

RENEWABLE ENERGY LICENSING PROCEDURES AND INVESTMENT SCENARIOS (FOR PROSUMERS)

GUIDE

| **Tirana,**
April **2023**



INTRODUCTION

Energy transition actions in the EU are primarily related to the reduction of greenhouse emissions and cutting pollution by boosting the economy through green technology, and creating sustainable industry and transport. While in Albania, energy transition is triggered mostly by the needs for energy security, independence from network supply, including competitive prices of energy produced by alternative sources of energy such as sun and wind, generally mentioned as renewables.

SMEs are considered important actors in the energy transition as they are pioneering and driving development. At the same time, they are considered the most exposed to risks of security of supply and rising prices of energy and thus require specific support. To respond to such business concerns, IC Secretariat in cooperation with energy and economic experts, prepared a study on the opportunities available for SMEs in Albania focusing on: (i) how to improve their energy efficiency and target their energy-saving potential; (ii) ensure their competitiveness, through smart investments in renewables. While many efforts are made by government agencies and donors to provide information for businesses on energy transition and the associated support measures, many businesses/SMEs operating in different sectors and especially those operating out of the Tirana district¹, are struggling to get acquainted with the legal requirements and licensing procedures associated to installing of renewables in company premises as well as time on return on investment.

Considering the high interest of businesses as

expressed during the IC Meeting no. 29, but also during the consultation phases for easily information on such requirements, the Secretariat prepared this Guide. The Guide aims to granulate as much as it is possible the relevant information, in particular for interested SMEs (prosumers), with regard to two key components: (1) licencing steps and procedures for installing renewables; (2) targeted assessments regarding the return of investment in considering specificities of different regions. Thus, it can also help prosumers in their internal legal and commercial analysis before any decision-making for investing in renewables is made.

According to the current law no. 7/2017 "For promoting the use of energy from renewable sources", *Prosumer of electricity is considered a small or medium-sized company, which may install a total capacity of up to 500 kW for the production of electricity from wind or sun.* This capacity is intended to inject excessive electricity into the distribution network, based on the net metering scheme of produced and consumed electricity, calculated on a monthly basis.

More information on the study prepared by IC Secretariat you can find [here](#).

It provides an update on the licencing of alternative sources- connection of prosumers to the grid-electricity market with a focus on SMEs, a short overview of the electricity market (ALPEX) and its main developments, a benchmarking exercise on the return period of the investment from SMEs and a snapshot of current financial instruments and partners for development programmes available to business in the field of energy.

More information on the approved recommendations addressed to the authorities you can find [here](#).

¹ IC Secretariat Survey "[Local Entrepreneurs Uncertainties on Energy Diversification](#)", January 2023

LICENSING PROCEDURES FOR RENEWABLES

PREMISES

- » Prosumers of electricity, based on Article 37.6.b and 49.4 of Law No. 43/2015 “On the electricity sector”, as amended, are not subject to licensing procedures by the Energy Regulatory Authority as well as rules and procedures for the construction of new production capacities which are not subject of concession.
- » In articles 15.1 and 15.4 of Law No. 7/2017 “For promoting the use of energy from renewable sources”, is stipulated:
 - In accordance with the metering scheme, a small or medium-sized company may install a total capacity of up to 500 kW for the production of electricity **from wind or sun** to cover part or all of the required electricity for its needs and to inject excessive electricity into the distribution network.
 - The Minister adopts, through a decision, a simplified procedure for the authorization of connection to the distribution system of small renewable energy projects.
- » From an analysis of the applicable legal basis, results show that the primary legislation has clearly classified the production of electricity from the wind as production subject to the net electricity metering scheme (Article 15.1) by authorizing the minister responsible for energy to adopt the simplified procedure for the authorization of connection to the distribution system of wind power generation projects.

CONNECTION OF THE PROSUMERS TO THE NETWORK

- » Prosumers are connected to the electricity system by following the procedures stipulated in the Decision of the Ministry of Infrastructure and Energy No. 3, dated 20.06.2019 “For the approval of the simplified authorization procedure for connection to the distribution system of small renewable projects for prosumers of electricity from the sun”. Based on this Decision, prosumers, in order to connect to the electricity system, should submit the following:

A. List of documents for application to the municipality for a photovoltaic plant:

1. Ownership certificate and its status updated in the last 3 months (in case of renting, consent of the lessor/owner);
2. Plan of the roof, terrace or land where the panels will be placed;
3. Applicant ID, QKB extract and administrator ID;
4. Plant layout, project and photo of the current state of the property;
5. Electrical project, estimate and schedule of works.

