

**REPUBLIC OF ALBANIA
ELECTRICAL ENERGY REGULATIONS SECTOR (ENTI)
Board of Commissioners**

DECISION

Nr. 04 Date 12.03.2004

FOR THE ANNUAL REPORT APPROVAL OF THE YEAR 2003

Based on the Law Nr. 9072, date 22.05.2003, "For the Electrical Energy Sector", Article 10, Point 1, the Board of Commissioners of the Electrical Energy Regulations Sector (ENTI) in the meeting of the date 12.03.2004:

Decided:

1. To approve the annual report of the exercised work during the year 2003 from the Electrical Energy Regulations Sector (ENTI/ERE), together with the respective objections, a copy which is attached to this decision.
2. This decision enters into force immediately.

ANUAL REPORT FOR THE WORK OF THE ELECTRICAL ENERGY REGULATIONS SECTOR (ENTI/ERE) FOR THE YEAR 2003

1. **Content:**
2. **The Organizational Structure of Electrical Energy Regulations Sector (ENTI/ERE), Duties and Budget**
3. **The presentation of the situation in the electrical energy sector**
4. **The activities implemented during the year 2003**
5. **Economic – financial indicators**
6. **Duties and recommendations for the future**

THE ORGANIZATIONAL STRUCTURE OF ELECTRICAL ENERGY REGULATIONS SECTOR (ENTI/ERE), DUTIES AND BUDGET

Organizational Structure

The Electrical Energy Regulations Sector (ENTI/ERE) is a juridical, public person placed in Tirana.

The Electrical Energy Regulations Sector (ENTI/ERE) is composed from the Board of Commissioners and technical personnel.

The Board of Commissioners is composed from the Chairman and four other members who are appointed from the Albanian Parliament. The competences and responsibilities of the Electrical Energy Regulations Sector (ENTI/ERE) are defined in the Law Nr. 9072 date 22.05.2003 "For the Electrical Energy Sector".

The Organizational Structure of the Electrical Energy Regulations Sector (ENTI/ERE) is done with the assistance of the Pierce Atwood company and USAID, taking into consideration the duties given by the Electrical Energy Regulations Sector (ENTI/ERE), the New Legislation, exploiting the experience that have the Electrical Energy Regulations Sector (ENTI/ERE) of the other countries in this field. Its approval and ongoing improvements are competences of the Board of Commissioners.

THE BOARD OF COMMISSIONERS

CHAIRMAN

SECRETARY

COUNSELLOR

DEPARTMENT OF LICENSES AND MONITORING

DEPARTMENT OF TARIFFS

DEPARTMENT OF LEGAL ISSUES AND PUBLIC RELATIONS

DEPARTMENT OF ADMINISTRATION AND FINANCE

DUTIES

The Chairman except his duties as the Chairman of the Board of Commissioners acts also as the executive administrator for the administrative problems of the Electrical Energy Regulations Sector (ENTI/ERE) as well as he is responsible for the leadership of the meetings of the Board of Commissioners and the publications of its decisions.

The decision-making meetings of the Board of Commissioners are open and in special cases the Board may execute closed meetings.

The decisions of the Board of Commissioners, except those that have to do with internal issues of the Electrical Energy Regulations Sector (ENTI/ERE) are published in the Official Journal.

- a. **The Department of Licenses and Monitoring**, based on the standards and conditions of the approved licenses from the part of the Electrical Energy Regulations Sector (ENTI/ERE) recommends modification, approval and revocation of the licenses of all the licensed persons who exercise activities in the electrical energy sector in the Republic of Albania.
Use the respective procedures of the Electrical Energy Regulations Sector (ENTI/ERE) to enhance the correct competition; inspects and monitors the operations of the licensed persons and assesses their reports.
- b. **The Department of Tariffs**, based on the objectives and methodology adapted from the Electrical Energy Regulations Sector (ENTI/ERE) assesses the tariffs in order to ensure that these are adequate for the security of the service and supply with electrical energy in accordance with the standards in power, keeping the values of the tariffs of consumers in reasonable levels, in a way that the licensed person has possibilities to liquidate adequately and reasonably the expenses.
It assesses the justice and care for all the costs coverings and the fulfillment of all the requirements for the incomes, presented from the licensed person.
- c. **The Department of Legal Issues and Public Relations**, acts as a legal representative of the Electrical Energy Regulations Sector (ENTI/ERE); prepares the decisions and orders of the Electrical Energy Regulations Sector (ENTI/ERE) in a juridical present language and in conformity with the legislation that is in power, prepares press conferences and leads official communications to the open public; publishes in the official newspapers all the decisions and orders of the Electrical Energy Regulations Sector (ENTI/ERE) conform to the requirements and duties defined by law.

