

## ALBANIA – COUNTRY REPORT 2006

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## 1. INSTITUTIONAL BUILDING

This chapter aims to review the institutional framework envisaged in Republic of Albania and the distribution of tasks between the existing institutions. Only those institutions whose activities fall to the scope of the EnC Treaty are singled out and briefly described.

### 1.1 Ministries

- **Energy**

The energy topics belong to the Ministry of Economy, Trade and Energy (web: [www.mete.gov.al](http://www.mete.gov.al)) which has a new operational structure since January 2006. It is a result of a merger between former Ministry of Economy and Ministry of Industry and Energy. Now the ministry is not only a policy maker, but also owner of all assets. Since this new organisation is put in place for less than a half of a year, the Ministry is still in adjustments. The GTZ provides a technical assistance and cooperates with the Ministry in order to facilitate a transitional period toward this Anglo-Saxon organisational structure. The Ministry is focused on the energy policy issues which are processed in four main general directorates: 1) General Directory of Services Trade 2) General Directory of Regulatory, 3) General Directory of Policy, 4) General Directory of Services Support. The intention of such organisation is to separate policy activities from regulatory and trade/market ones, and to have one general directorate as a support. Not only that the Ministry deals with the energy policy issues, but it is entitled as an owner of all assets as well. The tariff methodology is described in the primary legislation by the Ministry giving general principles of the methodologies. The ERE prepares concrete rules for the tariffs (methodology and fees), whereas the Government then deals with the vulnerable consumers through compensations (not subsidies).

- **Environment**

Environment related topics belong to the Ministry of Environment, Woods and Water Administration (web: <http://www.moe.gov.al>). The UNDP (web: [www.undp.org.al](http://www.undp.org.al)) supports the Government and the Ministry in implementation of main conventions (CBD, UNCCD, UNFCCC) to ensure environmental sustainability. The Albania - EU Energy Efficiency Centre (web: [www.eec.org.al](http://www.eec.org.al)) has realized a number of projects related to energy efficiency, renewables, and environment.

- **Renewables and Energy Efficiency**

Topics related to renewable sources and energy efficiency belong into the domain of the Ministry of Economy, Trade and Energy (web: [www.mete.gov.al](http://www.mete.gov.al)). The Albania - EU Energy Efficiency Centre (web: [www.eec.org.al](http://www.eec.org.al)) has realized a number of projects related to energy efficiency, renewables, and environment.

### 1.2 Energy Regulators

- The Albanian Electricity Regulatory Authority (web: [www.ere.gov.al](http://www.ere.gov.al)) is engaged in regulatory issues related to electricity market operation only. The Law on Power Sector from 2003 defines its current position, independency and practice. The ERE is responsible for approval of tariffs and prices, licensing of companies in electrical energy sector, and monitoring of their activity. It sets retail prices according to a detailed calculation on the utility's application. Its finances come from the licensing fees. There are 5 Commissioners nominated by the Parliament and appointed in

2005 (total number of staff is 19). Licensing, tariffs/prices, legal and administrative departments are represented in the current organisational chart of the ERE. Through participation in various Task Forces the ERE seeks for a consensus on wide number of technical issues and at the end approves the secondary legislation (approximately 80% of the secondary legislation has been approved so far out of the 100% that is a duty of the ERE). The Market Model, Market Rules, and Grid Code are just a few examples that are provided in an open and transparent way.

### **1.3 Competition Authority**

- The Competition Authority (web: [www.caa.gov.al](http://www.caa.gov.al)) is established in 2004 and supposed to cooperate with the Regulatory Authority on issues related to the competition and abuse of a dominant position in the field of energy. The Competition Authority has drafted an agreement on cooperation on the subject given which also includes exchange of experience and training of staff, and currently awaits a response from the Regulatory Authority. It is envisaged that the Regulatory Authority has *ex ante* responsibilities, and the Competition Authority *ex post* ones. So far, there has not been any report filed in relation to the energy sector having in mind this subject. Issues related to the public aid are under jurisdiction of the Ministry of Economy.