B. List of documents for application to QSSH for photovoltaic plant:

1. Submission of the application form “For the net metering scheme”;

2. Declaration of the average annual consumption of the last two years, or in case of lack of history, the energy auditor's report and the proposal for the installed capacity;
 3. The approved project for connecting the PV plant to the distribution network;
 4. Proposal on the model of the two-ways meter (net metering scheme), data on the main inverter and the characteristics of the meter located behind it;
 5. Technical report;
 6. License of the design engineer;
 7. Permission from the Municipality "Works that are carried out with a preliminary statement of works";
 8. Number of the existing contract without due obligations.
- » The application is processed within 30 working days from the submission date. In case of approval, the applicant has 6 months to construct the photovoltaic plant. OSSH can disconnect the plant from the electricity system if it proves that the production exceeds the electricity consumption in a certain calendar year.
 - » Until the adoption of the "Methodology for determining the price of the sale of surpluses to the Universal Service Supplier, charged with public service obligation", the monthly surpluses are transferred to the Universal Service Supplier without compensation.

IMPORTANT NOTE:

According to the current legislation in force, the installation of photovoltaics as per the above procedures and capacities is not subject to any infrastructure impact tax.

According to Law no. 107/2014 "On Territory Planning and Development" (as amended), infrastructure impact tax is applicable on those works for which a construction permit is required. According to the Regulation for Development of the Territory, installation of photovoltaic panels is classified as works for which no construction permits is required, but their proceeding is allowed only on the basis of a *preliminary declaration of works*.

RELEVANT SOURCES OF APPLICABLE LEGISLATION

- » Law No. 7/2017 "On Promotion for Using of Renewable Energy Sources"
- » Law No.116/2016 "On Energy Performance of Buildings"
- » [Law No.124/2015 "On Energy Efficiency"](#)
- » [Law No. 7/2018, date 15.2.2018,"On Some Amendments and Additions in the Law No. 43/2015, "On Electricity Energy Sector"](#)
- » [Law No. 43/2015,"On Electricity Energy Sector"](#)
- » [CoM Decision No.480, dated 31.7.2018](#), "On Approval of the National Energy Strategy for the period 2018–2030"
- » [CoM Decision No. 369, dated 26.4.2017](#), "For the approval of the methodology for determining the purchase price of electricity produced by small renewable sources from the sun and wind"
- » [CoM Decision No.27, dated 20.01.2016](#), "On Approval of National Action Plan for Renewable Energy Sources 2015-2020"
- » [CoM Decision No.619, dated 7.9.2011](#), "On the Approval National Action Plan for Energy Efficiency 2011-2018"
- » [CoM Decision No. 38, dated 16.1.2003](#), "For the approval of norms, rules and conditions of design and construction, production and storage of heat in buildings"
- » [Instruction No. 3, dated 20.6.2019](#), "For the approval of the Facilitated authorization procedure for the Connection to the Distribution System of Small renewable projects for Self-Producers of Solar Electricity"
- » [CoM Decision No.407, dated 19.06.2019](#), "For the approval of the procedure, categories, conditions, qualification and professional experience requirements for the person to whom the energy auditor's certificate is issued"
- » [CoM Decision No. 342, dated 22.5.2019](#), "For the approval of the categories, conditions and qualification requirements for the energy manager"
- » Ministry of Infrastructure and Energy, <https://www.infrastruktura.gov.al/>
- » Energy Regulator Authority, <https://www.ere.gov.al/sq/>

