ENERGY REGULATORY AUTHORITY
BOARD

DECISION

No. 279, Dated 06.11.2025

METHODOLOGY ON THE ASSESSMENT OF THE ELECTRICITY DAY-AHEAD MARKET READINESS

Based on Article 16 of Law no. 43/2015 "*On Power Sector*", as amended; Article 30, point 5, of Law no. 24/2023, "*On the promotion of using energy from renewable resources*"; as well as Articles 15 and 26 of the *Regulation for ERE organization, operation and procedures*, approved with ERE Board Decision no. 96, dated 17.06.2016; ERE Board on their meeting dated 06.11.2025, after reviewing the report Protocol no. 2777, dated 04.11.2025, of the Policy Development and Supervision of Renewable Energy Sources Directory and Tariffs and Prices Directory, "On approving the Methodology for the assessment of the electricity day-ahead market readiness.",

Observed that:

1. **Initiation of the procedure to approve the Methodology**

- ERE Board with Decision no. 256, dated 02.12.2024, decided the initiation of the procedure to approve the "Methodology on the assessment of the electricity day-ahead market readiness (DAM)", for the operation to convert the Power Purchase Agreements (PPA) to Contracts for Difference (CfD), according to Law no. 23/2023.

2. **Public consultation and notification of the stakeholders**

- The draft methodology on 03.12.2024 is published on ERE website, at "Consulting" session, to collect the comments from the stakeholders.
- With the official letter Protocol no. 2473/1, dated 11.12.2024, are informed: the Ministry of Infrastructure and Energy (MIE), the Albanian Power Exchange ALPEX s.a., the Albanian Association for Renewable Energy (AREA), the Albanian Association of Electricity Suppliers (AAES), the Supplier in the Free Market (FTL) s.a., as well as other stakeholders, regarding the publication of the draft – methodology on ERE official website for public consultation to collect their comments and suggestions in the framework of approving the document.
- The draft is submitted by e-mail even to Energy Community Secretariat for their comments, in the framework of its inclusion as a stakeholder to the cross-institutional consultation process.

3. **Hearing session**

- Implementing ERE Chairman order no. 96, dated 26.06.2025, on 03.07.2025 it is held a hearing session with the participation of the representatives from ALPEX s.a. FTL s.a., AAES and ERE Technical Directories (other parties that were invited but did not participate: MIE and AREA).

- During the hearing session there were discussed two proposals submitted from ALPEX s.a regarding the draft-methodology:
- ALPEX required to be clarified if the 6-months report on the readiness shall be drafted continuously, or only for the period when the market is assessed not ready by ERE. It is clarified from ERE that the 6-months report is implemented only for the period when the assessment is negative and this clarification shall be reflected on the document.
- ALPEX proposed that the denominator in the formula should be taken only the consumption of the liberalized market, excluding low voltage customers supplied by the Universal Service Provider. After the review with the consultant, it was assessed that this proposal could not be accepted, as the calculation of the churn factor should be done according to the ACER methodology, used by all EU Member States, to ensure international comparability. It was emphasized that the analysis of DAM market liquidity is based on a holistic indicator approach and does not rely solely on a single parameter for determining CfD readiness.

4. Recommendations/comments of Energy Community Secretariat and consultant clarifications

- The Energy Community Secretariat, by the e-mail dated 22.10.2025, assessed that the draft methodology referred to Article 30, point 5 of Law No. 24/2023, while the more accurate reference was point 4 of the same Article, as it is directly related to alternative market sources. The consultancy office accepted this comment and reflected the relevant reword in the draft methodology.
- The Secretariat noted that the methodology had not fully included the criteria and indicators on integrity and transparency. Subsequently, the consultant proposed the expansion of Article 5 of the draft methodology, adding a new point (point 4), according to which ERE will assess the application and applicability of the rules on integrity and transparency in the Albanian day-ahead market, based on the REMIT Regulation and the regulatory framework of the Energy Community. This assessment will include elements such as: registration and the behavior of market participants according to ALPEX and REMIT requirements, publication of market data and urgent notifications, as well as the application of best practices of post-trade transparency, governance and independence of ALPEX, including the assessment of transparency procedures and reporting obligations, monitoring and prevention of market manipulation and insider trading, including effective investigation and sanctioning mechanisms.
- In Article 5, point 1, letter b), the draft methodology emphasized that the churn factor is usually less than 1. The Secretariat assessed that this expression is not necessary, since the coefficient can theoretically be even higher than 1, and proposed its removal. The Consultant and ERE accepted this comment and reflected it by deleting the relevant phrase.
- The Secretariat suggested that the use of the bid-ask spread indicator may not be appropriate in an auction-based market such as the DAM, as this indicator is mainly used in continuously traded markets and may not provide a true measure of liquidity. The Consultant explained that this indicator, although with limitations, remains important for a comprehensive assessment of readiness, especially in the process of transition from power purchase agreements (PPA) to contracts for difference (CfD). It will be used by ERE in cases where data is available, accompanying the results with qualitative analysis on the limitations. The same logic applies to the “market depth” indicator.

