



Commercial and technical Losses, bad debtors, calculation of the remained costs and their impact on the price

Raimonda Islamaj
Commissioner
ERE- Albania

Losses- their impact on the price



■ Technical losses – component of operating cost

$$\text{Cooperative} = C_{\text{measuring}} + C_{\text{maintenance}} + C_{\text{salaries}} + \text{Closses} + C_{\text{teck}} + C_{\text{outsourse}}$$

- C losses – a payment for the real economic cost of the technical losses of the electric power in the transmission and distribution networks including the losses related to the import and transit
- The technical losses of the power in a network (network element) are equal to the difference between the electric power injected into the network (element) and the electric power deriving from the element (the codes)
- The transmission and distribution payments for access to the network will also contain a payment to cover the technical losses.
- _ % of ERE's recognition of the cost
- The price for electric power losses will be set as:

:

$$\blacksquare \quad C_{\text{losses}} = E_{\text{losses}} * P_{\text{import}}$$

On an annual basis, Albania is a net importer of electric power, therefore it is reasonable to say (for assessment purposes) that every lost kWh in the network is a kWh that should be imported, so the cost of this kWh is the average price for the imported energy. In Albania the total losses in the transmission network and the distribution network are huge and have a considerable impact on the fee.



Non technical losses

- The non technical losses are the responsibility of the distribution/supply company.
- The transmission and distribution fees have no component for the non technical losses, but only for the technical ones.
- The qualified consumers do not pay for the non technical losses because it is not they that cause the losses.
- The transmission and distribution payments for access to the network will not contain a payment for non technical losses.
- If ERE approves a supplement to cover the non technical losses, it may be included in the component –A- of the final consumers' fee based on a permissible level of non technical losses set by ERE.
- If the non technical losses are attributed to the Low Tension customers, then the supplement will apply to the Low Tension customers, without allowing discrimination between the household and non household customers.



Calculation of the Maintenance Cost

- The maintenance expenses are a component of the operating cost :
Cooperative = Cmeasuring + Cmaintenance + Csalaries + Closses + Coutsources
- Include all expenses for such works that are necessary for the maintenance of assets in working conditions as well as the other administrative assets needed, such as buildings and other facilities.
- Include expenses only for those assets that are represented in the balances of the licensees.
- The repairing costs that have a relatively high value and are capitalized will not be included in this item of the operating cost.

Calculation of the Maintenance Cost

(cont'd)



- The current technical rates are not applied in practice and work is going on to review them in compliance with the current conditions of the system.
- The previous year analysis and review (the analysis of accounts and inspection to the objects if necessary)
- The estimated expenses for the current year (periodical three month monitoring and reporting)
- The budget control for the next year (estimates, acceptance and hypothesis)



Procedures for bad debtors in calculating the fee

- The accounting, the definition of bad debtors according to the law no. 7661 dated 19 January 1993 is “On the Accounting” and the law no. 8438 dated 28 December 1998 “On the Income Tax”
- Obtain in accounting as provisions
- The analysis by the regulator
 - As reasonable to be included in the fee (those expenses that are not incurred due to mismanagement)
 - Objective causes, such as the closing of the activity, proved with documents by the company and showing that all potential legal actions are taken.



Bad debtors (cont'd)

- The inclusion in the tariff of fee consumers of a component for :
 - Adjustment of bad loans, bill collection, public information programs, judicial issues and other activities needed to reduce the bad loans level
- If the bad loans are attributed to the Low Tension customers, then the supplement will apply to the Low Tension customers without discriminating between the household and non household customers.



Stranded costs

- Sources of stranded costs :
 - The remained investments in compliance with the privatization strategy
 - Overcontracting
 - Some overpricing
 - Dumping policy in the region
- The methodology defines that none of the transmission and distribution assets are considered non competitive stranded cost.

Stranded costs (cont'd)



The Administrative procedures envisaged for the future due to the unbundling of the company :

- Review the application
- Calculate the stranded cost expenses
- The decision to accept the amount and payment
- The adjustment for the next year
- Prolonging the compensation period

Stranded costs (continued)



■ The compensation form

- Subsidies by the Government
- Envisage an additional specific fee for final customers



Thanks for your attention !