

In order to receive the 150 million USD loan for the stabilization of energy system Albanian government initiated the set of electricity market changes.

The general purpose of the Regulatory Statement, approved in Albania firstly by the decision no 12, dated 03.03.2009 of the Board of Commissioners of ERE, was to make possible the calculation of tariffs of publicly owned generation, wholesale supply, distribution and retail supply in accordance with the relevant tariff methodologies approved by the ERE.

In regard of regulatory periods, ERE decided that the ones from January 1, 2009 to December 31, 2009 is to be consider as a transitory period, during which, there will be no change of current tariffs, as defined in the decisions No 21, dated on February 14, 2008. This will enable the investor to evaluate the situation within Electricity Distribution Operator (OSSH) and prepare the application for review of new electricity tariffs not later than September 30, 2009, which will be effective on January 1, 2010.

Then, the first effective regulatory period started by 1 January 31, and the second goes from 1 January to 31 to December 2011 and the third 1 January 2012 to 31 December 2014. The following regulatory periods have to be by 3 to 5 years term. According to the above Tariff Schedule, until June 30, 2014, the ERE have had to approve a Regulatory Statement for the regulatory periods following 2014. For the avoidance of doubt, the new Regulatory Statement shall continue to include the Compensation Mechanism.

Due to the prolong dispute, with the Cez Company, Albanian Power Regulator postponed the date of the determination of new tariff of electricity by 1 January. Then on 26 December 2014, ERE-s Board of Commissioners, after reviewing the application of OSHEE to determine the electricity distribution tariff of the distribution system users for 2015 and the report prepared by Prices and Tariffs Directory, decided, with starting from 1 January 2015 the electricity retail sale prices for tariff customers will be 9.5 Lek/kWh. The previous paying scheme predicted that householders who consumed less than 300 kWh of electricity paid 7.7 Lek/kWh and 13.5 Lek/kWh.

The rates went up for business consumers where the price was determine based on the level of connection, rather than consumption. In regards to business users tariff, ERE announced that businesses that use 35kV electricity will pay 9.5 Lek/kWh, businesses that use 20, 10, and 6 kV electricity will pay 11 Lek/kWh (except bakeries - 7.1 Lek/kWh) and those using 0.4 kV electricity will pay Lek/kWh (except bakeries - 7.1 Lek/kWh).

ERE-s Board of Commissioners, on its meeting, decided also that the tariff of electricity distribution service for the distribution system users, with enters into force on 01.01.2015, in the voltage level of 35 kV will be 1.5 Lek/kWh and the electricity distribution service average tariff for the distribution system users from January 1, 2015 will be 4.79 Lek/kWh and the transmission tariff of electricity for TSO in 2015, will be 0.65 Lek/kWh.

In more, the electricity tariff for wholesale public supplier in 2015 will be 3.0 Lek/kWh. The

ancillary services tariff for 2015 of KESH Company will be 158 Lek/kWh. Regarding the application of Albanian Power Corporation (KESH) to determine the electricity generation tariff for 2015, the decided electricity generation tariff will be 1.45 lek/kWh. After reviewing the report submitted to determine the price to sell electricity for the licensees that generate electricity from new and existing hydro power plants with installed capacity up to 15 MW, for the years 2013 and 2014, the decided, the unique price of selling electricity for the licensees will respectively be 9.73 lek/kWh, 7.95 lek/kWh and 7.53 lek/kWh. KESH company shall afford the financial effects of this decision.

According to the experts from ACERC, this review is necessary due to the fact that the MEI has issued 164 concession agreements to build around 500 small, mid-size and big hydropower plants. Some of the new utilities are already connected to the grid, while others are in the construction phase. As a result, private production reached 0.916 TWh last year and is expected to grow even more along 2015. Then the government sees necessary a more realistic formula for the purchase price of electricity produced by a hydropower plant built through a concessionary agreement. The new formula is based on the average price of the Hungarian electricity exchange (HUPX) plus a bonus of 10%.

Some of the Albanian industry representatives argued that the rise of power prices for business consumers is wrong and will affect the national economy in the long run. In the experts' opinion, restructuring of the energy fee without making it a burden until now subsidised consumer is a rather hard job, but taking it to fair parameters is above all a contribution to the future, a contribution to investments in the energy system and energy security. Moreover, the reform implementation was necessary in order to take a 150 million USD loan from the World Bank.