RETURN ON INVESTMENT IN RENEWABLES - SCENARIOS

- » The assessment of return on investment in the energy sector is regulated and varies by county. Table 1 provides detailed information for three counties in Albania. Tirana was selected because of the high number of businesses and as a district that is in the average level of radiation in the country, while Shkodra and Fieri were selected because of the two extremes of solar radiation, Shkodra with the lowest radiation level and Fieri with the highest radiation level in the country.
- » Assessments have been made for several energy bands specifying the level of investment needed. Since most banks grant loans for photovoltaic panels for up to 7 years, this is the period taken to evaluate the loan instalment, while the interest rate was 7% according to the conditions of the banks that offer loans. Based on this information, the monthly instalment and the total loan value have been estimated, which can be compared with the value of the energy bills currently paid by businesses. In the second scenario, information was obtained from the current payment made by companies according to the relevant band for electricity, as well as the total value and the period they would need if they received a loan under these conditions.
- » From Table 1, referring to the case of the district of Tirana, it appears that businesses that consume less than 2000 kWh/year are disadvantaged by investments in photovoltaic panels since the loan instalment is higher than the monthly payments that businesses make. On the other hand, businesses that are between 2,000 and 5,000 kWh/year are almost at the same level of paying the loan instalment as paying the electricity bill, and for all businesses that consume more than 6,000 kWh/year, there is a very large interest for businesses to be involved in investing in photovoltaic panels.
- » The same analysis can be done for the other two counties and for all other counties that fall within these intervals. More detailed information on consumer categories according to energy bands is given in Table 2.

Table 1. Financing energy investments, Scenarios

TIRANA	Energy bands (kwh/year)	Installed power	Investment	SCENARIO 1 - 7 years repayment period			SCENARIO 2 - according to the energy bill		
				Instalment	Total amount of payment	Repayment years	Instalment	Total amount of payment	Repayment years
	0-1000	8	(1,380,000)	20,828	1,749,543	7 years	14,000	2,059,583	12 years and 3 months
	2000-5000	41	(6,129,500)	92,511	7,770,889	7 years	91,300	7,800,873	7 years and 1 months
	6000-15000	122	(14,030,000)	211,750	17,787,025	7 years	273,900	16,715,643	5 years and 1 months
	20000-40000	325	(23,172,500)	349,735	29,377,751	7 years	730,400	25,699,102	2 years and 11 months
	50000+	406	(28,947,800)	436,900	36,699,590	7 years	2,334,000	30,135,943	1 years and 1 months

SHKODRA	Energy bands (kwh/year)	Installed power	Investment	SCENARIO 1 - 7 years repayment period			SCENARIO 2 - according to the energy bill		
				Instalment	Total amount of payment	Repayment years	Instalment	Total amount of payment	Repayment years
	0-1000	9	(1,552,500)	23,431	1,968,236	7 years	14,000	2,505,519	14 years and 11 months
	2000-5000	45	(6,727,500)	101,536	8,529,024	7 years	91,300	8,819,001	8 years and 1 months
	6000-15000	134	(15,410,000)	232,578	19,536,569	7 years	273,900	18,731,995	5 years and 8 months
	20000-40000	358	(25,525,400)	385,247	32,360,722	7 years	730,400	28,628,654	3 years and 3 months
	50000+	447	(31,871,100)	481,020	40,405,706	7 years	2,334,000	33,308,929	1 years and 2 months

FIER	Energy bands (kwh/year)	Installed power	Investment	SCENARIO 1 - 7 years repayment period			SCENARIO 2 - according to the energy bill		
				Instalment	Total amount of payment	Repayment years	Instalment	Total amount of payment	Repayment years
	0-1000	9	(1,380,000)	20,828	1,749,543	7 years	14,000	2,059,583	12 years and 3 months
	2000-5000	38	(5,681,000)	85,742	7,202,287	7 years	91,300	7,078,399	6 years and 6 months
	6000-15000	113	(12,995,000)	196,129	16,474,868	7 years	273,900	15,258,090	4 years and 8 months
	20000-40000	303	(21,603,900)	326,061	27,389,103	7 years	730,400	23,783,360	2 years and 9 months
	50000+	378	(26,951,400)	406,769	27,389,103	7 years	2,334,000	27,983,354	1 year