- In Article 6, point 2, letter a), the Secretariat requested clarifications on the application of the indicator on the availability of DAM prices. The Consultant confirmed that this indicator is applied to each settlement period, in accordance with Article 30, point 4 of Law No. 24/2023.
- In Article 6, point 2, letter e), the Secretariat requested that the assessment automatically include the volumes traded in the Kosovo market, as Albania and Kosovo operate as a coupled market, considering cross-border capacity constraints. The Consultant clarified that the methodology will handle both markets as a single market in periods when there is no congestion and they share the same DAM price. In cases where complete data for the construction of common demand and supply curves are missing, ERE will apply a qualitative assessment, comparing the unified market with similar EU markets that operate as independent markets.

5. Content and indicators of the Methodology

- Regarding the assessment of readiness ERE shall analyze if there are completed these conditions: there is an operational Day Ahead Market exchange DAM which provides referential prices for all settlement periods for a continuous 10-month period; there are being implemented the principles and rules for market integrity and transparency according to REMIT framework; the volumes traded on Day Ahead Market are in comparable level with EU counterpart markets.
- The indicators on which the assessment is based are: Availability of DAM prices (price signal for 10 consecutive months); churn factor (ratio of traded energy to total consumption), which measures the activity and relative liquidity of the market.
- Data will be provided mainly by ALPEX, as well as from EU comparative sources.
- In addition to the main indicators, the methodology also foresees the use of additional factors such as the bid-ask spread and market depth, which are considered only when the data are available and comparable with EU markets.
- The methodology also defines the criteria for drafting the ERE report on market readiness, including reporting deadlines and the method of selecting EU countries that serve as reference markets for comparison.
- In the final part, the methodology foresees its review and amendment when necessary and its immediate effectiveness after approval by the ERE board.

6. ERE assessments

- It is reasonable and necessary for legal clarification and regulatory effectiveness to include in the methodology the following factors:
  a) Availability of DAM prices for a consecutive 10-month period;
  b) The churn factor (ratio of traded volume in DAM to total consumption), calculated according to the methodology published by ACER, for cross-border comparison purposes;
  c) Requirements for integrity and transparency (REMIT), as an indispensable condition for assessing readiness;
  d) Treating the combined Albania-Kosovo market as a single market when there is no congestion and they share the same DAM price, as well as applying qualitative assessments when data limitations prevent the construction of common curves.

- Regarding the ALPEX proposal to use consumption in the liberalized market as a denominator in the churn factor, ERE – in accordance with the consultant's recommendation – considers not to accept the amendment, in order to maintain international comparability according to ACER practice.

- ERE 6-monthly periodic report, after the first assessment within 6 months of the effectiveness of the methodology, will be drafted only for the period when the assessment results in a negative result; after a positive assessment of readiness, periodic reporting according to this methodology is no longer required.

Regarding the above, ERE Board,

Decided:

1. The approval of the "Methodology for the assessment of day ahead electricity market readiness". (Attached to this decision)
2. Policy Development and Supervision of Renewable Energy Sources Directory, shall inform the stakeholders, including MIE, ALPEX s.a. TSO s.a., AAES, AREA, FTL s.a. and Energy Community Secretariat regarding ERE Board Decision.

This decision becomes effective after publication on the Official Gazette.

Each party involved on this procedure may require ERE, within 7 calendar days from the date of being informed, the review of ERE Board Decision if there are provided new evidences that may lead the board to take a decision different from the previous one or for material errors that are observed. Regarding this decision may be complained on Tirana Administrative Court, within 30 calendar days from the publication of this decision on the Official Gazette. This decision is

published on the Official Gazette.

CHAIRMAN

Petrit AHMETI

REPUBLIKA E SHQIPËRISË

ENERGY REGULATORY AUTHORITY

METHODOLOGY ON THE ASSESSMENT OF THE ELECTRICITY DAY-AHEAD MARKET READINESS

PART I
GENERAL PROVISIONS

Article 1
Purpose

This methodology defines the principles and indicators that will be taken into consideration by the ERE for the assessment of the electricity day-ahead market readiness, based on the provisions of the Law no. 24/2023 "*On the promotion of the use of energy from renewable sources"*

Article 2
Legal basis

This methodology is designed in support of point 5 of article 30 of law no. 24/2023 "*On the promotion of the use of energy from renewable sources*" as well as articles 18, point 1, letter "a" and 20, letter "ç" of law no. 43/2015 "*On Power Sector*", as amended.

