Muja Law brings you the latest issue of the *Legal Update.*

Recently in the Official Journal No.137, dated 30.06.2026, among other legal acts, was published also the Law No. 59/2026, dated 18.06.2026, "On the electricity sector" (hereinafter referred to as "*Law No. 59/2026*").

Law No. 59/2026 is fully aligned with the Electricity Directive (EU) 2019/944, the Electricity Regulation (EU) 2019/943, the Risk Preparedness Regulation (EU) 2019/941 and the ACER Regulation (EU) 2019/942. Its objective is to guarantee a stable, secure and affordable electricity supply for Albanian consumers by establishing a fully functional and competitive domestic market.

Some of the most important aspects of Law No. 59/2026 are as follows:

❖ Law No. 59/2026

Law No. 59/2026 establishes a competitive market to guarantee a stable, secure and high-quality electricity supply. It aims to protect consumers, ensure transparent pricing, drive energy efficiency and support a smooth transition to a low-carbon energy system.

Security of Supply

The law provides a comprehensive framework for crisis management, grid reliability and the continuous equilibrium between power generation and consumption. Under this law, the Ministry is designated as the competent authority for risk preparedness, tasking it with identifying national electricity crisis scenarios in close coordination with the Transmission System Operator (TSO), the Distribution System Operator (DSO), ENTSO-E, and the Energy Regulatory Entity (ERE).

Energy Regulatory Entity (ERE)

The Energy Regulatory Entity (ERE) operates as an independent, public legal person responsible for regulating Albania's electricity and natural gas sectors. Governed by a five-member Board consisting of a Chairman and four members ERE maintains autonomous decision-making power, free from political influence or commercial market interests.

To maintain operational transparency, ERE's decision-making sessions and hearings are public by default.

In virtue of the law, board meetings require a minimum quorum of three members and decisions must be accompanied by an explanatory report and published in the Official Gazette. Final decisions can be appealed before the Administrative Court of Tirana within 45 days of publication, though an appeal does not automatically suspend the decision.

To translate its objectives into market realities, in virtue of the law ERE executes broad regulatory responsibilities across every layer of the electricity sector. Structurally, the authority drafts, approves and updates the market rules governing trading, balancing and settlements. For grid infrastructure, ERE designs and publishes the methodologies used to calculate connection fees, transmission tariffs and distribution tariffs.

To enforce its directives, ERE is endowed with extensive statutory powers that position it as an authoritative judicial and disciplinary force. Any formal decision issued by ERE is legally binding on all market participants, granting the regulator absolute control over market entry through its right to issue, modify, transfer, renew, or revoke operating licenses.

Additionally, ERE checks for any restrictive or anti-competitive practices such as tie in or exclusive clauses that block consumers from contracting with multiple suppliers simultaneously and refers discovered violations directly to the Competition Authority.

Licensing

Under the governing legislation, engaging in activities within the Albanian electricity sector requires a specific, separate license issued by ERE for each operational function. This guarantees a clear separation of roles even when activities are performed by the same commercial entity.

ERE issues dedicated, individual licenses for eight core categories of operation:

- Electricity generation;
- Transmission system operation;
- Distribution system operation;
- Electricity supply;
- Electricity trading;
- Electricity market operation;
- Energy storage facility operation;
- Aggregation.

The law outlines specific thresholds and operational criteria where market participants are exempt from formal licensing requirements:

- Generation: Active customers not connected to the national grid (or connected solely for generation unit maintenance) and all producers including active customers—with an installed capacity up to 1 MW.
- Storage: Operators of energy storage facilities with a nominal installed capacity up to 1 MW.
- Supply: Entities engaged exclusively in the resale or sharing of electricity. However, these entities can only initiate operations after formally notifying ERE and must

strictly adhere to the maximum price caps predetermined by the regulator.

An exemption from licensing does not equal an exemption from market rules.

The operation of energy storage facilities requires a formal operating license issued by the Energy Regulatory Authority (ERE), except where specific legal exemptions apply. To maintain strict market neutrality and structural unbundling, any storage operator fully or partially controlled by the state must be overseen by a public authority that is entirely independent from the Transmission System Operator (TSO).