## **2. ELECTRICITY SECTOR**

With the other countries of the Western Balkans, Albania participates in the Stabilisation and Association process (SAP). Negotiations for a Stabilisation and Association Agreement (SAA) started on 31 January 2003 and are nearing completion along the way to help bring Albania towards the EU. The ratification of the Energy Community Treaty in Albania is well underway. In the beginning of April 2006 the Albanian Parliament finished its part by positively closing the procedure and moved it further on to the President who issued a decree in late April 2006. It is expected that all formal particularities of the ratification will be completed by mid May 2006.

Within the General Directory of Policy, there is the Policy Power Directory which is aimed:

1. To prepare primary and secondary legislation in power sector;
2. To take part in the preparation of the Strategy of Energy and to review, in every two years, this Strategy;
3. To continue restructuring of KESH (unbundling), corporatization and commercialization of each company. In this frame the transmission system operator (OST) has been established in 2004 and there is ongoing work towards consolidation of the company. Assistance in re-evaluation of the KESH's assets began in 2003 and finished in May 2005 (Deloitte & Touche Alb.). In 2006, for the first time, the OST has published its own development plan and the program is separately from the KESH. Also, another assistance (JV Mercados, Red Electrica, Soluziona Spain and Exergia Greece) is under way for the OST consolidation and will finish by the end of 2006 (identification of the measures-June 2006; implementation of them within end of 2006).
4. To prepare tariff policy of the power sector. The tariff methodology is described in the primary legislation by giving general principles. The Regulator, based in these principles, prepares the methodology for computing production, transmission and distribution tariffs. The Government support vulnerable consumers through compensations (not subsidies).

5. To prepare policies for attracting investors for constructions of new electricity generation capacity.

In the scope of the electricity related activities the following four groups are composed for implementation of the Transitory Market Model (TMM), with assistance of USAID, and led by the Ministry: 1) review of the legal framework (harmonisation with the Acquis), 2) restructuring of the KESH (the KESH unbundling according to the provisions of the Energy Community Treaty), 3) opening of the market (electricity market design and opening), and 4) consolidation of the transmission system operator (facilitation of the market opening). One of the most important roles of the Ministry is to prepare primary and secondary legislation in power sector. It is also included as a participant in preparation of the Electricity Strategy, where the National Agency for Energy serves as the task leader which proposes the Strategy to the Minister of Economy, Trade and Energy and further to the Government for approval. The Ministry is furthermore involved in the KESH unbundling from the policy perspective of the electricity utility restructuring and market opening. The DSO unbundling in its legal form is scheduled by the end of 2006.

Among others, one of the tasks of the Ministry is to outline policies for new electricity generation capacity based on the Kyoto Protocol having in mind necessity to balance hydro with thermal generation. As more than 95% of electricity in Albania is produced from hydropower plants, the Ministry focuses on monitoring of proper use of hydro generation sources particularly recognising importance of the Drin river cascade. Activities related to construction of the TPP Vlore have come up to the stage of making agreements with the World Bank, EBRD and EIB.

The Albanian Transmission System Operator (OST) has been functional since 2004. The statute of the OST has been approved by the General Assembly and the company has been registered in the Court as a joint stock company with 100% shares owned by the KESH as a representative of the Albanian Government. The Supervisory Board of the OST has been appointed and is responsible together with the General Director for the managing of the company. The Supervisory Board of the OST has approved its structure from September 2004, and updated it in December 2005. The OST is currently ongoing a consolidation as a company. In the first half of 2006 the OST has taken extensive activities related to completion of unbundling from the KESH. The KESH and the OST have an agreement for the investments, financing and transfer of personnel. Unbundling activities are well underway and currently focused to the borders of assets and ownership (a formal court decision is expected soon). Capital and liabilities of both companies is going to identified and re-evaluated soon. The plan is to transfer assets from the KESH to the OST by June 2006. The task force has been established specifically to that purpose. Being technically assisted by the World Bank, it has prepared a detailed program of activities related to identification and re-evaluation of assets. The final report on the findings has been finished and submitted to the Government. It is expected that the OST shall be able to operate with own assets from June 2006 onwards. In 2006, for the first time, the OST has published its own development plan and program separately from the KESH. The separate balance sheet and auditing for the OST has been done for the first time this year, whereas for the previous year it was included in the KESH's one. Regulatory framework related to the OST has been put in place. Tariff methodology for transmission have been approved. The OST has applied to the ERE for a transmission fee, and discussions were held. Currently, the OST awaits for a formal answer from the ERE.