Article 3
Definitions

1. In this methodology, the following terms have this meaning:

- "**Energy Regulatory Entity**" **or "ERE"** is the regulatory authority of the electricity and natural gas sector in Albania.

- **"Contracts for Differences" (CfDs)** is a financially regulated support contract where the Renewable Energy Operator pays the priority producer the difference between the guaranteed price and the reference price when the reference price is lower than the guaranteed price and the priority producer pay the difference to the Operator of Renewable Energy when the reference price is higher than the guaranteed price.

- **"Power purchase agreement (PPA)"** is a support agreement, where OER guarantees the mandatory physical purchase of electricity generated by producers for a fixed price.

- **"Conversion CfD"** is the conversion of an agreement for the purchase of energy into a contract for difference, in accordance with article 30 point 4, of law no. 24/2023 "On the promotion of the use of energy from renewable sources".

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- **“Albanian Power Exchange”** is the entity responsible for the management and organization of the wholesale electricity market in Albania in accordance with law no. 43/2015 "On Power Sector" as amended.

- **“Day Ahead Market”** is the electricity market where the delivery of Buy and Sell Orders placed on the day before delivery in the interval from Gate Opening Time to Gate Closing Time.

- “**ACER”** is the agency for the cooperation of energy regulators of the European Union.

2. The terms, the definitions of which are not listed in point 1 of this article, refer to the terms and definitions defined in law no. 24/2023 "On the promotion of the use of energy from renewable sources" and Law no. 43/2015 "On Power sector", as amended.

PART II
PRINCIPLES OF THE METHODOLOGY FOR ASSESSING THE READINESS OF THE ELECTRICITY DAY AHEAD MARKET

Article 4

The basic principles of the methodology for assessing the readiness of the electricity day-ahead market

1. ERE's market readiness assessment will only include the day-ahead electricity market, since this assessment is related to the conversion of power purchase agreements (PPAs) to contracts for difference (CfD).
2. In accordance with the principles defined in this methodology, ERE shall assess whether the following criteria are sufficiently met:
   a) an operational power exchange has been created that offers reference prices for the relevant settlement period for the day-ahead market for a consecutive 10-month period;
   b) there are being implemented the principles and rules for the integrity and transparency of the sale of energy in the market, including for persons who professionally organize transactions;
   c) the traded volumes in the day – ahead market related to the physical size of the market are on a comparative level with such volumes in some day – ahead markets of the European Union countries.

3. ERE in the preparation of the day-ahead market readiness assessment, shall take into account the coupled Albania-Kosovo market, during the periods when both markets were coupled and have produced results.
4. ERE has the right to select several day-ahead markets in the European Union to perform an appropriate comparative assessment and take into consideration the methodologies used by ACER for the assessment of market readiness.
5. ERE will request from the Albanian Power Exchange detailed data on offers, prices and volumes of the day-ahead market as well as comparative data from the selected countries to perform the assessment using the selected indicators and market characteristics.
6. In addition to the indicator values calculated and published by ACER, ERE will use data published by the regulatory authorities of the respective comparative countries and by the power exchanges themselves. In cases where ERE needs confidential data that is not publicly available to perform the market readiness assessment, it will have to obtain it from regulators or other power exchanges.
6. ERE will organize a public consultation with interested parties regarding the market readiness assessment and will publish a report of this assessment together with its findings.

Article 5

Indicators for assessing the electricity day-ahead market readiness

ERE, in preparing the report for the assessment of the electricity day-ahead market readiness, must consider the following factors:

a) ***Availability of day-ahead prices of the Albanian Power Exchange***, which means receiving an uninterrupted signal of the day-ahead market price from the power exchange for a 10-month period.

b) ***Churn Factor***, which is defined as the amount of electricity traded in a market compared to the total consumption. In the context of the day-ahead market (DAM), the churn factor provides an indication of the magnitude of trading on power exchanges relative to the physical market size. The calculation of churn factors in the Albanian market will require data on the volumes traded on DAM and on the hourly energy consumption in the relevant market areas. This factor will be determined through one of the following methods:

$$\varepsilon_{h} \frac{\text{Day Ahead Market Trading Volume in h hour}}{\text{Consumption in h hour}}$$

Or

$$\frac{\varepsilon h \text{ Day Ahead Market Trading Volume in h hour}}{\varepsilon h \text{ Consumption in h hour}}$$

*where **h** shall mean every hour to the period for which it is performed the assessment.*

1. ERE will review ACER's methodology of the churn factor calculation applicable to relevant comparators to assess the suitability of the published indices for comparison with the Albanian Power Exchange churn factors. The comparison between different markets should consider the traded volumes in the day-ahead market through power exchanges as opposed to other avenues to trading.

