

Albania exclusive: KESH Power company is preparing for new market model and new investments, says KESH administrator Agron Hetoja

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100% domestic production of electricity comes from hydro sources (about 90% of domestic production is provided by hydropower, which administers KESH energy company, and 10% from private manufacturers / concession), thus Albania is constantly exposed to hydrological risk says Agron Hetoja KESH Government appointed administrator. Energy market will have to changed and improved to prevent situations like with CEZ. KESH is preparing new investment proposals for new power generation facilities.

Hydrological situation improved during the spring made it possible that the demand for electricity supply to tariff customers was sufficient mainly with domestic production, thus enabling an improvement in the financial portfolio of the company for the period in question. If the third - the first half of 2014 in the cascade flows were about three times less than the average and if KESH had to import a quantity of around 1,200 GWh (or 83 million euros) for the entire year to satisfy demand tariff, provided that in the current annual imports reach no more than about 500 GWh (at a cost of about 20 million euros).

Water levels at the end of July, expected to be not less than 291 meters, which provides an optimal energy reserve to meet the country's demand for energy. However KESH monitors dynamic indicators of production and consumption in the country, in order to provide management with the efficiency of HPP on the river cascade and financial portfolio.

Financial situation of KESH: KESH is for the last 3 years with a very difficult financial situation, which is due to non-payment of electricity bills to distribution system operator (former CEZ Distribution), which buys electricity generated in the country from KESH and delivers it to supply tariff customers. This situation is reflected in the fulfillment of obligations of KESH, to third parties (private producers / concession society other suppliers, tax authorities, financial institutions, etc.). In the absence of liquidity becomes even more troubling debt accumulated KESH to commercial banks, thereby increasing the operating costs of the company.

By KESH, in cooperation with other operators and the Ministry of Energy and Industry are taking a variety of administrative and institutional measures to resolve this situation. These measures correlate with increased performance of the distribution system operator, and design of reforms in the electricity sector, which will be supported by the funding of foreign financial institutions, such as the World Bank.

What are some of the reasons that our energy system is in a state so difficult?

Under the current model of the electricity market, the generator of revenue streams in the

system is the distribution system operator. Low technical performance and commercial distribution system operator in the previous years, coupled with the lack of investment in the distribution network, unfortunately, is reflected in the activities of all operators of the electricity sector.

Also, the current model of the electricity market, applicable since 2008 onwards, does not provide for operators of the electricity sector incentives to increase the performance of their activity. Over the past years KESH has not only produced electricity supply tariff customers, but also to cover losses in the distribution network - the latter is a legal obligation of the distribution system operator and not the KESH. On the other hand, KESH, has an obligation to meet hydrologic risk associated with the production of electricity. Fulfilling this obligation becomes increasingly difficult for KESH in terms of lack of liquidity. Also, the dependence of the company KESH, by a single customer (distribution system operator), it provides flexibility in managing its financial portfolio.

These are more than enough reasons to undertake the necessary reforms in the electricity sector, which will allow the gradual opening of the electricity market and will orient towards the vision of companies operating in the market. Prerequisite to the success of these reforms is and will remain the growth performance of the distribution system operator.

Energy Regulatory Authority is the institution that licenses, regulates and monitors the activities of operators in the electricity market.

I mentioned that KESH, has undertaken a series of institutional measures in order to solve the difficult situation in which the KESH Steadily have followed in ERE concerns and reasons above, that ERE, with authority that gives the primary law for the electricity sector, to take appropriate administrative actions and regulatory. Also, the ERE have sent concrete proposals regarding necessary changes in the bad deal - the purchase of energy between KESH and Distribution System Operator, which aim to "discipline" the contractual relationship between the two operators.

The role of the ERE is important not only in regulating or resolving disputes between two operators that a regulated activity in the electricity sector, but also in the whole performance of the electricity sector and progress of reforms needed to be "undertaken".

Distributor company is back again in state ownership after CEZ quits. How do you see the current situation of the company and its immediate future?

"The situation in which the sector, it was the best solution that can be achieved. I hope to restructure contractual relationships with KESH Distribution System Operator for the fulfillment of mutual obligations.

As mentioned above, the performance of this company is the "Achilles heel" in the whole process of reform of the electricity sector is expected to be taken. Therefore I am confident that the return of the ownership to state will pave the way for investment in the distribution sector and reforms to transform it into a profitable company. "

One challenge remains to increase power generation. How KESH behaves in this regard and what are the difficulties?

"The mission of the company is to transmit its clear orientation towards the maintenance and increase of production capacities in order to increase the security of energy supply and integration into the regional energy market.

Besides investment projects to increase the safety of dams in the river cascade, KESH is currently considering options for investment:

- Restoration of Vlora Power plant operation and work opportunities for converting the technology based on "burning diesel" in "burning gas". For this is a draft action plan, which was presented to the Government and Financial Institutions that have funded the construction of the TPP. Currently we are in the process of selecting the consultant for this purpose;

Skavicës Hydro-building, as part of existing on the Drini River cascade. Some Asian companies have expressed interest to support the construction of this work. Since the Albanian Government and KESH not afford to build this strategic project for the country, and in conditions where the award process has failed its concession, AEC is considering options for a new model to support this investment. "

Electricity Market in Albania should be oriented towards an open and competitive market, which will provide quality services to Albanian consumers, based on the principles of respect of human rights and mutual contractual obligations concluded Agron Hetoja.