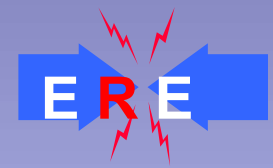


ERE's Developments and Achievements in the Power Sector of Albania

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ERA - Albania

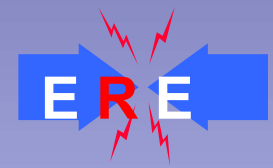


I. Introduction to the ERE's Accomplishments

- a. In April 2002, The Albanian Government approved a policy paper on the development of the power sector.**
- b. Law No. 9072 was drafted and then approved on May 22, 2003. This law went into effect on July 18, 2003. To the full extent of this law, ERE has approved:**
 - ERE's policy and procedures' regulations.**
 - Regulations for licensing procedures.**
 - Licensing for building and installation of power plants.**
 - Licensing for the generating of power.**



- **Licensing for transmission.**
- **Licensing for distribution.**
- **Code of Ethics and Regulations for ERE's Operating Board.**
- **Transmission Model for the Power Market. In cooperation with MIE and KESH, this market model was presented to the Albanian Government for approval.**
- **Regulations for simple procedures for the building and the utilization of power plants with a capacity below 5 MW.**
- **Regulation for ERE's organization and operation, along with its organizational structure.**



c. In June of 2003 the Albanian Government approved the National Energy Strategy until the year 2015.

ERE, also in cooperation with other participants from the Power Sector, is in the process for:

- **Drafting of a tariff and pricing methodology for Generation, Transmission, and Distribution.**
- **Drafting of the Grid Code.**



- **Drafting of the Distribution Code.**
- **Drafting of the Metering Code.**
- **Drafting and approving of a unified and standardized accounting system for the licensed entities.**
- **We feel the need for a qualified assistance in drafting of these acts.**



II. The Albanian Power Sector Today:

- a. The Albanian Power Corporation (KESH), a joint-stock company, is a vertically integrated government-owned company. It has three divisions, separated according to the following functions: Generation, Transmission, and Distribution. So far it remains a monopoly in the power sector of Albania.**
- b. In the end of 2003, the Albanian Government decided to create an Independent Transmission Operator, an independent joint-stock company, financially independent from the joint-stock KESH, starting on July 1, 2004. Its relationship with KESH will be of the "holding" form. It will be owned by the government.**



- c. The process of the re-evaluation of KESH assets is continuing to create the possibility of financial separation along with the separation of Generation and Distribution.**
- d. The independent generators were created by giving concessions for the existing plants of up to 5 MW and through plants' privatization. Up until now there are 11 such plants that produce up to 25 million kWh yearly.**
- e. The sale price of power has gradually increased each year.**
- The last increase happened in December of 2003 and was applied for the year 2004.**

The Albanian Power Sector Today (Continued)



- This increase has affected the residential consumers significantly, because it decreased the first band of consumption from 300 kWh per month to 220 kWh per month.
 - The price is lower than the marginal cost.
- f. For the year 2003, the planned needs are met as follows:**
- The local generation plus imports has been 5835 MWh. Imports were about 937 MWh or about 16% down from 37% in 2002.
 - Approximately, the restrictions throughout the country last from 3 to 6 hours in 24 hours.



a. Generation

- The rehabilitation of the Hydro Plant on the Drin and Mat rivers with a cost of 45 million USD. This is a project that is being implemented successfully and more than half of the planned projects has already been finished.
- The 11.7 million Euro rehabilitation of the Bistrica Hydro Plant. It is a project with guaranteed financing. The implementation of this project continues.
- The \$24 mln rehabilitation of Fier TEC (Thermo Plant - Unit 60 MW). So far there have been no investors, but it is possible to solve this in the future through KESH and its own financial sources.

The Need for Investments and its Fulfillment (Continued)



- The building of Vlora gas-fired TPP, 1st phase 1*100 MW, 2nd phase 3*100MW. The financing will be done by the World Bank (WB), the European Bank for Reconstruction and Development (EBRD) and by KESH itself. The agreements with both of these banks have been signed and it is expected that by the end of 2004 the tender procedures will be finished in order to begin construction.
- The building of the Bushati Hydro Plant 2*40 MW. It is an interesting and profitable project. The most important study for its feasibility has been already done. The initial idea was that it would be constructed by Chinese investors, but due to unsolved problems between the governments and also because of difficult loan terms, its future is not clear yet.

The Need for Investments and its Fulfillment (Continued)



- The construction of the Skavica Hydro Plant with an annual generation of 1.1 billion KWh, the Italian Consortium Tasora (from the optimization of the Drini cascades its generation has been increased by 400 million kWh).
- The building of TEC (Thermo Plant) with petroleum in Elbasan, the Turkish Firm Kurum 1*40 MW.



b. Transmission

- The 2 mln Euro construction of the Fier-Vlora line 220 KV. This investment is planned to start before the Vlora TEC construction will end and it will be ready for functioning when TEC will begin operating.
- The construction of 10 sub-stations 220 KV; 110 KV in different regions, 12 million Euro, from which the most important four are already completed.

The Need for Investments and its Fulfillment (Continued)



- The construction of the Elbasan - Tirana - Podgorica 400 KV line (with a value of about \$80 million) is one of the most important projects in the transmission system. The financing is guaranteed by the German Bank for Development and Reconstruction, with whom we have signed a respective agreement.

The Need for Investments and its Fulfillment (Continued)



c. Distribution

- The construction and the restructuring of the distribution networks in certain areas (with a value of over 30 million USD) during 2004-2005. It is expected that these investments will bring positive impacts in regards to the efficiency of the investments that were done in the measurement system.
- The completion of meters for all the residential and non-residential consumers within the years 2003-2004 (with a value of over 50 million USD).

III. The restructuring of the Albanian Company KESH, which is a monopoly in the Energy Market:

KESH restructuring is continuing with the goals to:

- Unbundling of KESH into 3 companies: Generation, Transmission, and Distribution, by achieving a complete separation that will be sound financially.
- These three companies for a relatively long period can operate as part of the KESH Holding with a Management Headquarters.
- The evaluation of their assets is in process.



KESH is a joint-stock company with the following structure:

- **Currently**

- A generation company with 6 hydro plants on the Drin and Mat rivers cascades, and also 1 thermal plant in Fier.
- One transmission company organized in 6 regions of the country.
- One distribution company organized in 8 areas that cover the whole territory of the country.



- **Perspective**

- Generation can be supported by 2 to 3 companies.
- Transmission operator is separated as an independent joint-stock company, through a governmental decision and it will stay public.
- Distribution is anticipated to function as 1 company. This model was presented to the government for approval and is anticipated to operate during the transition period of the market.

Thank you for your attention!