



KORPORATA ELEKTROENERGJITIKE SHQIPTARE

**CALL  
for  
EXPRESSION OF INTEREST  
for  
ELECTRICITY STORAGE FRAMEWORK AGREEMENT**

The Electricity Storage Framework Agreement aims an enhanced management of energy reserve in KESH reservoirs during the periods of high water flows in upstream and downstream of the Drin River Cascade

The intended Electricity Storage Framework Agreement is sought for based on the provisions of:

- Power Sector Law Nr. 43/2015
- KESH Act of Incorporation and Statute (article 2.2)
- KESH Generation License (articles 2.10, 3.1 and 3.2.3) issued by ERE through with the Decision Nr. 23, date 25.03.2009,
- Regulation of Water Flow Management in the Drin River Cascade

June 2016

## 1. OUTLINE

Korporata Elektroenergjetike Shqiptare ("**KESH**") operates three hydro power plants built as a cascade on the Drin River. Pursuant to the generation license issued by the Albania's Energy Regulatory Entity (ERE) KESH is responsible for the generation of electricity for satisfying the domestic demand. However the domestic production is highly dependent on the weather conditions so is KESH's generation potential.

In most cases during the period February – May of each year (particularly wet years), the entire Western Balkan region is influenced by intense rainfall, which as a consequence affects the water inflow in mainstream and lateral branches of the Drin River. As a result the power produced in this period could be above the contracted amount and internal demand.

During this time of the year, the region is generally characterized by low prices of electricity due to: (i) lower electricity demand corresponding to this period of the year, (ii) electricity generation/supply by the hydropower plants of the region is very high.

In compliance with the provisions of KESH Act of Incorporation and Statute (article 2.2), KESH Generation License (articles 2.10, 3.1 and 3.2.3) issued by ERE through with the Decision Nr. 23, date 25.03.2009 and Regulation of Water Flow Management in the Drin River Cascade, KESH has the obligation and the mandate to dynamically monitor and proactively manage the energy reserve in the cascade therefore KESH needs flexibility in order to continually adjust its generation to the actual water inflows.

The new power sector law Nr. 43/2015 and the relevant secondary legislation are expected to impose on KESH a specific public service obligation (PSO) for the tariff customers serviced by the Universal Service Supplier and such an imposition shall be maintained throughout the PSO assignment timeframe.

Because under the conditions of high water flows (4-5 times a year in average lasting for 7-10 days) the domestic electricity production is exceeding the domestic demand, KESH is obliged to trade the increased energy produced in high water inflow conditions in the deregulated market through auctions processes as approved by the ERE. Given the specific market characteristics (very high electricity supply in the region) of the time when these auctions are required (high water inflows), the sale prices received by KESH are low and in some cases much lower than the generation cost.

KESH's overall requirement is to:

- (i) maximize electricity production from the cascade and optimize water usage for generation purpose by avoiding water discharge without generating electricity;
- (ii) recurrently balance the production versus contracts;
- (iii) Increase the flexibility in providing the PSO at minimum costs
- (iv) minimize and/or prevent any potential socio-environmental impacts;
- (v) reduce in the maximum the spilling of the waters;

Noting the above, KESH would like to explore any opportunities to secure added value for the electricity generated in high water inflow conditions by storing it externally to another utility and receiving it back in a later period of the year when KESH could use it to meet the contracted amount and comply with PSO obligation.

KESH is hereby inviting eligible market participants ("**Power Storage Partner**"), to express their interest to enter in an Electricity Storage Framework Agreement with KESH for the electricity generated by the later in the period of high water flows at the quantity and profile determined by KESH on short-term basis.

## 2. PROCESS DESCRIPTION

The process to be followed in the framework of this EOI procedure is as follows:

- Expressions of Interest are expected by any market participants licensed for electricity generation and trading and eligible to participate in KESH procedures for electricity trading in compliance with the provisions of Law 43/2015.



- The interested market participants shall submit their Expression of Interest documentation no later than 7 (seven) days from the publishing date of this Call for Expression of Interest, date June 20, 2016, hour 16:00 (CET, Albanian local time). The publishing date is June 13, 2016.
- Within the above deadline, a scanned copy of the Expression of Interest (Offer) and documentation can be send via email to Mr. Taulant Hoxha, Director, CEO Office, email: [hoxhat@kesh.al](mailto:hoxhat@kesh.al), However, hard-copy of the original documentation shall be mailed to KESH (ish-Blloku "Vasil Shanto", Tiranë, Albania) at the attention of Mr. Taulant Hoxha, no later than June 23, 2016, hour 16:00 (CET, Albanian local time).
- The received EoIs will be reviewed by KESH for compliance.
- The respective Company/ies with whom further contract negotiations will be initiated is/are selected based on the information provided, amongst others on the criteria set forth in section 4. KESH in its fully discretion will evaluate the EoIs based on most economic (financial and technical) advantage offer, criteria.
- The notification for the acceptance or non-acceptance of the proposal shall be notified within 10 days from the EoIs submission deadline.
- The proposals that comply with the requirements will be considered for further negotiations subject to notification from KESH sh.a.
- As output from negotiations an electricity storage agreement between KESH sh.a. and the Power Storage Partner shall be signed, which entrance into force is subject of approval by KESH decision making bodies (supervisor council and shareholder) and/or the relevant power-sector authorities (ERE) and shall become effective only once the necessary approvals have been received.
- KESH, at its full discretion and without accepting any liability, could accept EOI in part or in full, could reject all the EOIs or could withdraw from this procedure any time.