There are identified all the complaints presented from the consumers, licensed persons and different institutions and also those in collaboration with the other departments, examines these complaints and gives the possible solutions conform the law respecting the time limits defined on that.

- d. **The Department of Administration and Finance**, follows the realization of the working program of the Electrical Energy Regulations Sector (ENTI/ERE), official archives of procedures and communications; controls the consummation of the funds of the Electrical Energy Regulations Sector (ENTI/ERE) presenting that these funds are used adequately and in a justified way.

In collaboration with the other departments is prepared the annual budget of the Electrical Energy Regulations Sector (ENTI/ERE) and calculates the payments that should pay the licensed persons after the approval of these payments from the Board of commissioners, deposits them in a separate account; prepares financial reports for the payments done from the part of the licensed persons as well as for the expenses already done, loans and other funds taken from the Electrical Energy Regulations Sector (ENTI/ERE).

- e. **The Secretary** keeps the protocol of the meetings of the Board, listening séances and public meetings of the Electrical Energy Regulations Sector (ENTI/ERE) and transmits them to the department of Legal Issues and Public Relations for the expansion and announcement; passes the necessary information to the other departments when the Chairman orders it.

- f. **The Counselor**, with the great knowledge and experience of the problems that he has for the electrical energy sector and in special way in the sphere of regulations, helps with advices and thoughts for different problems the Chairman, the Board of Commissioners and also the different Departments according to the need that they have.

The number of the employees of the Electrical Energy Regulations Sector (ENTI/ERE) actually includes also the Board of Commissioners composed of 19 persons, who are of different profiles, for example economists, financials, lawyers, electrical engineers, translators and administrators.

BUDGET

The financial budget of the Electrical Energy Regulations Sector (ENTI/ERE) is secured from the payments that are paid from the companies, physical and juridical persons, who exercise activities in the electrical energy sector, taking the licenses as well as tariffs that they pay for the elaboration, approval and selection of the different requirements that they have.

The payments of a regulation are deposited in a special account for a usage from the part of the Electrical Energy Regulations Sector (ENTI/ERE), opened in one the licensed banks according to the Albanian legislation. Every fund in the account of the Electrical Energy Regulations Sector (ENTI/ERE), which is not used during a calendared year, is taken in the following year.

The Electrical Energy Regulations Sector (ENTI/ERE) has rights to take loans for the cases that the capital or operational expenses are not covered from the payments gathered during the regulations. The Electrical Energy Regulations Sector (ENTI/ERE) liquidates the loans, including here also the interests, from the future regulations payments.

During the year 2003, we have done the impossible that the licensed companies can liquidate all the financial obligations that respect to them and with the incomes ensured are fulfilled all the needs that we have had.

This is presented clearly in point IV of the report that talks about the economical - financial indicators.

PRESENTATION OF THE SITUATION IN THE ELECTRICAL ENERGY SECTOR

In the electrical energy sector during the year 2003 have developed their activities 10 (ten) licensed companies, which are as following:

Sh. a KESH – A joint-stock company with 100% governmental capital, a company integrated vertically, which exercises all the three activities as following: production, transmission and distribution of products. The area of its activity is in the whole territory of the Republic of Albania.

This company is organized in three Divisions; the one of reproduction, transmission and distribution of products, separate from the technical and administration part; where very soon will be exercised the financial division of their joint stocks.

