

**METHODOLOGY FOR THE CALCULATION OF THE
RENEWABLE ENERGY OBLIGATION AND
THE PROCEDURE FOR COMPENSATION OF PRIORITY POWER PRODUCERS**

**CHAPTER I
GENERAL PROVISIONS**

**Article 1
Scope**

This Methodology establishes the the calculation of the renewable energy obligation to be charged to all final customers by the electricity suppliers as well as the procedure for compensation of priority producers by the Renewable Energy Operator (hereinafter – “REO”) for the promotion of electricity from renewable sources.

**Article 2
Legal basis**

This Methodology is drafted based on the article 11 of the Law No. 7/2017 “On the Promotion of the Use of Energy from Renewable Sources” and article 20 of the Law no. 43/2015 “On Power Sector”, as amended.

**Article 3
Definitions**

1. In this Methodology the following terms have the following meaning:

1. “ERE” shall mean Energy Regulator Authority and is the regulatory institution on power and gas sector in Albania.
2. “Renewable energy obligation” is a fixed tariff that applies to the end-use customers, in accordance with the respective amount of electric energy measured and delivered by the suppliers to these customers. This obligation is calculated as the product of the total amount of electric energy produced by renewable energy sources and the bonus given for the promotion of renewable energy resources, in proportion to the total amount of electric energy delivered by the supplier to the end-use customer.
3. “Renewable energy operator” is the entity responsible for billing and collecting the liability of renewable energy applied to all final customers of electricity.
4. “Contract for difference’ is the contract of which the model is approved by the Council of Ministers , between the operator of renewable energy and producers of energy from renewable sources that is declared bidder successful in bidding to obtain assistance in investment or operational, as envisaged in Article 9 of the law no. 7/2017 “On the Promotion of the Use of Energy from Renewable Sources”.
5. “Supplier” means a company licensed to perform the supply activity.
6. “End – use customer” means a customer purchasing electricity for his own use
7. "Reference Price" is a price which is based in Albania’s stock market of energy, or up until its creation, in a comparable electricity market.
8. “Priority producer” is any manufacturer that produces electricity from sources of renewable energy and in the case of hydropower plants with an installed capacity of up to 15 MW per generating unit, which benefits from support schemes according to the

dispositions of the law no. 7/2017 “On the Promotion of the Use of Energy from Renewable Sources”.

2. For words and terms not expressly mentioned in the definitions listed under paragraph 1 of this Article, reference shall be made to the terms and definitions determined by the Law no. 7/2017 “On the Promotion of the Use of Energy from Renewable Sources”; the Law no. 43/2015 “On power sector”, as amended and the Decision of Council of Ministers no. 244, dated 24.04.2016, as amended

CHAPTER II METHODOLOGY FOR THE CALCULATION OF THE RENEWABLE ENERGY OBLIGATION

Article 4 The role and responsibilities of REO

1. REO is responsible for the invoicing of the RES obligation to all electricity suppliers, which supply end-use costumers.
2. REO is responsible for collecting the RES obligation from all electricity suppliers and for the payment of this obligation to priority power producers.
3. REO shall have the responsibility to gather data from all priority power producers regarding their annual forecasted volume of the electricity generated from renewable sources. After gathering the data, REO shall aggregate the data submitted by all priority power producers and submit them to ERE to calculate the renewable energy obligation which shall be charged to all end-use customers.
4. REO shall sign a contract with each electricity supplier to end-use customers for the collection of the renewable energy obligation charged to all end-use electricity customers.
5. The contract signed between REO and the supplier shall stipulate an annual quota of renewable energy volumes (split on monthly basis) to be sold to each electricity supplier to end-use customers as renewable energy obligation tariff.
6. The annual quota referred to in paragraph 5 of this Article is determined by ERE proportionally with the supplied electricity portfolio of each supplier. The electricity volumes and the cost of renewable energy for each electricity supplier shall be taken into account when calculating the electricity tariffs for the DSO or universal supplier.
7. REO shall create a register of all the active electricity suppliers to end-use customers and shall update it continuously.
8. REO shall create a register of the priority power producers and shall update continuously the register.

Article 5 The role and responsibilities of electricity suppliers

1. Each electricity supplier to end-use customers shall sign a contract with REO for the collection of the renewable energy obligation charged to all end-use electricity customers.

2. Each electricity supplier to end-use customers is responsible for invoicing to all end-use customers and for collecting from every end-use customer the renewable energy obligation invoiced by REO, for the promotion of renewable energy sources.
3. The supplier shall invoice the value of the renewable energy obligation in lek€/kWh to all end-use customers according to the relevant amount of electricity supplied to them.