### 3. MINIMUM REQUIREMENTS

The electricity storage agreement shall be drafted and implemented based on the principles of transparency and economic efficiency.

- (i) KESH sh.a. shall announce to the Power Storage Partner at least 6 (six) hours in advance the details of the electricity that is available for storage and shall be taken over by the Storage Partner Company, as follow:
  - The maximum capacity of electricity (MW) that can be available for storage in each storage process;
  - The overall electricity quantity (MWh) that is available for storage in each storage process;
  - The delivery profile (hour basis);
  - The full period of delivering electricity;
  - Delivery point: Albanian/Serbian/Montenegro/Greek border
- (ii) Power Storage Partner that will express interest in signing the agreement must possess, alternative to hydropower, the installed capacity of at least 300 MW and must provide to KESH all relevant technical and legal documentation as proof of the required capacity.
- (iii) All related costs for Cross Border Capacities (CBC), disbalance, transmission fees etc., shall always be responsibility of the Power Storage Partner;
- (iv) The Power Storage Partner shall promptly undertake all the required measures to accept the electricity announced by KESH;
- (v) Upon KESH request the Power Storage Partner shall deliver back the amount of electricity in another period at a profile agreeable to KESH. As a minimum, the profile of the electricity to be returned by the Power Storage Partner shall be absorbed by the Albanian power system.
- (vi) KESH shall notify the Power Storage Partner 6 (six) hours in advance of the time the delivery of electricity form the Power Storage Partner to KESH shall take place;
- (vii) The Power Storage Partner shall take all the measure to comply with KESH request.

- (viii) The Power Storage Agreement will be stipulated for 3 years period, with the right of renewal if none of the parties declare its ending after the 3 years term.
- (ix) In case the Power Storage Partner does not manage to supply back the electricity as stipulated in paragraph (v) and (vi), within the end of one year (31 December), KESH shall be financially compensated by the Power Storage Partner.
- (x) For the purpose of financial compensation of KESH the average electricity market price (HUPEX) for the respective profile and period of delivery in which result a positive balance, shall be applied.
- (xi) The financial compensation will be paid within 20 days from the KESH or Power Storage Partner, payment invoice issue date.

#### **4. BINDING EOI DOCUMENTATION TO BE SUBMITTED BY THE POWER STORAGE PARTNER**

The Power Storage Partner who is willing to enter in an electricity storage agreement with KESH as stipulated in this document, shall submit to KESH sh.a a formal Expression of Interest that shall contain the following:

- Legal and Financial Documentation
- The Proposal for the Energy Storage Approach
- Self-Declaration

##### **4.1. Legal and Financial Documentation of the Power Storage Partner**

Any electricity company licensed for trading in Albania and/or any Party to the Energy Community Treaty that is interested to enter in a electricity storage framework agreement with KESH shall submit to KESH the necessary administrative documentation that verifies its legal and electricity trading abilities from the respective competent authorities of the states where they are registered and perform their activity or have their headquarters as well as from other institutions of Albania. The administrative documentation consists as follows:

- 1) The documentation that certifies the company registration in the relevant trade, commercial/judicial registers of the country where the company is established or registered.
- 2) The license for electricity generation and trading issued by the respective authority of the country where they are established or registered.
- 3) A document certifying that the Company has met its fiscal obligations, issued by the Tax Administration;
- 4) A document certifying that the Company has paid all social insurance obligations, issued by tax administration;
- 5) Audited Financial Statements for the two last years (certified true copy),
- 6) A document issued by competent institutions of the respective country, not older than 3 months from before the EOI submission date, verifying that company or legal representative of the company:
  - a) is not in bankruptcy process
  - b) is not convicted by the court decision for penal offences
  - c) is not convicted by a final court decision related to its professional activity
- 7) Relevant technical and legal documentation as proof of the required capacity as described in section 3, (ii) of this document.

Any received EOI that does not fulfill the above requirements shall be considered not eligible.

##### **4.2. The Proposal Approach for Energy Storage**

The electricity company interested to enter in a electricity storage framework agreement with KESH shall submit to KESH a proposal for the energy storage approach (max 5 pages). This proposal shall contain:



- (i) A company profile of the Power Storage Partner which shall describe its abilities to perform in compliance with the KESH requirement as described in section 3 of this document;
- (ii) The approach that the Power Storage Partner intends to adopt to comply with KESH requirement as described in section 3 of this document.

#### **4.3. Self-Declaration of the Power Storage Partner**

As integral part of the EOI documentation, a self-declaration shall be prepared and duly signed by the power storage partner specifying that it:

- fully agrees to the conditions described in these expression-of-interest procedure and documents,
- will enter in negotiations for the electricity storage framework agreement immediately after receiving a notification for acceptance and request for negotiation from the KESH sh.a.

KESH explicitly points out that the falseness and inaccuracy of the above declarations, documentation and other supports can lead to the exclusion of the Company from the current and future expression-of-interest procedures.

KESH shall not be held legally bound to accept the EOIs and to conclude a framework agreement. The Electricity Storage Framework Agreement is subject of approval by KESH decision making bodies (supervisor council and shareholder) and/or the relevant power-sector authorities (ERE) and shall become effective only once the necessary approvals have been received.