Jurisdictional Thresholds and Criteria for New Infrastructure

The Minister holds the direct authority to approve the construction of new generation assets up to 10 MW and nominal energy storage capacities up to 5 MW. Conversely, larger installations exceeding 10 MW for generation or 5 MW for storage require formal approval from the Council of Ministers, following a direct proposal submitted by the Minister.

Cross-Border Integration of Capacity Mechanisms

In virtue of the new law, to foster regional market integration, national capacity mechanisms must be structurally open to direct, cross-border participation from external providers.

Foreign capacity providers located within EU Member States or Energy Community contracting parties must receive equal, non-discriminatory opportunities to compete alongside domestic providers, provided they deliver equivalent technical performance. *To qualify for participation, the foreign asset must be physically located within a jurisdiction that maintains a direct, interconnected network link with the domestic grid.*

Rights and Responsibilities of Electricity Producers

Under the governing legal framework, electricity producers are granted specific commercial and operational rights, while being bound by strict market regulations, safety directives, and fiscal obligations.

Statutory Rights of Producers

Electricity producers hold the legal right to:

- Use primary energy sources in their power plants in compliance with production technologies, technical characteristics, and environmental protection laws specified in their licenses.
- Co-locate, own, develop, manage, or operate energy storage facilities in alignment with their licensing terms, bypassing certain general licensing restrictions.
- Sell electricity and provide both balancing and ancillary services (support services for grid stability) within the market, in strict accordance with ERE rules.
- Establish and maintain real-time communications between their generation facilities, clients, and operational control layers.

- Access the transmission and distribution networks upon paying the respective regulated grid tariffs approved by ERE.

Operational and Market Obligations

Producers are legally obligated to fulfill the following requirements:

- Strictly adhere to all licensing conditions, statutory provisions of the energy law, and secondary legislation.
- Operate their facilities in full compliance with direct dispatch orders and instructions issued by the System Operator.
- Notify the System Operator immediately regarding any operational incident or situation that threatens, or could threaten, the security of supply or contractual fulfillment.
- Offer their available generation capacity on market principles to all wholesale and retail market participants, including entities bound by public service obligations.
- Disclose operational and financial data to satisfy statutory market monitoring and corporate transparency mandates.

Fiscal Royalty Mechanism

All electricity producers operating under the general sector laws or renewable energy promotion frameworks must pay a royalty fee of not less than 2% of their annual generation (or its equivalent monetary value).

The specific rules governing the expenditure of these revenues are formalized via joint instructions issued by the Minister of Energy, following an official opinion from the Minister of Finance.

Rights and Responsibilities of the Transmission System Operator (OST)

The Transmission System Operator (OST) serves as the neutral, regulated backbone of the high-voltage electricity grid. It operates under a strict legal framework that balancing extensive grid management rights with non-discriminatory statutory duties.

Commercial and Grid Management Rights

OST holds specific operational and revenue-generation privileges:

- The right to bill and collect regulated transmission tariffs approved by ERE.
- A strict prohibition from buying or selling electricity, with the sole exceptions of purchasing power to cover grid technical losses and procuring ancillary or balancing services.
- The authority to exchange or share balancing services with neighboring TSOs to manage grid frequency, aligned with regional operating pacts.
- The right to install internal communications networks, including wireless internet. OST may lease out excess high-speed fiber-optic or network capacities, subject to ERE review, provided it does not compromise primary grid operations.
- ERE can permit OST to perform non-

market activities under a strict exception framework. This is allowed only if a service is legally necessary, no commercial market player shows interest via a transparent tender, costs are unbundled through separate accounting, and the activity does not distort competition.
- Any third-party request to relocate transmission lines or towers (110 kV, 220 kV, and 400 kV) must be evaluated and executed under OST internal rules, with the requesting party covering 100% of the costs.

Electricity distribution

Licensed distribution operators own and run the local power grid, delivering electricity to customers under strict non-discriminatory access rules and quality standards. Any network expansion must follow a "least-cost" approach that respects urban planning, environmental protections, property rights and energy efficiency targets.

While operators can sub-lease excess telecom/fiber capacity or request regulatory exemptions for necessary non-core work, they remain under the strict supervision of the Energy Regulatory Authority (ERE).

Smart metering systems

The implementation of smart metering systems establishes a high-tech framework for tracking end-user electricity consumption while advancing grid cybersecurity and data portability.