All the three licensed companies exercising the activities in the distribution sectors Sh. a Vlora Electrical Sector, Sh. a Elbasani Electrical Sector, Sh. a SESA Shkoder, which were joint stocks companies with the governmental capital of 70% represented from K. E. SH and 30% different joint stocks; as a consequence of the non pleasant results of their activities and conform to the policy of the Government in the electrical energy sector, with the decisions of the respective joint stocks assemblies, reentered in the K. E. SH; so gave up from the activity delivering the taken licenses. In this way the distribution activity for the year 2003 passed totally to K. E. SH.

II – 2 – In the sector of production, except K. E. SH sh.a, exercise their activity 9 other licensed companies which has taken by concession or have privatized local hydro – power stations with power installed till 5 MW ; excludes the given concession for H / C of Smokthina; which is in a higher power installed than 5 MW.

It is valuable to stress that for the encouragement of these operators, their license is done in a very fast way, in conformity with Article 14 – 2 of the Law nr. 9072 date 22.05.2003 “For the Electrical Energy Sector”. Concretely, the licensed operators that have exercised activities during the year 2003 in the sector of electrical energy production are:

“ESSEGEF” – Albania – Smokthina” sh. p. k. It has taken by concession the hydro – power station of smokthina – Vlore with the installed power of 9,2 MW.

“EMIKEL” sh. p. k. It has taken by concession the hydro – power stations of Lenie with power of 0,4 MW; Corodove with the power of 0,4 MW; and Tucep with the power of 0,2 MW.

“AMAL” sh. p. k. It has taken by concession the hydro – power station of Xhyre Librazhd with the power of 0,25 MW.

“SARMIER” sh. p. k. It has privatized the hydro – power station of Rehove – Kolonje with the power of 0,1 MW; Treska - 1 Korce with the power of 0,13 MW and Carshove – permet with the power of 0,07 MW.

“SAROLLI” sh. p. k. It has privatized the hydro – power station of Shpelle – Pogradec with the power of 0,1 MW.

“DARDANIA ENERGY” sh. p. k. It has privatized the hydro – power station of Bicaj – Kukes with the power of 0,1 MW.

“WONDER – POWER” sh. a. It has taken by concession the hydro – power station of bogova – Skrapar with the power of 2,5 MW.

“SPAHIU – GJANC” sh. p. k It has taken by concession the hydro – power station of Gjanc – Korce with the power of 3,7 MW.

“HYDROELECTRIC COMPANY OF ALBANIA” sh. p. k. It has taken by concession 25 hydro – power stations spread in all the territory of the Republic of Albania, with the total power of 13 MW.

II – 3 – The Situation of Energy

During the year of 2003 the situation of the hydro – power station has been good, as a result of the presence of raining and a good run of rivers, especially those of the Drin river. As it is known before, K. E. SH almost 97% of its electrical energy is ensured from the hydro – power station and 80% of this production from the hydro – power station of the cascade river “Drin” (H / C Fierze, Koman and Vau I Dejes). The production of the electrical energy for the year 2003 was of the level 4,839 GWh from 3,1 GWh as it was planned before. But the request for electrical energy from 5,6 GWh as it was planned was realized in 5,746 GWh. For the fulfillment of the requirements for electrical energy according to the approved measures plan from the part of the Government for Sh.a KESH, was imported a group of energy of 0,936 GWh from 2,5 GWh as it was planned.

Together with the favorable situation of hydro – energetic during the year 2003 has had limits in the supply of consumers with electrical energy, varying approximately from 2 – 12 hours per day. Restrictions of this level, according to our opinion shouldn’t have been done as Sh.a KESH has reported the security of supplying with electrical energy over the foreseen quantity in the Plan of Measures. The reported restrictions from the part of KESH are not of the 0,4 GWh level according to the Plan of Measures approved from the Government, but more than that.

The justification of KESH that these restrictions are made according to the regions, depending on the payment of the electrical energy bills is not basic, after KESH has reported that encashment for the year 2003 are realized 92,5%, so only 7,5% of these bills are not encashed, but restrictions has varied in time from 10% to 50%. The restrictions of the electrical energy done from the part of KESH during the year 2003, are contrary to Article 47 of the Law Nr. 9072 date 22.05.2003. Only the Council of Ministers declares the emergent situation supplying with the electrical energy, in the cases of major power, when the governmental authorities take measures to secure the protection in an immediate situation, when happen accidents in the production equipments, transmission and distribution of electrical energy, when you face long term lacks of electrical sources, important for the production of electrical energy.