In the transitional phase of electricity sector reform in Albania, the Energy Regulatory Agency (ERE) concentrates its activities especially on the unbundling issues and the price regime. Regulatory framework related to the OST has been put in place. It is expected that such framework would contribute to better integration of the OST among the others

(Albanian transmission system operator is not a member of the UCTE). Tariff methodology for transmission and distribution has been approved. Procedure for approval of prices is carried out in an open way which includes public hearings and publishing. Direct subsidies to the KESH electricity utility are not given anymore. The ERE has been also active in a variety of media in order to inform consumers on how to better protect their interests.

Not only that the ERE has approved so far very important secondary legislation (transmission tariff, code of transmission, market rules etc) and participated in the KESH unbundling, but it also intends to make further steps in near future related to the electricity market (regulated third party access, cross border trade), commercial and technical losses in the networks and integration into the SEE regional market. Certification of the green energy belongs to the scope of near future activities of the ERE with a focus on environmental issues.

The ERE expressed its view that a further coordination is needed due to parallel participation of different national institutions on the same topical issues. One of the possible ways might be achieved through the Energy Community Secretariat which could help to facilitate their communication.

In 2006 the KESH electricity utility has had approximately 760 thousand customers in total, whereas out of them there has been 115 thousand electricity meters still missing. The program for installation of electricity meter at each consumer site is continuously applied.

In 2005, maximum peak demand was equal to 1254 MW, and total generation capacity 1364 MW. According to the UCTE definition, percentage of reserve was equal to 13% in January, and 57% in July. In the last quarter of 2005 load shedding was applied in approximate amount of 20% in October and November (no load shedding this year).

There are two targets in the next period that need continuous attention and monitoring from the Government and the donor's community: 1) improvement of collection rate (currently 92-93%), and 2) decrease of technical and non-technical losses (currently around 35%). In the last year the pace of achievements in both of these targets has slowed down, which provoked additional activities from the side of the KESH through a detailed action plan aimed to increase collection rate.

### ***2.1 Public service obligation and customers protection***

- Public service obligations are defined by the provisions of the Law on Power Sector (Art. 25), but also by the provisions of the Grid Code and the type of contract.

### ***2.2 Monitoring of security of supply***

- Monitoring of security of supply is forced by the obligations from the Law on Power Sector (Arts. 34-36) and mostly related to issuance of licences for electric power generation. The ERE has started to fulfil these obligations. Construction of the monitoring mechanism and its practical implementation will need a lot of time and efforts in the future. As the first step, the ERE has started to collect various data from the KESH. Regarding operational aspects of monitoring of security of supply, the OST gives everyday the network configuration, monitors the outage time in the transmission network, and plans the network development according to the (n-1) static security criterion.

### ***2.3 Technical rules***

- Technical rules related to the operation of the system and the grid are put in place.

- The Transitory Market Model, Market Rules, Transmission Code, Distribution Code and Metering Code had been approved by the Government and the ERE.

#### **2.4 Generation**

- The ERE grants licenses for the construction, installation and operation of a power plant, and generation of electricity (Arts. 13, 34-39 of the Law on Power Sector).

#### **2.5 Unbundling provisions and access to accounts**

- The TSO (OST) has been designated and its duties have been defined. It is unbundled in its legal form, organisation, and decision making. It is expected that the ownership unbundling will be completed by June 2006.
- The TSO (OST) does not publish the rules regarding the dispatching of generation facilities. However, according to the Market Rules the OST is obliged to give to all interested parties and market players the information related to the market operation under request which is not treated as confidential. The rules regarding the balancing of the system are stated in the Grid Code (Rules of Dispatching).
- The DSO has not been designated yet.
- Combined TSO-DSO is not an option.
- National legislation (Energy Sector Law) envisages the unbundling of accounts of transmission and distribution from competitive activities. Under current credit agreements with IFIs, an independent financial audit of the financial statements of the electricity utility shall be obligatory made every year. The accounts of electricity undertakings are published ( [www.kesh.com.al](http://www.kesh.com.al) ).

