

The Republic of Albania
Electricity Regulatory Authority

LICENSE
for
CONSTRUCTION, INSTALLATION AND USE OF A POWER
PLANT AND GENERATION OF ELECTRICITY

Series: _____ License Number: _____

Effective Date:

(ERE decision, No. ____, date ____. ____. ____)

License Issued To:

(Name and legal address)

Plant:

(Name, location)

Fiscal Code:

Registration Certificate:

(Series, Number, Place of Registration)

Under the authority granted to it pursuant to Third Part of the Law “On the Power Sector” No. 9072, dated 22.05.2003, the Albanian Electricity Regulatory Entity (“ERE”) grants this Construction and Installation License for a new plant for electricity production (“License”), to the above-named Person, hereinafter “Licensee”, subject to the License Conditions. 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

CONDITIONS OF THE LICENSE
for
CONSTRUCTION, INSTALLATION AND USE OF A POWER
PLANT AND GENERATION OF ELECTRICITY

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 22.5.2002 "On power sector" to issue and declare the effectiveness of this License.
- 1.1 This License shall remain in force for a period of ____ years/months for the activity of construction and installation of a power plant and for a period of ____ years/months for the generation of electricity.
- 1.2 If any condition of the License becomes null and void, 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, in whole or in part, shall be made to any Person without the prior written decision of the ERE.
- 1.4 The ERE has the exclusive right to modify this License to comply with the provision of any Grid Code, Distribution Code, Metering Code or Market Rules adopted by the ERE pursuant to Legislation in Force.
- 1.5 At any time, Licensee shall hold only one license for the construction, installation and use of the plant and the generation of electricity.
- 1.6 Withdrawal of one of the permissions or authorizations issued by competent entities is a condition for the withdrawal of this license.
- 1.7 The following words and phrases used in the License and Annexes, when capitalized, shall have the meaning set forth below:

“Completion Date” shall mean the date by which the Licensee shall have completed construction of a specified part of the Power Plant, and, more specifically, it shall mean the date indicated in Schedule A corresponding to each part of the Power Plant listed in Schedule A and shall include the dates indicated in Schedule B.

“Electricity” shall mean both electric energy and electric capacity unless the context requires otherwise.

“ERE” shall mean the Electricity Regulatory Entity or its successor regulatory entity.

“Force Majeure” shall mean an act or event including acts of nature or political or social events which occurs in the country such as earthquake, cyclone, lightning, flood, volcanic eruption or fire or an act of war, armed conflict, insurrection, terrorist or military action, which prevent the Licensee from performing its obligations under this License or other acts and events which 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.

“Legislation in Force” shall mean laws of the Republic of Albania enacted by the Parliament and in effect during this License period.

“License” shall mean a license issued by the ERE authorizing the licensee to construct, install and use a power plant and generate electricity.

“License for Electricity Supply with Regulated Tariffs” shall mean a License issued by ERE authorizing the Licensee to provide a supply of electricity to consumers within a fixed geographic area at tariffs regulated by the ERE.

“Regulated Tariff” shall mean a tariff currently in effect, approved by the ERE pursuant to Legislation in Force.

“Licensee” shall mean the Person that holds this License for construction and installation of a power plant and generation of electricity that is named on the cover page of this License.

“Person” shall mean any physical or legal person.

“Associated Business” shall mean any other business which, directly or indirectly, in whole or in part:

1. is owned by Licensee; or
2. owns Licensee; or
3. is owned by a Person which is owned by Licensee.

“Transfer” shall mean any sale, lease or other disposition, in whole or part, of the right to engage in Licensed Activity.

“Cross subsidies” shall mean 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.

“Generation” shall mean production of electricity through transformation of different power sources from generating units of the Licensee.

“Electricity Supply” is the supply or sale of electric energy to customers.

“Power Plant” shall mean all of the systems and equipment, including Generating Units listed in Annex A and the auxiliary equipment thereof, the units supplying fuel, high-tension switching equipment and certain objects outside the site (i.e. water works, settling ponds). Assets, tangible or intangible which are owned or controlled in whole or in part, at the date of coming into force of this License or acquired in whole or in part at any time during the term of the License by the Licensee and used for the purpose of Generation.

“Generating Unit” shall mean individual units and/or main equipment of the power plant to transform one form of energy into electricity as more fully described in Annex A hereto.

