

**The IURC-ERE Partnership
Program**



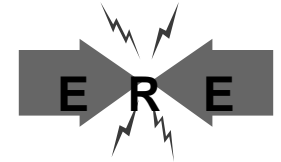
MONITORING OF THE MARKET OPERATIONS

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MONITORING OF THE MARKET OPERATIONS

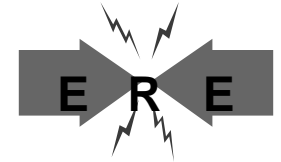
Current situation in the power sector



- **The Albanian Electric Energy Corporation (KESH)** consists of:
 - A power production company licensed for the production of electric power
 - A distribution company licensed for the power distribution and supply
 - KESH is also licensed for the power import and export operations

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Current situation in the power sector



- **Operator of the Transmission System (OST)** is now separated from KESH and is licensed for the transmission of electric power

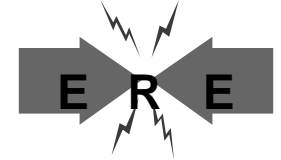
- **Production licenses**
 - 6 companies have concessions for 32 H/C (31 with capacity under 5 MW and 1 with capacity over 5 MW)
 - 7 private companies have in ownership of 13 H/C with capacity under 5 MW

MONITORING OF THE MARKET OPERATIONS

Current situation in the power sector



- **Law #9072, dated May 22, 2003 (The Power Sector Law), Article 8, Responsibilities of ERE**
- **ERE has the following responsibilities:**
 - Monitor and exercise control over the licensees based on the authority to conduct inspections and obtain access to required documentation and data
 - Monitoring the licensees, who offer electric power services to consumers, making sure that they operate in accordance with their contract requirements and guarantee services according to the standards required by their license or any other regulation adopted by ERE

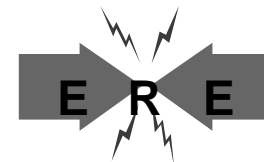


MONITORING OF THE MARKET OPERATIONS

- **I would like to note that:**
 - Monitoring small electric power producers is currently fairly successful
 - However, some part of monitoring lags behind because of the monopoly of the main power sector company, KESH

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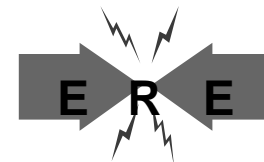
Implementation of the monitoring function by ERE



- **To monitor means to define, thoroughly evaluate, and guarantee:**
 - Basic technical and financial information of every licensee
 - Objectives, which the licensees must achieve
 - It is a form of ensuring that the licensees are meeting established requirements and their obligations

MONITORING OF THE MARKET OPERATIONS

A unified database system by license type



A unified database system by license type

- During the licensing process, each application and supporting documentation, which contains required data and information, is stored in a record, opened for each potential licensee
- Technical and financial data, schedules for fulfilling necessary requirements, as well as capital investments, production, and other obligations, are reviewed, grouped, and categorized by the license type.
- A summary database (by the license type) is created and contains information on all licensees and their objectives.

MONITORING OF THE MARKET OPERATIONS

A unified database system by license type



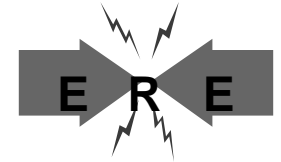
Example of a record from the database of small producers is presented in the table below:

Production and sale of energy

Name of the plant	Month	Gross production kWh	Plant consumption volume kWh	Energy Sold kWh	Working hours h	Notes

MONITORING OF THE MARKET OPERATIONS

A unified database system by license type



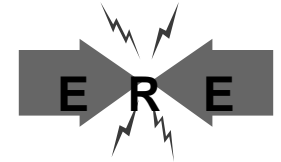
Example of a record from the database of small producers is presented in the table below:

Capital expenditures

No.	Name	Investment (000 lek)				Notes
		Trimester		From the beginning of the year		
		Plan	Fact	Plan	Fact	
1	Construction					
Total 1						
2	Hydro mechanic					
Total 2						
3	Electric					
Total 3						
4	Other					
Total 4						
Amount						

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A unified database system by license type



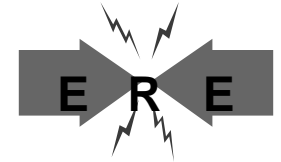
Example of a record from the database of small producers is presented in the table below:

Capital expenditures

Item	Unit	Trimester plan	Fact of the trimester	Progressive plan	Progressive fact
Construction					
Hydro mechanical					
Electric					
Other					

MONITORING OF THE MARKET OPERATIONS

A unified database system by license type



Example of a record from the database of small producers is presented in the table below:

Defects and production interruptions

Name of the plant	Number of cuts			Description of defect	The time cut lasted
	From system limitations or failure	From breakdowns of machinery or system	Total		

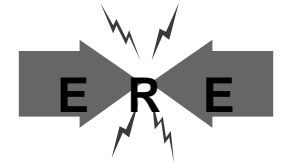
Based on this we have created a database for different types of licensees



MONITORING OF THE MARKET OPERATIONS

Implementation of the monitoring function

- Two methods are used to monitor the licensees (also called 2 **forms of monitoring**):
 - The best way to gather information and to solve the problem is to be at the problem site
 - However, our staff is too limited to do on-site monitoring
- **This situation dictates:**
 - Monitoring through an information system, which collects information sent by the licensees
 - Monitoring through on-site inspections

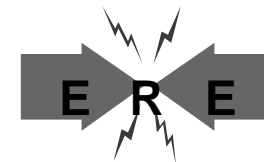


MONITORING OF THE MARKET OPERATIONS

Monitoring through an information system

To implement this kind of monitoring, ERE has developed standard forms for different types of licensees, which require the following:

- Main indicators
- Fulfillment of the obligations to the consumer and other market operators
- Completion and delivery period



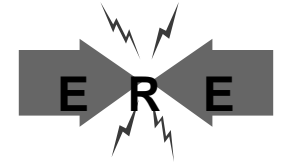
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Monitoring through an information system

Total			Debit in	Households			Debits in		
billed power		total cash , 000/leke	fund	Billed used power		total cashed 000/leke	fund		
(kWh)	in 000/leke		000/leke	Quantity (kW	000/leke		000/leke		
1	2	3	4	5	6	7	8		

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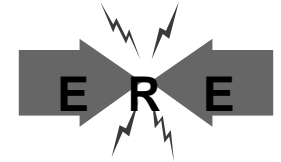
Monitoring through an information system



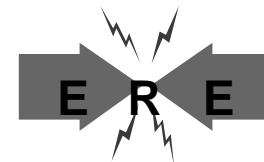
Data on providing clients the metering equipment									
#	Name (zones and branches)	Clients with readers	Total without	Households with	without	Private with	withour	Others with	without

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Monitoring through an information system



Data on technical and non-technical losses									
No	Name (zones and branches)	Power taken from the system	Billed quantity total	Losses total	Ne % (4= 3 : 1)	Total loss seperated in			
		(000/kWh)	(000/kWh)	(000/kWh)		technical (000/kWh)	% (6= 5 : 1)	non-technical (000/kWh)	% (8 = 7 : 1)
a	b	1	2	3	4	5	6	7	8



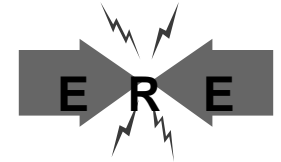
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Monitoring through an information system

Electric power supply cuts for the consumers									
Cuts	Total	Cuts according to the cause							
Hours/cuts total	Quantity in 000/kWh	lacking capacity in generation and import		from overuse, defects, maintenance, etc.		Non payment of the electric bill			
		HRS total	000/kWh	Hrs total	000/kWh	Hrs total	000/kWh		
1	2	3	4	5	6	7	8		

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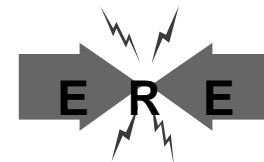
Monitoring through an information system



- Through this system we get the information on:
 - Power production
 - Amounts and types of capital investments
 - Wholesale and retail sales of power (billed power) to consumers
 - Payment of the electric power bills for each consumer category
 - A complete balance of the power system
 - Meters placing for all consumers
 - Outages, as well as the time and reasons for outages

MONITORING OF THE MARKET OPERATIONS

Monitoring through an information system



- **The information sent into the ERE database system is updated and analyzed, including:**
 - General information
 - Specific information for every licensee
 - A summary report for the Board of Commissioners on the current situation in the sector and specific proposals for particular licensees
 - After a thorough analysis, the Board submits specific recommendations regarding the following:
 - a. A system of fines, based on Article 64 of the Law #9072 dated May 22, 2003, for non-felony violations classified as offence
 - b. Direct on-site monitoring by the ERE staff or a group of independent experts

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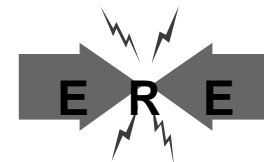
On-site monitoring