According to Article 47, point 1 and point 2, the respective minister for the electrical energy, through an appropriate special regulation defines the length and ways of restricting the supply with electrical energy.

In the direction of decreasing the loss of electrical energy and the increase of encashment of bills of its consummation from the part of sh. a KESH is worked better, compared to a year before. In the following table are presented the realizations in percentages (%) for the year 2003 and more concretely as following:

Nr	Denomination	Value / Price in %
1	Losses in distribution	32,38
2	a) Technical losses	18,5
	b) Non – technical losses	13,9
3	Losses in transmission	10,53
4	Total losses	39,2

5	Bills Encashment (without those being backward)	83,9
6	Total encashment	92,5

This level of realizations of these indicators for the year 2003, has been grown compared to a year before and also other years, as well as fulfills the objectives approved in the Measures plan. Together with a better work done from the structures of KESH, in the achievement of these results an important role has had also the fulfillment of all the governmental obligations for the Sh.a KESH.

III – ACTIVITIES IMPLEMENTED DURING THE YEAR 2003.

During its work the Electrical Energy Regulations Sector (ENTI/ERE) for the year 2003 has tried to implement legal obligations for the activities done from the licensed companies in the sector of electrical energy.

During the year 2003 have been renewed licenses to exercise KESH sh.a activities and also ESEGEI – Albania – SMOKTHINA sh.p.k.

Conform to all legal procedures according to the requirements presented there, have never been renewed licenses for the sh.a of Elbasan Electrical Company, Sh.a Vlora Electrical Company and sh.a SESA Shkoder, after that the activities have passed to sh.a KESH.

Among the treated and selected procedures from the Electrical Energy Regulations Sector (ENTI/ERE) during the year 2003 we can mention:

To define selling prices of the Electrical Energy for the family and non-family users for the year 2003.

The approval of these prices was made after a long discussion with the specialists of KESH and it is worthy to mention also that for the first time in Albania was organized an open listening séance for this respective problem. In this séance were invited and were present all the respective partners in the field of electrical energy, for example representatives of the consumers protection associations, of the investing associations, business associations, syndicates, central institutions, representatives of media and also the Ombudsman. So in this way was achieved an open and transparent process for the public opinion, for all the tariffs that would be applied. It has to be identified the fact that has had a debate for all the tariffs for the year 2003 between the Electrical Energy Regulations Sector (ENTI/ERE) and KESH, after this one required the maximal tariffs appointed and defined by the Government.

It has to be valued and identified that from our part has been done only an increase of the price on 2.5% of the first band of consummation for the families (till 300 kwh), so from 4 leks / kwh in 4,1 lek / kwh; but for the second band (more than 300 kwh) the price was grown 10%, so 8 lek / kwh in 8,8 lek / kwh.

Also enforcing the procedures and regulations defined beforehand was approved for the first time the selling price of the electrical energy from the first private operator in the production of electrical energy sector;

Although the number of private operators in the production sector of electrical energy was immediately increased, where from our part has started the execution of the procedures for the application and definition of the selling prices of the electrical energy on their part of Sh. a KESH.

A great and huge work was done for the approval of the selling tariffs of the electrical energy for the year 2004. This process started directly in July 2003 and finished in December 2003. These tariffs were conform to Law Nr. 9072 date 22.05.2003, taking into consideration a great number

of studies and researches done from the part of specialized institutions and different opponent groups. Although at the same time was organized an open listening séance.