Source: Experts Calculations

Table 2. Data as per region

No	County	Interval	kwh/year	kwp	Calculation	The consumer
1	TIRANA	0-1000	12000	8	12000	household consumer 11.4-50.4
		2000-5000	60000	41	53300	consumer TU 0.4 kW - 16.8
		6000-15000	180000	122	122000	consumer TU 0.4 kW - 16.8
		20000-40000	480000	325	201500	consumer TU, Measurement TM - 14.88
		50000+	600000	406	251720	consumer TM - 22.56
2	DURRES	0-1000	12000	8	12000	household consumer 11.4-50.4
		2000-5000	60000	41	53300	consumer TU 0.4 kW - 16.8
		6000-15000	180000	123	123000	consumer TU 0.4 kW - 16.8
		20000-40000	480000	329	203980	consumer TU, Measurement TM - 14.88
		50000+	600000	412	255440	consumer TM - 22.56
3	BERAT	0-1000	12000	8	12000	household consumer 11.4-50.4
		2000-5000	60000	42	54600	consumer TU 0.4 kW - 16.8
		6000-15000	180000	125	125000	consumer TU 0.4 kW - 16.8
		20000-40000	480000	333	206460	consumer TU, Measurement TM - 14.88
		50000+	600000	417	257920	consumer TM - 22.56
4	ELBASAN	0-1000	12000	8	12000	household consumer 11.4-50.4
		2000-5000	60000	41	53300	consumer TU 0.4 kW - 16.8
		6000-15000	180000	122	12200	consumer TU 0.4 kW - 16.8
		20000-40000	480000	326	202120	consumer TU, Measurement TM - 14.88
		50000+	600000	408	252960	consumer TM - 22.56
5	KORCA	0-1000	12000	8	12000	household consumer 11.4-50.4
		2000-5000	60000	40	52000	consumer TU 0.4 kW - 16.8
		6000-15000	180000	119	119000	consumer TU 0.4 kW - 16.8
		20000-40000	480000	318	197160	consumer TU, Measurement TM - 14.88
		50000+	600000	397	246140	consumer TM - 22.56
6	LEZHA	0-1000	12000	8	12000	household consumer 11.4-50.4
		2000-5000	60000	40	52000	consumer TU 0.4 kW - 16.8
		6000-15000	180000	119	119000	consumer TU 0.4 kW - 16.8
		20000-40000	480000	318	197160	consumer TU, Measurement TM - 14.88
		50000+	600000	397	246140	consumer TM - 22.56
7	SHKODRA	0-1000	12000	9	13500	household consumer 11.4-50.4
		2000-5000	60000	45	58500	consumer TU 0.4 kW - 16.8
		6000-15000	180000	134	134000	consumer TU 0.4 kW - 16.8
		20000-40000	480000	358	221960	consumer TU, Measurement TM - 14.88
		50000+	600000	447	277140	consumer TM - 22.56
8	VLORA	0-1000	12000	8	12000	household consumer 11.4-50.4
		2000-5000	60000	41	53300	consumer TU 0.4 kW - 16.8
		6000-15000	180000	122	122000	consumer TU 0.4 kW - 16.8
		20000-40000	480000	325	201500	consumer TU, Measurement TM - 14.88
		50000+	600000	406	251720	consumer TM - 22.56
9	FIER	0-1000	12000	8	12000	household consumer 11.4-50.4
		2000-5000	60000	38	49400	consumer TU 0.4 kW - 16.8
		6000-15000	180000	113	113000	consumer TU 0.4 kW - 16.8
		20000-40000	480000	303	187860	consumer TU, Measurement TM - 14.88
		50000+	600000	378	234360	consumer TM - 22.56

The information contained in this guide is not exhaustive and does not replace the professional assistance or counselling you may need or the appropriate institutions. No part of these pages, whether text or image, can be used for any purpose other than the one specified.

The Investment Council is supported by the EBRD/SECO-funded Technical Secretariat and addresses major business concerns by providing direct and practical recommendations to the Government and business partners on legal and institutional interventions to improve the business climate.



Improving Transparency and Investment Climate

ABOUT INVESTMENT COUNCIL IN ALBANIA

The Investment Council facilitates the development of mutual trust between the business community and the government in Albania and contributes to an incremental institutionalization of effective policy dialogue. It contributes to the national reform and economic transition process by enhancing institutions, laws and policies that promote market functioning and efficiency.

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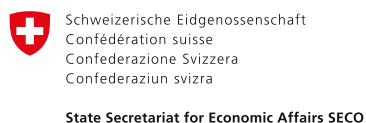
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