Partnership Between IURC And ERE

Tariffs and Price Setting

Mr. Kastriot Sulka – Chief, Tariffs and Pricing

ERA - Albania

July 27, 2004

Current Methodology

- Based on the old law
- Based on only one operator (KESH – a vertically integrated monopoly)
- Represents Cost Plus methodology
- Its base is designed to achieve the required yields from KESH or the operator

Reasons for Change

- KESH unbundling into
  - Production
  - Transmission
  - Generation
- Entry of new operators in the market (small generators)
- The new conditions of the regional market

Support for the Change of Methodology

- A legislative change creates the foundation for changing the methodology;
  - ✓ Gives full authority to ERE in tariffs (removes the price ceiling etc.)
- Drafting of the market model
- The breakup of KESH and the creation of the Transmission System Operator by separating the Generation from Distribution.
- The development of a Regional Energy Market

Rates and Categories

- Rates according to the output levels (High Output, Medium Output, Low Output)
- According to different classes
- According to monthly consumption, only for residential consumers (up to 220 kWh/month and over 220 kWh/month)

Procedures for Rate Applications

- The operator applies for a one-year period
- Only ERE has the right to review the rates within this period
- ERE has the right to check on the data and the respective analysis for 6 months
- The applicant should provide data in the format created by ERE

Rates - Not Only Cost

- Rates take into account the government's energy policy
- Rates take into account the mid-term and long-term studies and strategies of the power sector
- Rates consider the need for integration in the regional and European markets.