

The Electricity Market, Unbundling and Market Liberalization

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Market Model

- Request of the Power Sector Law in Albania
- Proposal of Regulatory Authority
- Adapted by the Decision of Council of Ministers Nr. 539 dated 12.08.2004
- Transition Market Model (TMM)

Implementation of TMM

- Draft and approval of Secondary Legislation
- Market Rules and Main Principles
 - a – Transparency
 - b - Non-Discrimination

Implementation of TMM (codes)

- Minimum Technical Rules
 - Code of Transmission
 - Code of Distribution
 - Code of Metering

Implementation of TMM (methodologies)

- Methodologies for calculation of tariffs
 - Tariff for generation
 - Tariff for transmission
 - Tariff for distribution

Market Participants

- Generation Company
- Transmission company (market & system operator)
- Distribution Company (market & system operator)
- Independent Power Producers
- Outside Supplier
- Eligible Consumer
- Qualified Supplier

Harmonization

Why ?

- Market of Electricity in Transition
- Need for flexibility in operation
- Possibility for Monitoring
- Understandable for public
- Unbundling process under implementation

Liberalization

- Definition of the law for eligibility
- Position of Regulator (status of the consumer)
- Amendment to the law
- Responsibility of Regulator
- Objectives for 2008 (all non-household consumers)

Unbundling part of sector reform

- Policy Statement 2002
- National Strategy of Energy 2003
- Electricity Directive 54/EC 2003
- Law of Power Sector 2003
- Secondary Legislation approved by ERE
- Energy Community Treaty

Main Objectives of Electricity Reform

- Development of a competitive electricity market. Security of supply, reasonable price, high quality of service and lowest environmental impact.
- Participation on the Regional and European electricity market.
- Attracting private investors in energy sector.