#### **2.6 Third party access**

- The TPA to transmission and distribution grids is put in place according to stipulations from the Transitory Market Model from 2004. The OST is obliged to justify to the interested party the denial of access to the grid according to provisions state in the Market Rules (Arts. 11 and 18). The cost reflective methodology for determining network access tariffs is under preparation.

#### **2.7 Market opening**

- The ERE currently analyses the most appropriate way for further market opening. The eligibility threshold is now set at 100 GWh/year, which has been so far fulfilled by two large consumers. The amendment to the Law on Power Sector has enabled the ERE to address authorisation in the process of determining further eligibility status of other customers on a case-by-case basis. More systematic approach is foreseeable in near future.

#### **2.8 Cross border trade mechanism**

- The ERE has expressed its viewpoint on the cross border issues in the Transitory Market Model and Market Rules with respect to balancing mechanism and transmission tariffs where it continues its work in the course of this year.
- Regarding the adoption of the **Regulation 1228/2003** the work remains to be done and split within several by-laws in the next period. National legislation does not envisage specific penalties upon breaching the Regulation 1228/2003.

- The OST is compensated for transited electricity on the basis of the Cross Border Trade (CBT) agreement signed between the TSOs in the SEE region. The agreement is modified and signed every year by the TSOs. Based on the contributions and services profited by the transits every participant is compensated or contributes. Every year based on a special inter-TSO compensation mechanism, which is a part of the CBT agreement, the tariff of import/export and/or transits between the interconnectors is calculated. This tariff is different for the exchanges between participants of the CBT agreement and/or other perimeter countries.
- The CBT agreement does not include in its scope the problem of congestions. Up to now there does not exist any applied mechanism that should consider the management of congestions between regional countries. Last year the OST had no possibility to import necessary quantity of electricity since it could not find the necessary transit capacity from the neighbouring countries. The network, except in the cases of high level of import, is usually available for regional transit demands causing no congestions. The only revenue that comes from managing congestions is the revenue from the CBT agreement. This revenue is used to cover the OST's expenses for import/export fees etc.
- Regarding the interconnection capacities, the OST does not publish information regarding safety, operational and planning standards. Also, the OST does not publish estimates of the available transmission capacity at interconnectors. However, according to the Market Rules (art. 18), the OST is obliged to give to all the interested parties and market players the information related to the market operation under request which is not treated as confidential.
- Till now, the Market Rules (art. 11) oblige the OST to give the priority to the tariff customers for the capacity allocation, and after that to the eligible consumers. The OST must make an explicit auction for the available capacity allocation. There are long term contracts for the use of the existing interconnectors. The OST has signed two contracts with two eligible consumers (DARFO and KURUM), each of them with a total ATC around 50 MW (contracted capacity 45-50 MW).

### **3. GAS SECTOR**

In the gas sector Albania does not have many activities. Domestic gas fields are depleted and annual gas production has been decreased from 1bcm in 1982 to 0.01bcm nowadays. Gas which was used in former days in the industry sector (not in the household sector) is currently used only for technological purposes in refineries and oil production (on site facilities), while electricity is used for heating and other purposes. Therefore, there is no gas market in Albania, and consequently no gas regulatory framework is put in place (there is a complete framework for petroleum). However, the Ministry is prepared to transpose EU requirements into national gas legal and technical framework, which would enable participation of Albania in the regional gas network interconnection projects. It was proposed by the Ministry to the Prime Minister to install a task force dealing with gas legislation on an assistance basis. Albania welcomes any support and assistance, including the ECS' one, in proper preparation and implementation of legislation related to the gas sector. Meanwhile, it continues a parallel work on infrastructure planning, establishment of regulatory framework and creation of gas policy.

