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| The partnership between IURC and ERE |  |
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| The Regulatory Body of the Electrical Power Sector in Albania | |
| Mr. Engjell Cuci – Chairman | |
| ERA- Albania | January 13, 2003 |

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| The process of restructuring the electrical power sector in Albania (from 2003 onwards) |  |
| <p>I. The creation of a financially and technically powerful industry</p> <ul style="list-style-type: none"> a. Improvement in meter reading, billing and bill collection. Reduction of theft and technical losses. b. Rationalization of tariffs c. Improvement of the organization and management of KESH. d. Improvement of customer service. | |
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- I. Amendments to the law on power.**
- II. Transferal and consolidation of electrical power policies under the authority of the Ministry of Industry and Electrical Power.**
- III. Strengthening the Regulatory Agency ERE.**

Splitting KESH:



- The method of splitting KESH into legal separate units.
- Deciding on the number of generating companies.
- Consolidating distribution companies.
- Creating a separate transmissions company.
- The transition period before the restructuring of KESH.

Preparing the regulation for a separate electrical power market



- Tariffs based on the total return of the service cost plus incentives
- Introducing third parties
- Transmission norms
- The network code
- Auxiliary services, and integrating REM and UCTE
- Separating the generation process, co-generation power plants, and the technology of power renovation.

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To attract foreign capital and investments



- Preparing the privatization policy and plan for distribution and generation with the assistance of competent international advisors on privatization and investments.
- Attention paid to tariffs, taxes, debts, ownership, employment and other concerns that investors may have.

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- Active participation in managing committees of TRE.
- Harmonizing the legislation and regulatory measures on tariffs to achieve inclusion within the regional network and market.
- The decision on the liberalization of the market.
- Buying electrical power from neighboring countries or the regional market.