

To keep you up-to-date with the latest economic and financial developments, this newsletter prepared by our Team provides information that may affect the operation of your business in Albania.

Instruction no. 3, dated 20.06.2019 “On the approval of the simplified authorization procedure for the connection to the distribution system of small renewable projects for the self-producers of solar electricity”

The Minister of Infrastructure and Energy adopted **Instruction no. 3, dated 20.06.2019 “On the approval of the simplified authorization procedure for the connection to the distribution system of small renewable projects for the self-producers of solar electricity”** (the “Instruction”).

The Instruction was published in the Official Gazette no. 103 dated 17.07.2019.

This Instruction is intended to set out a simplified procedure for authorizing the connection to the distribution system of projects for small and medium enterprises and family clients with a total capacity of up to 500 kWp of renewable energy.

Construction Permit

Installation of a self-generating unit for photovoltaic (PV) technology, requires only the submission of the preliminary statement of works to the competent planning and development authority.

Measurement and determination of the installed power for the annual generation of electricity intended for self-consumption.

The balance and net billing are done the by distributor operator (OSHEE) on a monthly basis. The surplus energy will be sold to the Universal Service Provider (currently OSHEE) following the approval of the Methodology for determining the purchase price. Until this methodology is adopted, the surplus energy, shall be passed on to the Universal Service Provider without compensation.



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The size of the plant shall be determined on the basis of the annual consumption according to the data of the last two years, or the audit report of energy by a certified energy auditor.

The installed capacity of the PV plant will be calculated on the basis of peak hours of electricity generation from the unit. It is not allowed to exceed the power required for consumption. Until the adoption of a radiation map depending on the geographical location, this power will be calculated for an average radiation of 1,400 kWh / kWp, regardless of which region of Albania the plant is located in.

The application for the connection of a PV plant.

The application for the connection of a PV plant and the bi-directional meter to the distribution network is carried out similarly to the application for a new connection at the OSHEE customer care offices. OSHEE must resolve on the authorization of the connection within 30 working days from the application. In case OSHEE finds deficiencies shall notify within 5 days in writing about the deficiencies of the application documentation, which must be completed from the applicant within 10 days.

The application is accompanied by the following documents:

1. Application form "On net metering scheme".
2. Statement of average annual consumption of energy.
3. Approved project by licensed entities for connection of the PV plant to the distribution network.
4. The proposal on the meter model and its technical characteristics.

OSHEE may refuse the application in cases where the distribution system does not provide for the normal operating limit frequency, the permissible voltage fluctuations and other technical parameters under the applicable legislation, at the point where the injection is required.

The installation of the PV unit

The manufacturer must install the PV system within 6 months from the date of approval of the application and notify OSHEE of the completion of this installation. In case this deadline is exceeded the application must start over.

At the time of deployment of the PV system, the manufacturer must notify OSHEE in writing, making available the following documentation:

1. copy of the approved application and of the commissioning and metering system installation minutes for the bi-directional meter;
2. original copies of the system commissioning statement, signed by licensed entities, together with the confirmation of the PV system self-producer;
3. manuals and technical files of PV system products
4. online access data to the system monitoring platform.

Right of OSHEE to disconnect

If OSHEE verifies that the customer has designed a plant that has a higher energy production than annual consumption or when is verified that the plant was installed and / or operates differently from the approved project, it notifies the self-producer in writing. If the self-producer fails to comply with the proposed adjustments, OSHEE may disconnect the plant.

Decision no. 509, dated 17.07.2019 “On some amendments to Decision of the Council of Ministers no. 551, dated 18.6.2015, "On the approval of the criteria and procedures for obtaining the certificate of professional permit in the study-planning and/or implementing activity in the search, production, processing, transportation, storage and marketing of Hydrocarbons "

The Council of Ministers approved Decision no. 509, dated 17.07.2019 “On some amendments to Decision no. 551, dated 18.6.2015, "On the approval of the criteria and procedures for obtaining the certificate of professional permit in the study-planning and/or implementing activity in the search, production, processing, transportation, storage and marketing of Hydrocarbons" (the “**Decision**”).

The Decision was published in the Official Gazette no. 105 dated 19.07.2019.

The purpose of this decision is to amend the requirement for obtaining a Certificate of Professional

National Consolidated Plan for Renewable Energy Sources 2019-2020

On 28.08.2019 the Council of Ministers approved Decision no. 580 “On the National Consolidated Plan for Renewable Energy Sources 2019-2020” (the “New National Plan”), which was published in the Official Gazette no. 122 dated 04.09.2019. This Plan repealed the “National Consolidated Plan for Renewable Energy Sources for 2018-2020”.

The Plan aims to present the current situation in Albania in its goal to increase the production of energy from renewable energy sources to 38% of the Gross Final Energy Consumption (GFEC) and measures to be undertaken for the coming year.

Progress and need for consolidation of the Plan

The law “On Promotion of Renewable Energy Sources” fully promotes the entering in the

Permit to specialists both local and foreign, for study-planning and/or implementing activity in the Hydrocarbons sector.

