

Approved by ERE's Board of Commissioners Decision No 70, date 24.06.2008

The Republic of Albania
Energy Regulatory Authority

LICENSE

FOR THE ACTIVITY OF

WHOLESALE PUBLIC SUPPLY 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 Albanian Energy Regulatory Entity ("ERE") grants this Wholesale Public Supplier License ("License"), to perform the activity of Wholesale Public Supplier (WPS) at regulated rates, terms and conditions 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 5 years, unless terminated by the licensee and withdraw by the ERE in accordance with the License Conditions contained herein.

[Chairman]

[Seal of ERE]

LICENSE CONDITIONS

LICENSE

For

WHOLESALE PUBLIC SUPPLY 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 Notwithstanding Article 19 of the Power Sector Law, the ERE may amend the License 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. a change in the legal framework relating to the electricity market, including changes in

the legal framework or rules applicable to Licensee that materially increase 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, for Licensee's customers. In any case ERE will carry out a modification process according to Article 19 of the Power Sector Law.

1.6. Licensee may file with the 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 and upon credible evidence, concludes that:

Licensee has fulfilled the License conditions and adhered to the requirements of all applicable laws and regulations during the initial License term.

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

1) 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 law, determines otherwise; or

2) if granted approval by the ERE, transfer the operation of the License activities to an operator that is eligible to be granted the same License.

3) Subject to Section 6 of this License, 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 may hire an operator to perform the Licensee functions necessary for the uninterrupted performance of those function.

1.8 Unless there is a change in the legal framework, only one license for Wholesale Public Supply of Electric Energy shall be issued in the Republic of Albania , but licenses for the supply of electricity by licensed Qualified Suppliers to Eligible Customers located within Albania may also be issued.

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 services necessary 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.
Low Nr.9072	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
Date 22.05.2003“On power Sector”	
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.
Tariff Customer	A person purchasing electric energy from the Retail Public Supplier at rates approved by the ERE. All persons purchasing electricity who are not Eligible Customers are Tariff Customers The "ERE" means the Energy Regulatory Entity or its successor regulatory entity.
ERE	Laws of the Republic of Albania enacted by the Albanian Parliament and in effect during this license period as well as all the secondary legislation .
Legislation in Force	
License for Wholesale Public Supply 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 purchase and sale of electricity at wholesale for the purpose of supplying Tariff Customers and meeting its obligation of ‘Provider of Last Resort’ within the Authorized Territory with Regulated Tariffs.
Licensee	The Person that holds this License for Wholesale Public Supply of Electric Power that is named on the cover page of this License.
Person	Person shall mean any physical or legal person
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.
Small Power Producer	Producer of electric power from a power plant having a capacity of less than 5 Megawatts.
Transfer	Transfer means any sale, lease or other disposition, in whole or in 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 only within the boundaries of the Republic of Albania. This right is granted exclusively to Licensee.
- 2.2 Licensee shall not collaborate in any way with other licensees in preparing and negotiating with the ERE matters related to or affecting electricity tariffs or other charges applied to consumers, except as may be expressly permitted by Legislation in Force or ERE Regulations and Rules, or collude in any other way regarding the Licensed Activity to the detriment of existing or potential suppliers or consumers.
- 2.3 The Licensee shall unbundled its financial accounts according to generation, supply, 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.
- 2.4 Licensee shall not engage in any form of monopoly or other anticompetitive activity prohibited by Legislation in Force or ERE Regulations and Rules.
- 2.5 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.
- 2.6 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.

- 2.7 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.
- 2.8 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 Accounting and Reporting

3.2.1. 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 adopted by the ERE and in accordance with the Law No. 9228, dated 29.04.2004, 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.

3.2.2. 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 supply activities;
- b) the electricity sales and bill collection data for the year;
- c) the adequacy of supply, including any load shedding, and the details of any measures taken for the improvement of the cost and adequacy of supply;
- d) every interruption of supply;
- e) all supply contracts; and
- f) a table showing the performance of the Wholesale Public Supplier in accordance with the Grid Code and Distribution Code, to the extent they apply.

3.2.3 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.

3.2.4 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 3.2.1 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.

3.2.5 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) ownership interest up to 5%

3.2.6 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.

3.3 Use of Information

3.3.1 Subject to the Power Sector Law, Grid Code, Distribution Code, Market Rules and relevant regulation 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.