“Power System” shall mean the interconnected entity consisting of electric plants, power lines, substations and equipment, intended for transmission or distribution of electricity to consumers within the territory of the Republic of Albania.

“Ancillary Services” shall mean services required to maintain established standards of safety, reliability and quality of electricity. Ancillary Services include: reactive power compensation, power-frequency control and voltage level, maintenance and fast start-up of some reserve capacity, and other services of this kind.

“Transmission System Operator (TSO)” shall mean the licensed person responsible for transmission and dispatching activities and the process of controlling the operation of generating plant and other power industry facilities to provide system stability, security, reliability, safety and efficient operation of the power system.

“Regulations and Rules” shall mean standards, codes, regulations, orders and other prescriptions in force approved by the ERE.

1.8 The following Annexes to this License are incorporated into the License by reference and deemed to be an integral part hereof:

Annex A Description of the Power Plant including all other aspects of the project such as project design, construction contract, and feasibility study for connection of Power Plant to the Power System.

Annex B Timetable for construction and installation of Power Plant.

Annex C Power Plants and electricity generating units.

2. Right and obligation to construction and install a Power Plant

- 2.1 The Licensee shall, during the term of license, have exclusive right and obligation to build and install the Power Plant described in Annex A and to take all actions necessary for the completion of the project in accordance with the timetable for construction and installation as set out in Annex B hereto.
- 2.2 The Licensee shall not, without prior written approval of the ERE, build and install a Power Plant that deviates in any material way from the parameters and standards of the Power Plant described in Annex A hereto, and in the plans and other materials submitted to the ERE as part of the application for this License. A request for such approval shall constitute a request to amend this License and shall be made according to Section 6 of conditions of this License.

3. Carrying out the Licensed Activity

- 3.1 Licensee is authorized by this License to conduct the Licensed Activity at the power plants utilizing the Generating Units specified in Annex C. Licensee shall, at all times and in all aspects of its Licensed Activity, produce Electricity in accordance with the standards set forth in the Regulations and Rules approved by the ERE.
- 3.2 If Licensee is a vertically integrated company also holding licenses to engage in transmission and distribution activities, the Regulated Tariff filed by Licensee shall include charges for Generation, Transmission and Distribution. The charge for each licensed activity and the total charge shall be separately stated in any Regulated Tariff approved by the ERE six months after the deadline provided in Article 33 of the Law No.9072, dated 22.05.2003 “On the Power Sector”.
- 3.3 Licensee shall promptly notify the ERE of any changes in the capacity of any of the Generating Units or power stations identified in Annex C which will increase or decrease Licensee’s available generating capacity in a manner that may significantly affect service to customers for a period more than 30 days.
- 3.4 Any increase in available capacity, except for temporary periods of less than twelve months duration, which exceeds 10% of the amount of capacity identified in Annex C shall require an amendment to this License.
- 3.5 In order to promote competition in the electricity market, the ERE may limit, from time to time, the total generating capacity authorized by the present License.
- 3.6 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 regulation and rules.

- 3.7 Licensee shall not impede, prevent or attempt to prevent other licensees or potential competitors from lawfully engaging in or entering the electric business in the Republic of Albania.
- 3.8 Licensee shall not engage in Cross Subsidies. If Licensee is partially or totally 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.
- 3.8.1 Licensee shall not engage in any form of monopoly activity prohibited by Legislation in Force or ERE Regulations and Rules.
- 3.8.2 Licensee shall perform the Licensed Activity consistent with principles of economic efficiency and the objective of achieving lowest costs.
- 3.8.3 The 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 when it determines the interests of consumers would be harmed.
- 3.9 Licensee shall inform the ERE of the establishment of any Associated Business. The ERE may impose conditions on the establishment of the Associated Business as necessary to protect the Republic of Albania consumers.
- 3.9.1 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 to consumers, except as may be expressly permitted by ERE Regulations and Rules or collude in any way regarding the Licensed Activity to the detriment of existing or potential suppliers or consumers.

4. Obligations of the Licensee

- 4.1 The Licensee shall comply with the provisions of the Legislation in Force and ERE's Regulations and Rules not in conflict with the Legislation in Force.
- 4.2.1 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. 7961, dated 19 January 1993 "On the

Accountability”, Article 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.