#### ***3.1 Public service obligation and customer protection***

- No gas regulatory framework has been put in place yet

### **3.2 Monitoring security of supply**

- No gas regulatory framework has been put in place yet

### **3.3 Technical rules**

- No gas regulatory framework has been put in place yet

### **3.4 Unbundling provisions and access to accounts**

- No gas regulatory framework has been put in place yet

### **3.5 Third party access**

- No gas regulatory framework has been put in place yet

### **3.6 New infrastructure and exemptions**

- No gas regulatory framework has been put in place yet

### **3.7 Balancing regime**

- No gas regulatory framework has been put in place yet

### **3.8 Grid tariffs**

- No gas regulatory framework has been put in place yet

### **3.9 Market opening**

- No gas regulatory framework has been put in place yet

### **3.10 Cross border trade mechanism**

- No gas regulatory framework has been put in place yet

### **3.11 Next steps/probable sticking points**

As stated above, to fulfil the requirements stated in the Treaty establishing the Energy Community a Law on Gas Market has to be elaborated and implemented in compliance with the Directive 2003/55/EC. This process has started. In order to provide solutions at reasonable costs, lessons learned from the EU-market, either positive or negative experience gathered in the Member States of the European Union, should be considered by elaborating the primary and secondary law in accordance with the Directive.

The probable sticking points are:

- ❖ Balancing regime:
  - Balancing energy should be provided by charging efficiently incurred costs on a non-discriminatory basis.
- ❖ Third party Access:
  - The supplier switching process should be as easy as possible for the customer. The implementation of a one stop shop principle should be analysed.
- ❖ Capacity management:

- Existing infrastructure capacity should be used at the best level. In order to avoid hoarding of capacity, efficient allocation rules for available existing capacity should be put in place (primary market), Use it or Lose it (UIOLI) provisions should be elaborated by taking the regional specificities into account. A secondary market should be installed, if possible.
  - The owner of capacity (capacity goes with the customer, etc.) when switching the supplier should be defined.
  - The utilisation of the transmission grid and subsequently the available capacity should be calculated.
  - Cross border unbundling should be taken into account to avoid capacity hoarding.
- ❖ Technical Rules:
- Operational balancing agreements should be defined.
  - Interconnection agreements should be defined.
  - EASEE gas rules should be taken into account.
- ❖ Grid tariffs:
- Tariffs have to be cost reflective; based on efficiently occurred costs.
  - Cross subsidies have to be avoided.
  - Incentives for investment should be given.
- ❖ Unbundling provisions:
- Legal, organisational and decision making form unbundling should be implemented.
  - Cross border unbundling should be taken into account.
- ❖ New infrastructure and exemptions:
- The Guidelines for New Gas Infrastructure Investment Regulation should be taken into account.

Since the human resources of all relevant institutions, which are involved in the process, are restricted, it seems to be necessary to outsource tasks, if possible.

In order to provide solutions on regional level, studies which are prepared for a particular country could be probably used also for other countries by taking the specificities of each country into account. By doing so harmonised provisions, as long as they make sense from an economical point of view, could be implemented.

#### **4. COMPETITION**

Negotiations of the SAA agreement between Albania and the EU comprise topics related to competition, abuse of a dominant position in the market and public aid. Institutional requirements have been listed and Albania committed itself to obey them within the SAP process.

Prevention, restriction or distortion of competition and abuse of a dominant position in the market are subject to the Law on Protection of Competition from 2003. Issues related to the

public aid are subject to the Law on Public Aid from January 2006. Both of these two laws are based on relevant EU Directives and the EC Treaty.

Albanian legislation includes provisions prohibiting agreements between undertakings which have as their object or effect the prevention, restriction or distortion of competition (Art. 4 of the Law on Protection of Competition from 2003).

Albanian legislation includes provisions prohibiting any abuse by one or more undertakings of a dominant position within the market (Arts. 8-9 of the Law on Protection of the Competition from 2003).

Issues related to the public aid are subject to the Law on Public Aid from January 2006 and under jurisdiction of the Ministry of Economy within the new Department of State Aid. The equalising fund that compensates for a price difference between electricity generated in the domestic market (lower value) and imported one (higher value) might be a subject to this law due to a fact that the government (and/or the KESH electricity utility) might be asked to provide subsidies to cover the difference due to variable hydrological conditions.