2. In order to provide a comprehensive assessment of market readiness, ERE, in addition to the indicators defined in point 1 of this article, may also consider the following indicators, where their applicability will depend on the availability of data for the intended comparative analysis:

   a) ***Bid-ask spread***, which is defined as the difference between the minimum unsuccessful ask (selling) price and the maximum unsuccessful bid (purchase) price. The bid-ask spread reflects the transaction cost associated with an instantaneous change in a market participants' contractual position.
   Therefore, this spread provides a direct measure of liquidity in terms of the market participants' ability to trade marginal incremental volumes of energy without significantly moving the price. In order to calculate bid-ask spread, it is necessary to collect data on the aggregate hourly supply and demand curves in the relevant day-ahead market. In the absence of aggregate curve data, these can be calculated from information on individual bids and offers. After analyzing the gap between supply and demand from ALPEX and the benchmark countries, ERE will determine the most appropriate measure of the bid-ask spread for comparison, which could be expressed either an absolute spread (adjusted with inflation as necessary) or a percentage difference relative to an average price level in each market.

   b) ***Market depth***, which is an indicator that measures the size of trade transactions that can be made with small differences between supply and demand. The market depth measure can provide more information on market liquidity than just the bid-ask spread, as this measure considers the volume of buy/sell offers that can be met in the market. As part of the market readiness assessment, ERE should consider whether the depth of the market can accommodate renewables within merit order, based on demand in the system, and should focus on the issue of whether the capacity of renewables, which is expected to be included in the CfD scheme, will be able to trade on the day-ahead market at a non-negative price.

3. ERE shall assess the application and enforceability of the rules guaranteeing integrity and transparency in the Albanian day-ahead market, including for persons professionally arranging transactions based on the "Regulation on the integrity and transparency of the wholesale energy market REMIT", approved by the ERE Board and, where appropriate, in accordance with the regulatory framework of the Energy Community. ERE shall examine the following elements:

   a) Conduct and registration of market participants, assessing whether all persons professionally involved in the organization or execution of transactions are registered and act in accordance with the provisions of the ALPEX regulation and the applicable legal framework. This part of the assessment will include verification of the procedures for registering participants in the REMIT national registry.

b) Market data disclosure, including the assessment of the timeliness and adequacy of the disclosure of inside information and urgent market notifications. ERE will also confirm the application of best practices in post-trade transparency.
c) Governance and independence of ALPEX, including the review of ALPEX's regulation to ensure transparency and operational integrity, to inform consumers and to assess ALPEX's compliance with its reporting obligations under the applicable legal framework.
d) Implementation of REMIT, including the monitoring of market manipulation and insider trading, as well as an effective mechanism for penalties and investigations. ERE will review ALPEX's market monitoring and supervision processes in relation to the day-ahead market regulated under market rules.

Article 6
Compilation of the report on the electricity day-ahead market readiness assessment

1. The first market readiness assessment shall be performed within 6 (months) months from the effectiveness of this methodology.
2. The drafting of the report on the readiness assessment of the electricity day-ahead market, shall be considering the factors defined on Article 5 of this methodology.
3. After carrying out the first readiness assessment of the of the day-ahead electricity market, ERE prepares every 6 months the report on the assessment of the readiness of the electricity day-ahead market, to a positive assessment of market readiness.

Article 7
Selection of Comparative Countries of the European Union

1. ERE will compare the churn factors with the levels observed in other power exchanges in the European Union, as defined in law no. 24/2023 "On promoting the use of energy from renewable sources".
2. In carrying out the readiness assessment of the day-ahead market of the Albanian Power Exchange by ERE, in order to allow the conversion of PPAs to CfD, the comparison should be limited to the day-ahead markets of the EU countries, which have introduced contracts for difference.
3. The liquidity of the Albanian day-ahead market should be evaluated to the liquidity indicators of the relevant EU day-ahead market, for the periods when the "Contract for Difference" was implemented.

PART III
FINAL PROVISIONS

Article 8
Review and amendment of methodology

This methodology is subject to review and change by decision of the ERE board, in accordance with the Regulation on Organization, Operation and Procedures of ERE.

Article 9
Entry into force

This methodology enters into force immediately after publication on the Albanian Official Gazette.