Article 6

Annual forecast of electricity produced by priority producers

1. By 15 November of each year, all priority producers already in operation as well as all priority producers which plan to commission their power plants in the following year shall submit even to REO an annual forecast of the volume of the electricity from renewable sources to be generated in the upcoming year and split at monthly level.
2. REO aggregates the total forecasted volumes of electricity to be generated from renewable sources submitted by all priority producers and calculates the total amount of money to be disbursed to priority producers for the following year.
3. Based on the data submitted by the priority producers, REO forecasts the total budget for the promotion of energy from renewable sources and the contract for difference payments due to each priority producer on an annual basis according to the prices and the terms of each bilateral contract and legislation in force.
4. By 1 December of each year, before ERE issues a decision for the electricity tariffs and prices, REO shall submit to ERE: the calculation of the total volume of electricity forecasted to be generated in the following year and the total amount due to priority producers.

Article 7

Calculation of the renewable energy obligation

1. ERE will calculate the value of the renewable energy obligation in Lek/kWh charged to all end-use customers according to the relevant amount of electricity metered and supplied by the suppliers to these end-use customers.

This obligation shall be calculated as a product of the total amount of electricity produced by renewable energy sources with the bonus given for the promotion of renewable energy sources in relation to the total amount of the electricity supplied by the suppliers to end-use customers, according to the following formula:

$$\text{RES Obligation [Lek/kWh]} = \frac{\text{Total electricity produce from RES * bonus [Lek/kwh]}}{\text{Total domestic electricity demand forecast [kWh]}}$$

where:

- Total electricity produced from RES – shall be the amount of electricity generated from the existing priority power producers and the small power producers that shall enter into operation in the future.

- Bonus – is the difference between the price of priority power producers approved by ERE on annual basis and the reference price.
 - Reference Price – shall be considered the HUPEX DAM price in baseload, until the Albanian Power Exchange (APEX) shall become operational.
2. **By the end of** each year, ERE will issue a decision on the value of the renewable energy obligation expressed in Lekë/kWh to be paid by each end-use electricity customer during the following year.
 3. ERE shall communicate the decision in a transparent way to all electricity suppliers and end-use customers and has to publish it in the national written press for 3 (three) consecutive days.

Article 8
Invoicing and payment of the renewable energy obligation
and the support to priority producers

1. Each electricity bill to an end-use customer invoiced by the electricity supplier shall include the renewable energy obligation explicitly invoiced by their electricity supplier.
2. Each priority producer shall invoice REO with the amounts due under the contract (**power purchase agreement** or contract for difference) based on a confirmation from the distribution or transmission system operator on the volume of renewable energy injected into the distribution or transmission grid and metered on monthly level.
3. REO shall invoice and collect from every electricity supplier the amounts due for the promotion of renewable energy on a monthly basis.
4. REO shall invoice the electricity suppliers within 7 (seven) days following the receipt of monthly invoice from priority power producers.
5. The payment of the invoices issued by REO and received by electricity suppliers shall be done within **20 days following** the receipt of the monthly invoice issued by REO.
6. The payment of the invoices issued by priority power producers and received by REO shall be done within 30 days following the receipt of monthly invoice from priority power producers.

Article 9
Adjustments of the renewable energy obligation

1. Each year, ERE will calculate the differences between the forecasted and achieved values and amounts for the promotion of energy from renewable sources during the previous calendar year.
2. The results shall be published for all stakeholders and shall be included in the revision of the renewable energy obligation in the next regulatory period.

Article 10
Dispute Settlement

1. In case of a dispute over the amounts due, the contractual parties in the agreements between Renewable Energy Operator and priority producers or in the agreements between the Renewable

Energy Operator and electricity suppliers shall initially make all efforts to settle the conflict with mutual understanding.

2. If no solution is found to a dispute between the parties to the contracts referred to in paragraph 1 of this Article, ERE shall act as a dispute settlement authority pursuant to the Law no. 43/2015 “On Power Sector”, as amended and “Regulation for Handling the Complaints Submitted by the Customers and Settling the Disputes Between the Licensee, on Power and Natural Gas Sectors”, approved by ERE Board. If no solution is found again, the parties shall address their dispute to the competent court.

CHAPTER III TRANSITORY AND FINAL PROVISIONS

Article 11 Transitory provisions

1. Until the establishment of an organized electricity market in Albania, in the calculation of the forecasted “Contract for Difference” payments for renewable energy producers that receive support in the form of feed-in premium, REO will take into account a relevant forward **market price based on a decision of ERE.**
2. The system operator or the public company that will perform the role of REO, until the Council of Ministers will design REO, shall maintain unbundled financial accounts for each regulated activity and submit a financial report on the activity of promotion of renewable energy to ERE by 31 March of the each following year.

Article 12 Amendment of the Methodology

This Methodology is object of review by ERE Board Decision according to the “Regulation for ERE Organisation, Functioning and Procedures”.

Article 13 Entry into Force

This Methodology shall enter into force 15 days after publication in the Official Gazette.