## **5. ENVIRONMENT**

Along ongoing negotiations of the SAA, Albania expressed its willingness to form a required environmental legal framework, especially by enabling public participation and start watching GHG emissions. Environmental issues related to building of the TPP Vlore have been analysed according to the EU requirements. The Kyoto Protocol is under jurisdiction of the Ministry of Environment. Albania is not a member of Annex 1, and there are no further requirements for Albania. With respect to the CDM Albania has started some work trying to get a benefit out of it.

Albania ratified the United National Framework Convention on Climate Change (UNFCCC) in October 1994 and it entered into force on 1 January 1995. As a party to the Convention, Albania has finalized and has submitted its First National Communication in October 2002. In December 2004, Albania's Parliament ratified the Law for ratification of the Kyoto Protocol.

## **6. RENEWABLE ENERGY AND ENERGY EFFICIENCY**

Albania has legislation on energy efficiency, but has not the one related to the renewable sources. By the time when the Law on Energy Efficiency was drafted, the dominant opinion in Albania was that the RES would need additional financial sources drawn from the government which by provisional estimations would not be able to provide them. Since more than 95% of electricity is generated by the hydro power plants in Albania, it was concluded in that time that the better idea would be to concentrate on energy efficiency. However, in general, there are plans to develop RES legislation in the future. The National Energy Strategy from 2004 contains several sections on the RES, mostly on the small HPPs, wind, and solar energy (not much on biomass). There is a KfW promoted program through the National Agency for Energy at the level of € 9 mil for further development of the RES (3.5 mil), energy efficiency (3.5 mil), and technical assistance for implementing agencies (2 mil).

The Law on Power Sector has a very few provisions related to future development of renewable or green energy. One of them states that when building new conventional thermal power plants, it is necessary to use 2% of RES. The Law on Power Sector gives provisions for small power plants which need simplified rules and procedures with respect to their treatment in the Grid Code and other documents. It is expected that the Grid Code

should give to such small power plants preferential treatment with respect to the network access.

The Law on Energy Efficiency has been enforced in April 2005 (drafted by Pierce Atwood) treating energy auditing, energy labelling, two-year energy efficiency planning and energy efficiency fund (not operable yet).

The Albania – EU Energy Efficiency Centre has been established in 1993 (4 experts, 1 economist, 2 support staff) as a consequence of taking obligations from the Energy Charter Treaty. The Centre has become a self-financed body after 2001 dealing with energy auditing, pre-feasibility and feasibility studies, training... It also participates in a variety of research and development programs financed by the EU in the fields of renewable sources (wind, solar, PV, biomass). The Centre intends to correlate these programs to the governmental programs directed towards the vulnerable consumers living in distant and rural areas.

So far, the bio-fuel topics have not been discussed extensively in Albania.

## **7. ENERGY INFRASTRUCTURE PROJECTS**

Having in mind that a strategic approach developed for South East Europe is aimed to create modern and efficient energy infrastructure networks which shall ensure that the energy system of the region can meet the energy demands of each country, Albania expresses its interest to participate in the realisation of prospective energy infrastructure projects in the SEE region, particularly in the gas sector.

The interconnections ITG and IGI (Turkey→Greece→Italy) in the framework of the eastern gas to Europe project are recognised as the closest ones to pass nearby Albania which seeks a status of a gas transit country. Albania's participation in the IGI project as a transit country is seen not only as an opportunity to promote development of gas market in Albania or its re-gasification, but also offers an added value in form of economic advantages to that project due to favourably shorter pipeline route from Greece through Albania into Italy. Additionally the pipeline could be constructed easier because of the shallow depth of the Adriatic Sea on this route. Possible accompanying storage facility (using existing depleted gas fields for underground gas storage facilities and by doing so construct such facilities at reasonable costs) could also be envisaged in a regional context. Also LNG terminals could be build in Albania if there should be a demand for such facilities.

