary Services, as well as amendments to it shall come into force after approval by the ERE, but may not include costs considered for TS and WS Tariff calculation. Fees for Auxiliary Services shall be determined in such a way that Licensee covers reasonable costs of providing such services.

3.9.2 Licensee shall comply with the Legislation in Force and Government Decrees of the Government of the Republic of Albania and ERE Regulations and Rules.

3.10 Regulatory Fees

3.10.1 Licensee shall pay to ERE 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, dated 22.05.2003 "On the Power Sector" and applicable ERE regulations.

3.10.2 If Licensee does not pay the ERE the regulatory fees in accordance with paragraph 3.10.1 within the period required by the ERE, the Licensee shall be penalized in

accordance with Article 64 of the Law No.9072, dated 22.05.2203 “On the Power Sector”.

4. Control 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 after the notification, is entitled to inspect assets or 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 required assistance necessary for the ERE during said inspection.
- 4.3 Upon the substantiated complaint of any third Person or upon its own motion, the ERE may initiate an investigation of Licensee’s compliance with these License Conditions or ERE Regulations and Rules, including examination of Licensee’s business practices with respect to the Licensed Activity.
- 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 in order to protect the interests of electricity consumers including termination of this 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 all decisions issued by the ERE, including the payment of fines imposed by the ERE, in accordance with ERE Regulations and Rules on License Conditions violation.

5. Amendment of the License

- 5.1 The ERE may amend the License Conditions in case they do not conform with:
 - a) the Legislation in Force and Government Decrees of the Republic of Albania consistent with Legislation in Force;
 - b) decisions issued by the District Court of Tirana or another Albanian Court of competent jurisdiction.
- 5.2 Within one year starting with the Effective Date, the ERE may amend these License Conditions after providing an opportunity for all interested parties, including Licensee, to express opinions in accordance with ERE Regulations and Rules. The ERE will give careful consideration to all arguments presented before making amendments to these License

Conditions. Written notice of proposed amendments shall be delivered to Licensee 30 days prior to making any such amendments effective.

- 5.3 At any time either Licensee or the ERE may propose any other amendments to these License Conditions, in addition to those stipulated in Paragraphs 5.1 and 5.2, by transmitting a written proposal, together with any supporting documents, to the other party.
- 5.4 The ERE shall make the final decision only after taking into consideration the interests of consumers and other licensees. Interested parties shall be informed in writing of any proposed amendments. If the ERE and Licensee reach an agreement on such amendments, the License Conditions shall be so amended. If an agreement is not reached, the Licensee may appeal to the District Court of Tirana.
- 5.5 Amendments introduced into the License Conditions shall be published in the Official Journal of the Republic of Albania thirty (30) days before becoming effective.

6. License Suspension and Termination

- 6.1 The ERE may suspend or 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;
 - 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.
- 6.2 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.

7. Dispute Resolution and the Right to Appeal

- 7.1 Any controversial issue or claim between Licensee and any TN User related to Dispatch Activity or License Conditions will be solved on an as amiable basis as possible, in compliance with Legislation in Force and ERE Regulations and Rules.
- 7.2 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 ERE Regulations and Rules.

- 7.3 Licensee may appeal ERE decisions to the District Court of Tirana.
- 7.4 Licensee must obey ERE decisions that are pending appeal before the District Court of Tirana or other courts of the Republic of Albania of competent jurisdiction.