3.3.2 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. 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 3.3.1 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 the public interest served by disclosure would not justify or offset the potential commercial harm to Licensee.

3.3.5 ERE may require Licensee to publish information concerning its operations, including information reported pursuant to section 3.2.2 above, subject to the limitations determined pursuant to 3.3.4 above

3.4 Bilateral obligations

3.4.1. Licensee shall purchase sufficient electricity supply to fulfill all the needs of the tariff customers,

and the needs put upon the Licensee in his capacity of Provider of Last Resort. Licensee shall notify ERE and TSO whenever it is unable to secure sufficient supply, and describe in detail the efforts Licensee has undertaken to secure sufficient supply in each case where supply is insufficient to meet load. Where the cost of supply to Licensee is excessive, as determined in advance by Licensee with the approval of the ERE, Licensee may decline to purchase such supply even where the aggregate supply is inadequate to satisfy the load of tariff customers. Licensee has the right and obligation to enter into bilateral agreements with KESH Generation and any other supplier to ensure sufficient supply whenever possible at the lowest possible cost. The price of supply obtained by Licensee from KESH Gen shall be at rates approved by ERE. Licensee may enter into bilateral contracts for supply with Traders pursuant to a competitive procurement process subject to review by ERE to determine whether Licensee has acted in a prudent manner. Compliance with section 3.5, below, shall be considered *prima facie* evidence that Licensee has acted prudently.

3.4.2. ERE may require that the Licensee demonstrate that it has secured sufficient generating capacity so as meet its projected supply, subject to constraints imposed upon the Licensee with respect to bilateral agreements at prices considered excessive by ERE. Should such an obligation be placed on a Licensee, ERE shall specify the volume of the generation capacity to be secured.

3.5 In securing electricity supply, Licensee shall act in a manner consistent with the rules governing the procurement of electricity set forth in Law on Public Procurement.

3.6 Licensee shall, in accordance with the Market Rules, take all necessary measures to improve the economic efficiency of the Licensed Activity in order to ensure that supply is reliable and reasonably priced.

3.7 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 or directions and the submission of technical information and all other documentation required, as per the requirements of the Grid Code and Market Rules.

3.8 Regulatory Fees

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.

If Licensee does not pay the ERE the regulatory fees in accordance with paragraph 3.8.1 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".

3.9 The Public Supply Tariff

The total charge to the RPS for Wholesale Public Supply shall be determined according to the Tariff Methodology for Wholesale Public Supply approved by the ERE. The tariff shall be set to provide Licensee with sufficient revenue to cover reasonable levels of costs and profits, and incentives to reduce costs and operate efficiently.

Licensee may propose, subject to ERE approval, tariff methods to ensure that variations in the cost of supply, including variations created by variations in hydrology within the KESH Gen

system, do not reduce profits, or cash flow, below levels found by ERE to be reasonable.

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 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 electricity consumers or ensure that the compliance to the terms of and conditions of the present license.
- 4.5 Licensee shall inform the ERE of any deviation of these License Conditions within one week from such deviation 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, ERE Regulations and Rules and these License Conditions.

5. Electricity metering

Licensee shall ensure that all energy purchased and sold by Licensee is appropriately metered.

6. License Termination

- 6.1 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.

- 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.
- 6.3 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.
- 6.4 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 consent 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 and the transferee being granted a Supply License, and may be subject to compliance by the transferee with any other matters determined by the ERE to be necessary. Any transfer of this License without the approval of the ERE shall be void and shall constitute a material breach of this License.
- 6.5 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.
- 6.6 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.

7 Emergency situations

- 7.1. 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.
- 7.2. Under emergency conditions, Licensee shall 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.
- 7.3 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.

8 Dispute Resolutions and the Right to Appeal

- 8.1 Any controversial issue or claim between Licensee and any WPS customer or WPS

Activity or License Conditions will be solved on an as amiable basis as possible, in compliance with Legislation in Force. ERE will set the conditions with the fees, if applicable, for the review of such matter.

8.2 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.

8.3 Licensee may appeal ERE decisions to the District Court of Tirana within 30 days from the publication of the decisions in the Official Journal.

8.4 Licensee must obey ERE decisions that are pending appeal before the District Court of Tirana.

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