The Decision stipulates that in order to exercise the study-planning and / or implementing in the hydrocarbon sector, the legal or natural person must include such type of activity in its object of activity declared with the Albanian Commercial Register.

The requirement to hire a Technical Director is replaced with the requirement to hire specialists, who are certified, according to the respective categories, for study-design and/or implementation activities in the field of hydrocarbon activity.

The provision stipulating that the entity should be licensed to exercise the study-planning and / or implementing activity in the field of hydrocarbon activity from the National Licensing Center has been abrogated.

liberalized market of producers from renewable energy sources.

The law conserves the previously approved concession agreements of small hydropower plants up to 15 MW. Due to the need for diversification, renewable energy from other sources is taken in consideration, such as wind and solar energy. Financial support is created through the feed-in-tariffs and feed-in-premium for new producers as well as producers with precedence.

The current law on the energy sector (law no. 43/2015) is fully harmonized with the Directive 2009/72/EC regarding the common rules for the internal energy market. In order to precede the reforms in the energy market, to reach the 38% objective of the GFEC it is recommended:

- i. effective measures for the diversification of renewable resources in Albania;
- ii. broader technic-economic analysis on the interest of all market operators in applying of “supportive measures” for the promotion of Renewable Energy Sources on transparent bases;
- iii. evaluation and analysis of the facilities and of national administrative procedural barriers for the promotion of renewable sources;
- iv. reinforcement of the legislation for biofuels in the transport sector in the direction of sustainability, informing/reporting, and the measures for the promotion of their sale to the end consumer.

Competing costs for producing electric energy for Renewable Energy Sources

- *Small hydropower plants*

The Ministry of Infrastructure and Energy carried out a scanning process of the correctness in implementing the obligations in the contracts from the entities that have an approved contract. There are three identified groups from the scanning: entities that are still within the given deadline for the construction of the plant; entities that have violated the deadline because of the bureaucracy of public administration; and entities that have committed grave violations of their contracts.

In total, 2,203 MW of generating capacities have been contracted. From this 507.38 MW of the contracted small hydropower plants are expected to be commissioned until 2020.

- *Solar plants*

Due to the high potential source of solar energy (over 1700kW/m²/year) in certain areas of Albania, the potential construction of PVs is up to 1,900 MW to be constructed in barren/non-productive lands. The solar energy is considered together with the wind energy as the golden chance of Albania to

reach the National Objective of 2020 for Renewable Energy Sources to 38%.

The price of electric energy produced from solar and wind plants, determined based on the Levelized Cost of Energy (LCOE) is influenced from the investment cost and risk influence.

The proposed capacities of the Plan for 2015-2020 where of 50MW for photovoltaics and 30 MW of wind energy. ERE approved the purchase price of 100€/MWh for photovoltaics and 76€/MWh for wind energy.

The feed-in-tariff was proven to be able to pay the initial investment in a 4-5 years period, considering a cash flow for 2MWp plants of 300,000€/year in an area with 1,500 peak hours of work, and an initial investment of EUR 1.3 million.

- *Wind energy*

Until 31 December 2018, 9 MW of wind energy plants where contracted through support, and 32 MW without support. In 2016, ERE has licensed 15 companies for the production of energy from wind in a total installed capacity of 1,600 MW that are mainly in the costal area. Currently, none of the investments has started.

During 2015-2017, no wind energy plant was constructed due to the low capacity entered in the current plan, and the lack of auctions for wind energy plans. A revision of the generating capacities is proposed in the 70 MW level, as a result of the limited potential of wind energy and the interest of investors to invest in higher capacities.



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- *Energy from urban waste*

The energy produced from biodegradable urban waste does not currently have an approved price, however the Ministry has proposed a price of 100€/MWh through the LCoE methodology, which is expected to be approved by ERE.

Recommendations

The Plan recommends the authorities to continue granting permits for Renewable Energy Sources in compliance with the strategy aiming to:

1. Upholding the concessions for small hydropower plants already approved;
2. Giving new authorizations for photovoltaic plants up to 2 MW and wind energy up to 3 MW supported by the new feed-in tariff to be approved by ERE;
3. Giving authorizations through a transparent procedure for auctions for photovoltaic plants exceeding 2 MW and wind plants exceeding 3 MW;
4. Incentivize floating solar plants.



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BOGA & ASSOCIATES TOP TIER ACHIEVEMENTS 2019

IFLR1000 2020: Ranked in Tier 1 in Financial and Corporate and Project Development

Chambers Global 2019: Ranked in Band 1 in General Business Law

Chambers Europe 2019: Top Ranked in 5 practice areas

The Legal 500: Top Ranked in Legal Market Overview

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The firm’s particularity is linked to the multidisciplinary services it provides to its clients, through an uncompromising commitment to excellence. Apart from the widely consolidated legal practice, the firm also offers the highest standards of expertise in tax and accounting services, with keen sensitivity to the rapid changes in the Albanian and Kosovo business environment. The firm delivers services to leading clients in major industries, banks and financial institutions, as well as to companies engaged in insurance, construction, energy and utilities, entertainment and media, mining, oil and gas, professional services, real estate, technology, telecommunications, tourism, transport, infrastructure and consumer goods.