The tariff system that was approved for the year 2004 was taken into consideration as following:

1. The unification of tariffs for the consumers that take energy in the high tension excluding the water supply categories.
2. The protection of the consumers' interests in the electrical energy and the safety of balance between consumers' interests, government and other participants in the in the electrical energy sector. The price required from KESH for the year 2004, is 7.24 lek / kWh at the beginning, it become 6.9 lek /kWh and consumers were protected nearly for 1.2 milliard lek, from the non-real costs that has SH. a KESH presented.
3. The increase of the tariffs of the families, their consumers, 1.1% for the consummation over than 220 kWh and 9.8 % for the consummation till 220 kWh, from 10% required from KESH for both the blocks. The definition of this tariff was made after a detailed analyze for all the components that should be taken into consideration in the definition of the prices and tariffs, based on the middle monthly consummation for the families, in the middle monthly consummation for consumers in need, etc. The increase of the tariffs for the first block of consummation (till 220 kWh) is accompanied with the compensation of 100% from the part of Government for families in need.
4. For families the middle price of electrical energy that will be sold for the year 2004, from 5.6 leke / kWh approved for the year 2003 is made 5.9 leke / kWh for the year 2004, or more than 5%. This price is 14.2% lower than the cost on law tension (from 6.87 leke / kWh in 5.9 leke / kWh). Special social categories and social classes in need of families, taking into consideration the compensation of electrical energy bill in completion and implementation of two decisions of the Council of Ministers, pay a middle price of 4.4 leke / kWh, which is: 25% lower than the middle price approved and 36% lower than the cost.
5. It is taken into consideration the request of 30 deputies and of the watering associations for the decrease of the price of electrical energy for pomp stations including them in the favorite group of consumers.

According to the problem of licenses from the Department of Licenses at the beginning of the year, was shown a special attention for all the licensed operators in the direction of the completion of documentations in a high qualitative level, for example sh. a KESH and other operators. Now in the Department of Licenses exist practices and files for every licensed person. This practice for the first time was is applied, and makes a new job experience in relation with the monitoring as well as creates possibilities for the reevaluation of licenses and verification of the fulfillment of duties for the operators.

During the year 2003 from the part of the department of Licenses are completed legal obligations for the compilation of licenses, documentations and regulations, which partly we are mentioning are as following:

The compilation and approval of licenses for the production of electrical energy for the operators that has the installed power not more than 5 MW putting into efficiency the private hydro powers or those given with concession.

The compilation of the licenses for the construction of generating sources; request, which is defined in the new law "For the Electrical Energy Sector".

The compilation of documentation for the application of taking a license from a company, exercising the activity in the sphere of construction, installation and exploitation of centrals for the production of electrical energy.

The compilation of the necessary documentation and procedures of the Electrical Energy Regulations Sector (ENTI/ERE), regulations that are compiled conform the requirements and legal obligations, which supply the new law "For the Electrical Energy Sector".

A good work during this year is done in the direction of increasing the technical – professional abilities of the leading personnel and the technical one.

The Electrical Energy Regulations Sector (ENTI/ERE) is member with full rights and the essential member of developing the Association of Regulatory Ente in the Countries of the South – Eastern countries and also Euro Azia. In this association take part 20 Regulators of different countries, where its headquarter is situated in Hungary (Budapest).

The activity of this association primary is financed from USAID and members, but its direction is made from NARUC (The National Association of Regulatory Ente of United States of America).

The Association of Regulatory Ente in the Countries of the South – Eastern countries has organized periodically a lot of conferences, workshops, seminars, courses for different problems of the regulations and problems of the energy market, where the participation of the personnel of the Electrical Energy Regulations Sector (ENTI/ERE) has been active.

Inside the organism of this association function also two other eternal Committees, as the one of Licensing and Tariffs where is discussed and exchanged working experience for the selection of concrete problems in the field of licensing and tariffs, two of the most important problems of regulations. Also in the framework of cooperation with NARUC and USAID, the Electrical Energy Regulations Sector (ENTI/ERE) has twining agreement with the Regulatory Ente of the Indiana (USA) country; something that has helped positively in the practical work of the institution, for example as: in the processes of the listening séances, decision-making séances, and the complaining ones where is applied for the first time in Albania from a Regulatory Ente.

We stress that there exist also an assistance and helping project financed form Canadian Government (SEETEC) , which is implemented and we think that within the year 2004 it will finish. Form our part there were done a lot of efforts and treaties, as all the projects of technical help and assistance with USAID and Canadian Government to continue also in the future, forwarding the resolve of problems and duties which are appointed from The Documentation of Energetic Policies and the Law "For the Electrical Energy Sector" in the sphere of Regulations.