However, a viewpoint of the electrical interconnection by the HVDC submarine cable to Italy (in pre-feasibility and feasibility phases) is somewhat different than the gas one. From Albanian perspective, such electricity interconnection is seen as a power drain from the SEE region into Italy which could further aggravate generation shortage in Albania and increase transmission losses. That interconnection would enable export of a generation surplus from the SEE region to Italy at prices higher than those valid in Albania. As the difference between prices for electricity in Albania and for electricity imported to Albania is covered from the compensation fund, there is a fear that the gap would be increased even further upon realisation of such project.

Currently, transmission interconnection of the OST with the neighbouring operators has been realised by one 400 kV line and two 220 kV lines. Plans for new transmission infrastructure include construction of the new 400 kV line Podgorica (MN) – Elbasan (AL) in two phases: 1) Tirana – Podgorica (in tender procedure, KfW/Fichtner support), and 2) Tirana – Elbasan (documentation is prepared, donation from Italy). Optionally, transmission line 400 kV Tirana – Kosovo has been studied by CESI through the World Bank financed feasibility study.

One of the most important targets for the OST is to become a full member of the UCTE. The UCTE has a technical committee for Albania which serves as a focal point for discussions of problems. Some requirements are fulfilled, and some still remain to be solved. For example, the mini-SCADA project has been realised overseeing complete 220 kV transmission network.

Another very important project that is underway is related to establishment of new national dispatching centre. The centre is expected to become operable by 2009 through donation from Italy.

Program for installation of metering equipment at the generation/transmission/distribution borders is also underway. It will enable the OST to precisely know a flow of energy between transmission and generation/distribution. In this way, a transmission fee and a billing for the KESH will get sound background.

## 8. CONCLUSIONS

Albania participates in the Stabilisation and Association Process (SAP). Negotiations for a Stabilisation and Association Agreement (SAA) started in January 2003 and are nearing completion.

The **energy** policy topics are under jurisdiction to the Ministry of Economy, Trade and Energy which is still in adjustments as it has got a new operational structure since January 2006. Now the Ministry is not only a policy maker, but also an owner of all assets. The regulatory authority regulates issues related to electricity market operation only. It prepares concrete rules for the tariffs (methodology and fees).

The **competition** authority is established in 2004 and supposed to cooperate with the regulatory authority on issues related to prevention, restriction or distortion of competition and abuse of a dominant position in the energy market. Implementation of the Transitory Market Model asks for a review of the legal framework (harmonisation with the Acquis), a restructuring of the KESH (the KESH unbundling according to the provisions of the Energy Community Treaty), opening of the market (electricity market design and opening), and consolidation of the transmission system operator (facilitation of the market opening).

In the **electricity** sector, the transmission system operator (OST) has been established in 2004 and there is ongoing work towards consolidation of the company which will be finished by the end of 2006. Assistance in re-evaluation of the KESH's assets began in 2003 and finished in May 2005. In 2006, for the first time, the OST has published its own development plan and program separately from the KESH. There are two main targets in the next period that need continuous attention and monitoring from the Government and the donor's community: 1) improvement of collection rate (currently 92-93%), and 2) decrease of technical and non-technical losses (currently around 35%).

In the **gas** sector Albania does not have many activities. Domestic gas fields are depleted and annual gas production has been decreased from 1bcm in 1982 to 0.01bcm nowadays. Therefore, there is no gas market in Albania, and consequently no gas regulatory framework and authority is put in place. However, the Ministry is prepared to transpose EU requirements into national gas legal and technical framework, which would enable participation of Albania in the regional gas network interconnection projects.

Along ongoing negotiations of the SAA, Albania expressed its willingness to form a required **environmental** legal framework, especially by enabling public participation and start watching GHG emissions. Environmental issues related to building of the TPP Vlore have been analysed according to the EU requirements. The Kyoto Protocol is under jurisdiction of

the Ministry of Environment. Albania is not a member of Annex 1, and there are no further requirements for Albania. Albania ratified the UNFCCC in October 1994 and as a party to the Convention, has finalized and submitted its First National Communication in October 2002. In December 2004, Albania's Parliament ratified the Law for ratification of the Kyoto Protocol.

Albania has legislation on **energy efficiency**, but has not the one related to the **renewable sources**.