- 4.3 Licensee is required to prepare and submit to the ERE by March 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 activities;
 - b. the electricity generation data for the year;
 - c. the quality of generation and details of any measures taken for the improvement of generation quality;
 - d. any malfunctioning occurring in the year;
 - e. details of any change made to the Generation Assets, including details of any elements that have been expanded, decommissioned or replaced during the year.
- 4.4 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.
- 4.5 Licensee shall allocate common expenses among its Licensed Activity and other types of activities (including licensed activities) on a reasonable basis that does not harm the quality of service of the Licensed Activity in accordance with Paragraph 4.2 of this License. Licensee shall submit to the ERE documentation setting forth the basis for the allocation of common expenses as well as the results obtained.
- 4.6 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) assets structure by over 10%.
- 4.7 All the official notifications, applications, petitions, claims or other correspondence with the ERE associated with the obligations under 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.

5. Use Of Information

- 5.1 Licensee shall ensure that any information obtained from others as a result of its Licensed Activity shall not be revealed to anyone, except in cases when:
 - a. the prior written consent of the Person to whose affairs the information relates is given; or
 - b. the information is already known to the public; or
 - c. Licensee is required or permitted to disclose the information to comply with these License Conditions, according to an order of the ERE, or any applicable legal provision.
- 5.2 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.
- 5.3 Licensee shall develop and submit to the ERE procedures for ensuring compliance with Paragraphs 5.1 and 5.2. 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 5.1 and 5.2.
- 5.4 Information provided to the ERE by Licensee shall be considered public unless, upon specific request of Licensee, the ERE by formal decision ascertains that certain information is of a proprietary nature and that its disclosure does not serve the public interest.
- 5.5 Licensee shall take all necessary measures to increase the operational and economic efficiency of the Licensed Activity in order to assure the quality and reliability of delivered services for the benefit of consumers.
- 5.6 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.

6. Obligations of Licensee to Transmission System Operator

- 6.1 Licensee shall place the entire production capacity of its Generating Units, in case it is integrated in the Power System, at the disposal of the Transmission System Operator in order to achieve the coordination of balances within the Power System.
- 6.2 Licensee shall comply with the Regulations and Rules of the Transmission System Operator approved by the ERE, including execution of all operational

orders, instructions or directions and the submission of technical information and all other documentation required.

- 6.3 Licensee shall provide Ancillary Services whenever requested by the Transmission System Operator in accordance with Regulations and Rules approved by the ERE.
- 6.4 Contracts for sale of electricity by Licensee will be registered at the Transmission System Operator when approved by the ERE.
- 6.5 All power supply contracts (power purchase agreements) between the Licensee and other entities should be consistent with the model contracts approved by the ERE.

7. Increase or Decrease in Generating Capacity

- 7.1 Licensee shall inform the ERE and the Transmission System Operator about the partial or total reduction of electric generation capacity at least one year prior to implementing the reduction and shall provide detailed explanation of intended actions. The ERE may relieve Licensee of this obligation in case the capacity reduction is caused by Force Majeure.
- 7.2 Design, construction and commissioning of electricity generating capacities as well as other installations related to them shall be performed by Licensee in compliance with effective ERE Regulations and Rules.
- 7.3 Disagreement between Licensee and a consumer or Licensee and 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.

8. Control over the performance of the Licensee

- 8.1 The ERE shall monitor Licensee's compliance with terms and conditions of this License, review reports obtained from the Licensee and, at any time, may inspect Licensee's accounting records and require a technical and/or accounting audit of Licensee's activities.
- 8.2 Authorized representatives of the ERE may inspect Licensee's construction site, its equipment and documents to verify compliance with terms and conditions of this License and ERE Regulations and Rules. The Licensee shall provide any required assistance necessary for the ERE during the said inspection.

- 8.3 Upon the complaint of any third party or upon its own motion, the ERE may initiate an investigation of Licensee's compliance with conditions of this License or Regulations and Rules approved by the ERE.
- 8.4 Licensee shall inform the ERE of any violation of License Conditions within one week from such violation becoming known to Licensee, providing an explanation and reasons for such violation.
- 8.5 If after investigation, the ERE concludes that Licensee has failed to comply with License Conditions, the ERE may revise Licensee's tariffs and contracts and/or take other actions within its scope of authority to protect the interests of electricity consumers.
- 8.6 Licensee shall obey decisions issued by the ERE, including the payment of fines imposed by the ERE, in accordance with the Legislation in Force, ERE Regulations and Rules and these License Conditions.