IV – ECONOMICAL – FINANCIAL INDICATORS FOR THE YEAR 2003

The incomes of the Electrical Energy Regulations Sector (ENTI/ERE) for the year 2003 have been realized. Also, there have been realized the planned expenses. The realization of the incomes made possible to liquidate some backward obligations created in the previous years.

The financial balance sheet of the year 2003 explains in details the creation of the incomes and their usage to cover the necessary expenses. We stress that the Electrical Energy Regulations Sector (ENTI/ERE) is not a profit organization as well as it is not financed from the Governmental budget. We also stress that all the financial actions are done and developed in a full accordance with the regulations that specify the Albanian legislation for the accountability.

The balance sheet of the year 2003 is audited from the Authorized Countable Expert. Related to this, we present the General Report “For the Annual Control Calculations of the Electrical Energy Regulations Sector (ENTI/ERE) for the year 2003”, together with the respective financial tables.

V – DUTIES AND RECOMMENDATIONS FOR THE FUTURE

The most important and key problem for the future is the one of final improvement and selection of the supply with electrical energy to all the consumers and making as effective as possible the companies which actually exercise their activity in this sector, as well as the creation of the most favorite conditions making possible to enter the private donors as well as in production and also in distribution.

The success of the work in the electrical energy sector after the compilation of the Document of Electrical Energy Policies and approving the National Energy Strategy is the fulfillment of all the duties that come out especially to every institution, which is an active actor in this sector. Referring to these documentations results that the Electrical Energy Regulations Sector (ENTI/ERE) is one of the important institutions which should comply rigorously all the legal obligations which come out by law “For the Electrical Energy Sector”, in order to give the possibility of liberalization of the market of electrical energy and the possibility of entering into the regional market of energy, conform to Athens Memo.

Shortly in the following part we are presenting sub legal provisions, which should compile, approve and publish the Electrical Energy Regulations Sector (ENTI/ERE) during the year 2004. In collaboration with other institutions, which are participants in electrical energy sector, will compile the market sample and propose it to the Council of Ministers for approval.

For this problem it is worked intensively and with the consultation of the American Company Pierce – Atwood and USAID.

The regulations for taking off licenses

The regulation for examining and approving sells, rents, transfer and other differences of every asset.

The compilation and approval of a standardized accounting system for the licensed persons in the electrical energy sector.

The compilation and approval of the regulation for the procedures of the presented programs of investing the licensed persons.

The compilation and approval of procedures and standards ready for approval, changes or or tariffs’ refusals.

The compilation and approval of the Code of network functioning, the functioning Code of distribution, the measuring Code and also the rules of inter conjunction.

We think that as important as it is the Electrical Energy Regulations Sector (ENTI/ERE) in the development and liberalization of the market of the electrical energy sector is also the TOS (Transmitting Operator System), the function of which requires urgently the construction and action of a New Dispatcher Center.

The problem of tariffs is an important and delicate issue, because it has to do with a lot of problems, which influence in the realization of defined duties and in the National Energy Strategy. Also tariffs in the future should reflect toward costs. In this way they limit the request for electrical energy and send in its efficient use, help in the protection of the existing infrastructure as well as reducing the number and the length of electrical energy stops.

In accordance with the National Energy Strategy and Policies of the Council of Ministers we will continue with the gradual augmentation of the tariffs in cost and will be done the distribution of in a direct way in the right groups of consumers, as well as eliminating inter

subsections, supporting consumers from tariffs of exaggerated costs or unreasonable and especially consumers with low incomes.

The completion of consumers with measuring apparatus until the end of 2004, will influence positively in the decrease of losses, decrease of the number of defects in the electrical networks of transmission and distribution as a result of the decrease of the loads, the increase of selling the electrical energy and other financial incomes of KESH, in the implementation of direct report between the seller and consumers, as well as the controlling interruption of the supply with electrical energy of consumers that do not pay.

We hope that through this summary report is achieved the goal to present in front of you in the best way the actions of the Electrical Energy Regulations Sector (ENTI/ERE) for the year 2003.

A lot of thanks.

THE BOARD OF COMMISSIONERS OF THE ELECTRICAL ENERGY REGULATIONS SECTOR (ENTI/ERE)

Tirane, date 20.03.2004