Conditions for regulated prices

The statutory framework for regulated electricity pricing balances social protections for vulnerable households with the transition toward an open, competitive retail utility market. Under standard operations, the Energy Regulatory Authority (ERE) restricts price regulations exclusively to end-users under the Universal Service umbrella who are classified as vulnerable households or experiencing energy poverty.

Electricity market

The electricity market consists of five primary segments:
- Bilateral electricity market, for direct, long-term power purchase agreements between buyers and sellers.
- Organized electricity market (Power Exchange), for centralized, transparent energy trading.
- Electricity balancing market, managed by the TSO to match real-time supply and demand variations.
- Market for transmission capacity between bidding zones, for securing cross-border and regional line capacities.
- Market for ancillary services, for grid-stabilizing functions like frequency control and voltage regulation.

Trading Horizons

Depending on when the power is traded and delivered, these segments operate across three timeframes:
- Forward market, for long-term contracts months or years in advance.
- Day-ahead market, for power auctions executed the day before delivery.
- Intraday market, for short-term adjustments

up to the hour of real-time delivery.

Regulatory Enforcement and the Financial Penalties of the Energy Sector

To safeguard the integrity of the national power grid and ensure a level playing field for all market participants, the Energy Regulatory Authority (ERE) maintains the statutory power to initiate administrative investigations, targeting any actions that threaten market transparency, corporate separation, or consumer rights. Furthermore, the law penalizes companies that fail to maintain unbundled accounting books, deny non-discriminatory network access to third parties, or fail to execute planned infrastructure investments. This strict oversight extends to quality-of-supply breaches, the refusal of market participants to sign regulated contracts within 15 calendar days, and the failure to pay regulatory fees on time.

For these violations, the law establishes a stringent financial penalty framework calculated against the licensee's economic scale:

- Fines range from a minimum of 500,000 ALL up to 3% of the licensee's gross revenue during the financial year the breach occurred.
- For major structural or grid non-compliance, the penalty cap is elevated up to 10% of the TSO's annual corporate turnover.
- Structural or market-distortion violations by integrated energy groups are capped at a maximum of 10% of the enterprise's total annual turnover.
- If a company refuses to fix an infraction within ERE's deadline, a progressive daily fine of 0.1% of the preceding year's average daily turnover is applied.
- Ongoing failure to pay ERE's regulatory fee triggers a progressive daily fine of 0.2% of the average daily turnover, alongside statutory daily interest.

If a licensee self-reports a violation before it is discovered, ERE will reduce the baseline fine by 50%. Companies that prove they took concrete actions to fix or mitigate the consequences of their breach—either before or during ERE's official assessment—qualify for a 40% reduction. Finally, a 1/3 (33.3%) reduction is granted to any licensee that actively and transparently cooperates with regulatory officials throughout the administrative investigation, incentivizing quick resolutions over prolonged litigation.

Entry into Force

Law No. 59/2026 has entered into force 15 (fifteen) days after its publication in the Official Journal.

MUJA LAW

If you wish to know more on our publications, legal updates, tax updates, legal bulletins, or other articles, you may contact the following:

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Muja Law is a family-run law office where we work hard for the success of our clients and to provide excellence in legal service. Our roots go back to 2001 when our Managing Partner, Krenare Muja (Sheqeraku), opened her law practice office in Tirana, Albania. Krenare's son Eno joined her in 2014, and the other son Adi entered the practice in 2019. What started in Tirana as a small, family-run law office has grown and flourished in the community for the last 20 years. The office consists of various respected and talented lawyers who possess outstanding educational and community service backgrounds and have a wealth of experience in representing a diverse client base in various areas of the law.

The office is full-service and advises clients on all areas of civil, commercial and administrative law. With significant industry expertise, we strive to provide our clients with practical business driven advice that is clear and straight to the point, constantly up to date, not only with the frequent legislative changes in Albania, but also the developments of international legal practice and domestic case law. The office delivers services to 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. In our law office, we also like to help our clients with mediation services, as an alternative dispute resolution method to their problems.

While we have grown over the past 20 years and become recognized as one of Albania's leading law offices, we are grounded in the essence of "who" we are and "where" we started. We understand the importance of family, hard-work, and dedication.

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