UNBUNDLING OF POWER SECTOR

Main Activity

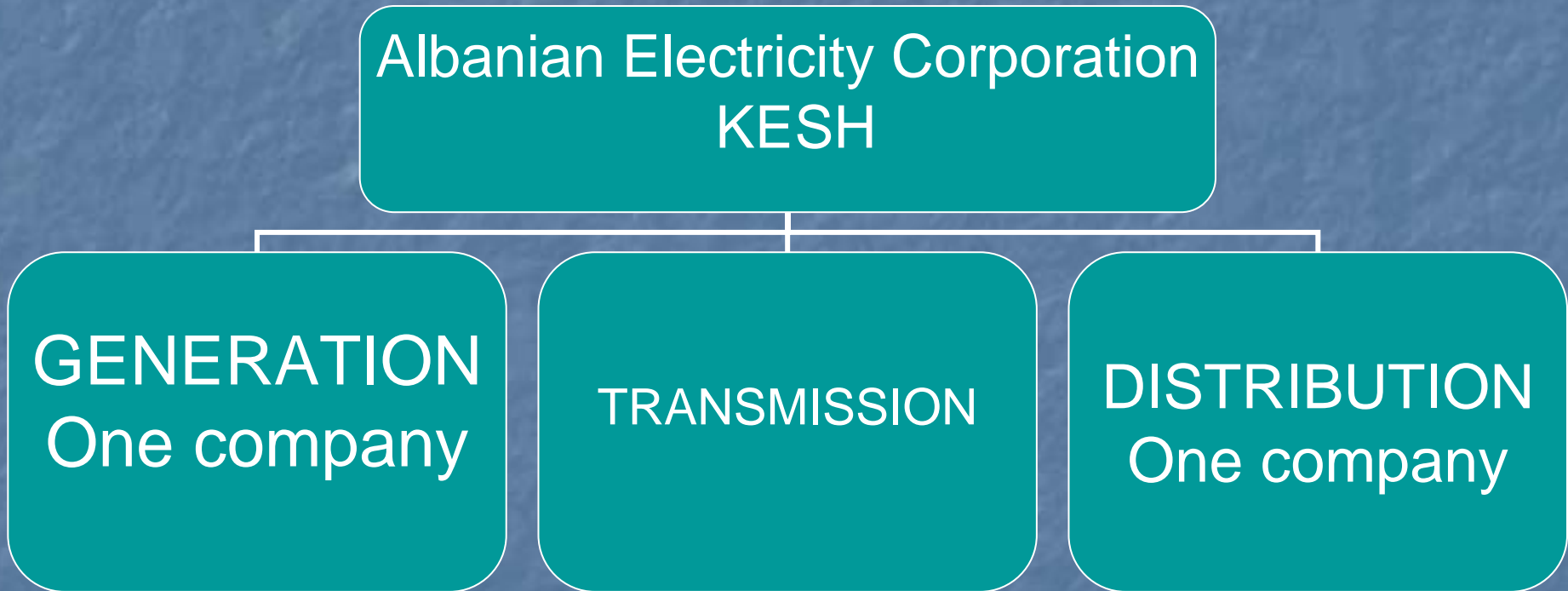
Power Sector Functions

1. Generation
2. Transmission
3. Distribution

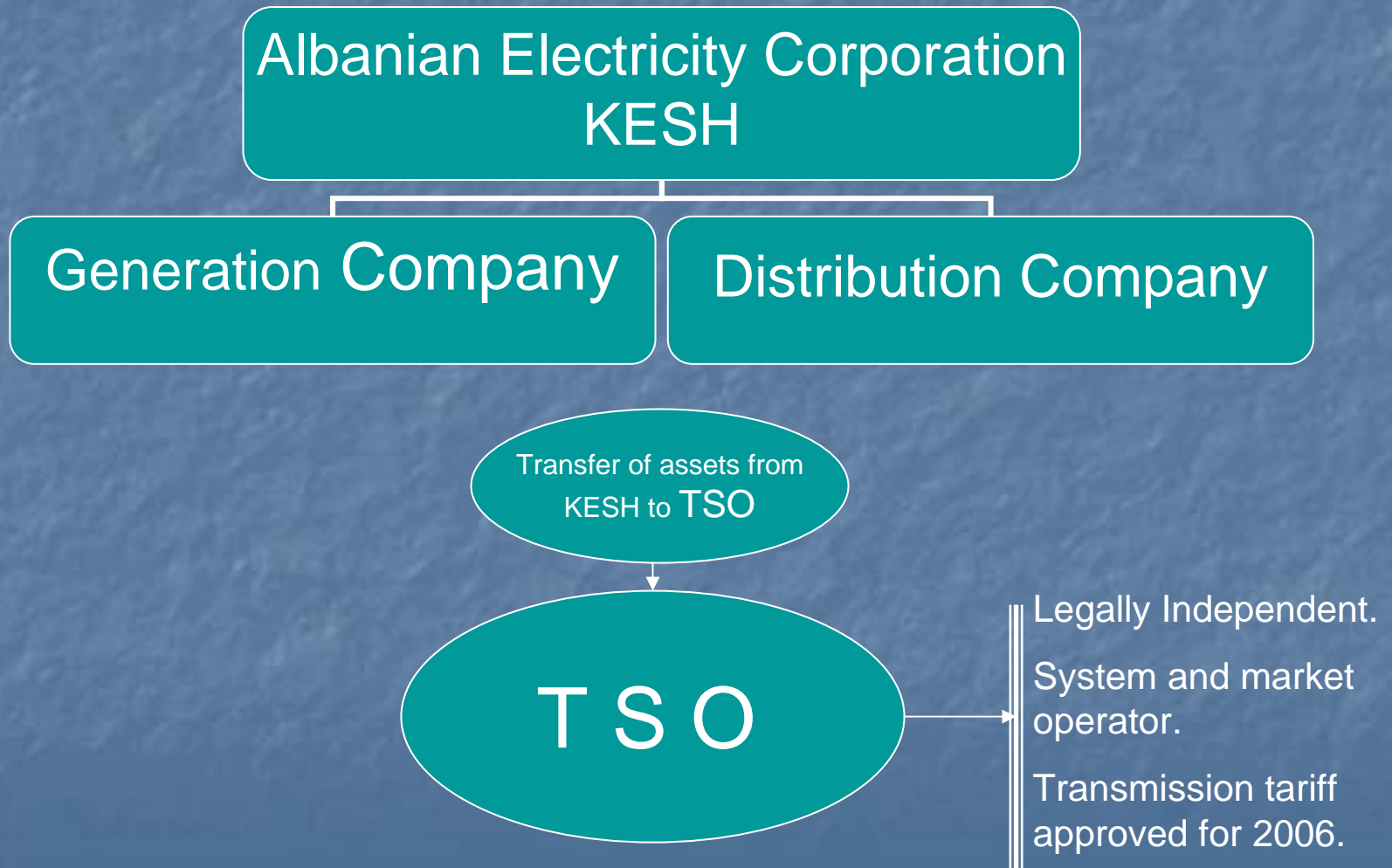
Unbundling activities :

1. Functional..... (independent operator)
2. Legal.....(corporatization)
3. Financial.....(Clear division of cost and tariff)

Transmission Unbundling



Unbundling in Process



Transmission Unbundling

- Physical border
- Financial Agreement between KESH - TSO
- Evaluation of TSO assets
- Evaluation of TSO Liabilities
- Transfer of assets and liabilities
- Transfer of Responsibilities for Investments

Distribution

- Number of Companies
- Identification of assets and liabilities
- Management capacities
- New mechanism for avoiding problems
- Policy of the Government
- Privatization

Generation

- Evaluation of assets and liabilities
- Number of companies
- Governmental policy
- Option of Privatization
- Consumer Protection

Regulator

- Complete all secondary legislation
- Produce understandable and clear
 - Documents
 - Practices
 - Methodologies
 - Rules

Based on Transparency and Non-discriminatory principles