- **By on-site monitoring ERE wants to timely ensure:**
 - that the licensed companies are doing things according to the schedules, requirements, and obligations stated in their licenses, and
 - that these companies are offering to the consumers the services that the consumers pay for

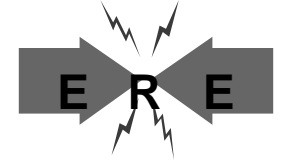
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On-site monitoring



- As part of the implementation, each department develops its monitoring program
- The main elements of a monitoring program are:
 - Ensuring continuous operations of the facilities and equipment and a steady supply of electricity
 - Quality products supplied at standard parameters (voltage, sequence)
 - Implementing operational standards and regulations
 - Establishing fair wholesale and retail rates for electricity
 - Services to the consumers (quality, frequency, time length etc.)
 - Resolving disagreements among the market operators
- Monitoring programs are presented to the regulating authority (ERE), which:
 - a. Suggests changes or points out problems that must be resolved
 - a. Approves the program and the starting and finishing date of monitoring

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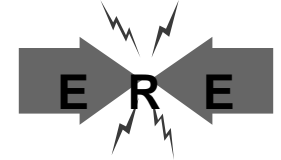


Steps taken by the Working Group during the monitoring process

- **Meeting with the license applicant or his administrator**
 - Introducing him to the monitoring program
 - Must cooperate with the Working Group during the inspection of:
 - a. Technical and financial documents
 - b. Every link in the chain of the licensee's operations will be the subject of inspection
- Exercising control at every stage of the program in the presence of the administrator

MONITORING OF THE MARKET OPERATIONS

Steps taken by the Working Group during the monitoring process

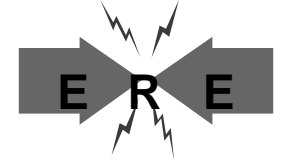


- The Working Group prepares a report, which describes the situation and problems discovered during an on-site audit

The report contains:

- The main areas covered by the audit
 - Findings
 - Specific measures to be implemented by the licensee and a corresponding implementation schedule
- Presenting the report to the audited licensee
 - The audit report signed by the working group is given to the licensee and is required to be signed by the representative of the licensee as well
 - The report is signed and its findings are presented to the representative of the licensee

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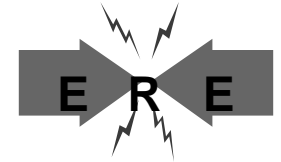


Steps taken by the Working Group during the
monitoring process

- The Working Group prepares a report for the Board of Commissioners. The Board:
 - Reviews the report at its working meeting
 - Makes decisions regarding discovered violations and recommends penalties (up to revoking a license) in cases provided by Article 18 of the Law, i.e. when a licensee:
 - Violates the license requirements
 - Poses danger to health, life, or property of third parties
 - Violates environmental protection laws
- The license termination procedures are defined by law and apply to each issued license; ERE has recently completed a regulation, which details the license termination procedure

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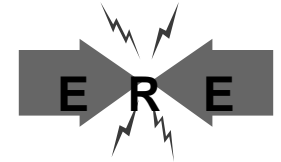
Conflict resolution



- **The Power Sector Law, Article 8 on ERE Responsibilities, paragraph (d), authorizes ERE to resolve conflicts between:**
 - the licensees and the consumers
 - among the licensees
- **Types of conflicts:**
 - technical
 - financial

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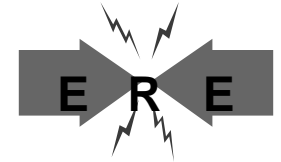
Conflict resolution



- Types of conflict between the parties:
- Licensed production company - licensed distribution company
 - a. Non-payment of the electric bills
 - b. The substation equipment issues
 - c. Accuracy of meter readings
- Licensed supplier of electric power – consumer
 - a. Charging for more than actual power usage
 - b. Consumer meters

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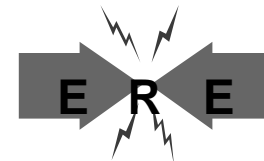
Conflict resolution



- How does the power sector regulator resolve conflicts?

Study the conflict

- On-site verification, if the situation is not clear
- Inform the parties of the hearing dates
- Parties can be heard separately if necessary
- Or in a joint hearing session
- ERE listens to the parties and intervenes to resolve the disagreement, based on good understanding of the problem and law
- Informs of the hearing, problems, and solutions
- Develops solutions to resolve the disagreement
- Board selects a solution to resolve the conflict
- Parties have the right to:
 - a. Appeal this decision at the lower level courts in Tirana
 - b. Accept the ERE decision and wait for the decision of the court



Thank you for your
attention