



Current Developments in the Legislation and the Albanian Energy Sector

Steps Towards an Open Market

Pjeter DEMA – Chairman

ERA- Albania

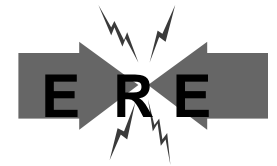
June 13 – 17, 2005



I. Law #9072, dated May 22, 2003 (The Power Sector Law):

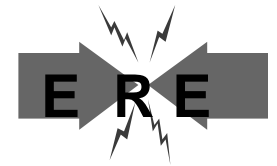
Under this law, ERE is required to prepare and implement 28 regulations compatible with the regional laws and the EU guidelines.

- At its last meeting in November 2004, ERE had adopted 11 such regulations. Since then it has introduced 5 more, totaling 15.
- The regulations signed in these last months are:



- 1) Rules for the power market operations**
- 2) Methodology for calculating transmission rates**
- 3) Code for the network operations**
- 4) Code for operating the metering system**

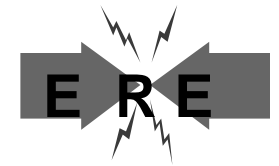
As provided by law, two task forces under the guidance of ERE commissioners were involved in drafting of this legislation, including representatives from the Albanian power sector.



The drafting and adopting of the following three key regulations are under way:

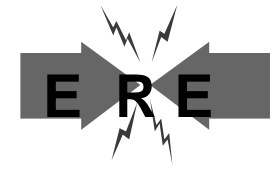
- 1) Methodology for calculating generation rates**
- 2) Methodology for calculating distribution rates**
- 3) The Operating Code for the Distribution System**

The team that is currently working on these regulations includes experts from Pierce Atwood working in cooperation with ERE staff, commissioners, experts from the Energy Cooperation of Albania, The National Energy Agency, the Department of Energy, and the Tirana University. These acts are being reviewed individually by the commissioners and will be adopted in June by the Board of Commissioners.



In conclusion, I would like to say that the regulations developed and adopted by ERE are:

Regulations that have been designed for the first time. Although the experience of the team and the ERE Commissioners is somehow limited, they have worked with utmost dedication. After a year of hard work they have improved their professional capabilities significantly. During the implementation of these regulatory acts, improvements may be necessary, which will be approached gradually.



- II. General facts about the Albanian power sector:**
- a. The Energy Corporation of Albania (ECA) is still 100% government-owned and is a vertically integrated company**
 - b. The Transmission System Operator (TSO) set up on July 1, 2004, is operating under the objective set by ERE to become independent from the Energy Corporation of Albania by the end of 2005.**
 - c. TSO will be applying for the new transmission rates for the year 2006, separate from ECA.**



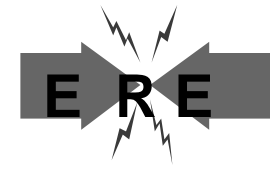
c. Retail power rates and transmission rates for 2006 will be calculated as required by the new methodologies adopted by ERE and will be presented to ERE by the Energy Corporation of Albania and the Transmission System Operator.



ERE attends all the regional meetings on the power issues. In compliance with the EU guidelines and the obligations assigned to AQ under the Association and Stability Act, ERE has undertaken the following steps:

- Has commenced the liberalization of the power market (initially up to 5 %) by issuing licenses of eligible consumers to two of the largest power consumers (more than 100 GWh of power consumption).**

Regional Activities (continued)



- Has adopted the necessary legislation governing small-scale power generation companies, which today represent the private power sector.**

- Has been involved in policy drafting for the Regulatory Board in conformance with the Energy Community Pact, which will help integrate Albania into the Regional Power Market. ERE has its representative in the Board of Energy Regulators.**



THANK YOU FOR YOUR ATTENTION!