

Partnership between IURC and ERE



Low-income consumers

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ERE- Albania

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Current environment



- The main issues are the Albanian economy and the progress of the reforms
- The issues facing the low-income consumers might hamper the beginning of certain reforms
 - ❖ Revoking or reducing subsidies
 - ❖ Tariff reform
 - ❖ Privatisation

Mechanisms and policies



- **What are the policy mechanisms that are employed to aid the low-income consumers and to help them get standard utility services?**
 - ❖ **The burden of addressing the needs of the low-income households rests with the government and not with the energy sector**
 - ✓ **First, such task requires a social security program, which would help the low-income consumers to cover their most basic needs not just the need for the energy**
 - ✓ **Furthermore, the government could take steps to reduce the energy cost by running energy efficiency programs**

Mechanisms and policies



- **The first issue is that the government (not the energy sector) is responsible for addressing the needs of low-income consumers**
 - ✓ **This requires a program of social security that would help the low-income consumers to cover their most basic needs, not just the need for energy**
 - ✓ **Furthermore, the government could take steps to reduce the energy cost by running energy efficiency programs**

Mechanisms and policies



- **The second issue involves the mechanisms of regulating the energy sector**
 - ❖ They have a number of disadvantages:
 - ✓ Does not stimulate the use of other energy sources
 - ✓ Negative impact on the economic efficiency indicators of the energy industry

Basic services



- **Identifying the most necessary services**
- **An assessment, identifying the necessary services to meet consumers' basic needs**

The table of basic services



Cooking	1393	993	1173
Hot Water	1077	813	931
Heating	1379	1521	1457
Total annual	5066	4287	4637
Monthly average no	422	357	386
Total annually no heating and no warm water	2611	1953	2249
Monthly average no heating and no warm water	218	163	187

Government Assistance Programs



- ***Subsidizing electricity prices for the disabled (Provision for the Blind #8098, dated March 28, 1996, Article 12)***
- ***Subsidizing the raise in the initial rates for basic services for the low-income residential customers***

Government Assistance Programs



Subsidizing electricity prices to balance the increase in residential rates

Religious Sites	7
Media	9
Private Co. supplied by TM, using TM metering	10
Private Co. supplied by TM, using TU metering	10.5
Average Rate in Medium Voltage Power	8.62
Budgeted Items	10
Non-Budgeted Items-Aqueduct	7.5
Non-Budgeted (Oil, Chrome, Copper, Chemical Fertilizers, Cement, Siderurgy Industry)	9.5
Non-budgetary items-water services	12
Preferential commercial customers (bakeries, flour mills, irrigation plants)	7.5
Religious Sites	8
Private commerical customers	12
Media	9.5

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ERE Mechanisms



- ***Subsidizing residential customers at the expense of customers from other categories***
- ***Subsidizing the first tier of consumers rates (basic needs) with the second tier rates***
- ***How to stop the wealthier customers from benefiting from the subsidized electricity rates?***

ERE's Mechanisms (continued)



- *Subsidizing expenses of certain categories of commercial customers, which directly impact the standard of living (gas stations, water services, bakeries etc.)*
- *Subsidizing the rates for certain customers (employment provided by those customers is one of the reasons for subsidies)*



Thank you!

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