9. Extension of the License

- 9.1 The Licensee may apply to the ERE for the extension of term of this License in writing, setting out the reasons for the requested extension.
- 9.2 The ERE may grant only one extension if it sees good reasons, and such extension is valid for the period of time determined by the ERE.
- 9.3 The Licensee shall notify the ERE, in writing, immediately and in any case no less than 60 days prior to any Completion Date set out in Annex B, when it becomes apparent to the Licensee that it may be unable to comply with the relevant Completion Date. If this is the case, the Licensee may apply for an extension of the term of the License according to Paragraphs 3.1 and 3.2.
- 9.4 Licensee shall comply with all legal obligations related with the environment protection due to construction and installation of the power plant and electricity production.

10. Reporting

- 10.1 Six months after this License is in effect and further on in the same date every six-month period, the Licensee shall submit to ERE a report summarizing its activities during last six months in connection with construction and installation of the Power Plant.
- 10.2 If the Licensee experiences a Force Majeure event during the term of this License, the Licensee shall notify without delay the ERE requesting an extension of the term of the License in accordance with provisions of Section 3 of this License.

11. Amendments to License

- 11.1 The ERE may amend the conditions of the License in case they do not comply with:
- a. Legislation in Force, Government Decrees or any ERE's Regulation and Rule;
 - b. Decisions issued by the courts of the Republic of Albania.
- 11.2 At any time, either the Licensee or the ERE may propose any other amendments to conditions of this License, in addition to those stipulated in paragraph 6.1, by transmitting a written proposal together with any supporting arguments, to the other party.

12. Withdrawing of License

- 12.1 Upon written request of the Licensee, the ERE may withdraw this License.
- 12.2 The ERE may withdraw this License upon 60 days notice, when the Licensee fails, for reasons attributable to it, to complete the construction of the Power Plant or any phase of the project as set out in Annex B.
- 12.3 The ERE may withdraw this License when the Licensee violates the Legislation in Force, any ERE's Regulation and Rule or this License conditions.
- 12.4 The ERE may withdraw this License when the Licensee is declared bankrupted or liquidation procedures are commenced pursuant to the Law No.8071, dated 25.10.1995, "On Bankruptcy Procedures".
- 12.5 If the Licensee changes its legal status or the shareholder controlling interest is changed without a special authorization from the ERE, the License becomes null and void and the successor of the Licensee shall apply for a new license in compliance with the ERE's procedures for license issuance.
- 12.6 License withdraw is in compliance with withdrawal procedures included in Chapter IV of Licensing Rules and Procedures.

13. Fees

- 13.1 The Licensee shall be obliged to pay to the ERE the license fee or other fee as may be applicable pursuant to the Law No.9072, dated 22.5.2002 "On power sector", or any other law.

14. Right of Appeal

- 14.1 Decisions of the ERE regarding the granting, amendment, revocation of this License, or regarding any fines or fees assessed by the ERE, may be appealed administratively or to the court.

Republic of Albania
Energy Regulatory Entity

LICENSE
For
CONSTRUCTION AND INSTALLATION OF POWER PLANT

(Full name of Licensee)

Series: _____ License No: _____

Effective Date of the present Annex: _____

ANNEX A

List of the power plant construction and installation data.

Type and model of the power plant	
Location of the power plant	
Capacity in MW	
Number of Generating Units	
Annual Amount of Energy produced	
Main electric scheme of the power plant	

Republic of Albania
Energy Regulatory Entity

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CONSTRUCTION AND INSTALLATION OF THE POWER PLANT

(Full name of Licensee)

Series: _____ License No: _____

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ANNEX B

Deadline for the construction and installation of the Power Plant

Construction phase of the power plant	
Forecasted graphic of works	
Forecasted date of functioning	

Republic of Albania
Energy Regulatory Entity

LICENSE
For
GENERATION OF ELECTRICITY

License issued to:

(Full name of Licensee)

Series: _____ License No: _____

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ANNEX C

Authorized List of power plants and electricity generating units

Power Plant	Unit Number	Installed Capacity	Date of Functioning