

# Albania: Will EBRD loan have impact on the price of electricity?

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The Ministry of Finance announced that the loan of the European Bank for Reconstruction and Development, worth EUR 218 million, will be paid directly to the company KESH when the conditions are met in accordance with the contract. One of the conditions is related to regulated prices, as well as to wholesale prices.

The government is taking final steps in the process of market liberalization, but public companies OSHEE, OST and KESH are fighting over who will achieve most of the profit. On the other hand, a contract on guarantees for the loan of EUR 218 million foresees, in addition to liberalization the review of regulated prices.

Liberalization requires companies to trade in goods and services at liberalized prices, in conditions when prices for end-users will not change. This means that profit from electricity sales is equally distributed and that no company subsidizes another. It seems that this situation is convenient for the KESH company, given that the EBRD requires that KESH has high financial indicators, which may be achieved only if the company increases the price at which electricity is supplied to distribution network operator.

KESH currently sells electricity to OSHEE company at a price of EUR 0.01 per kilowatt. However, with market liberalization, OSHEE will sell electricity acquired from KESH, to high voltage consumers at import prices.

Energy Regulatory Entity (ERE) has concluded that OSHEE made ten times more profits in 2015 than ERE foreseen when it approved new prices in 2014.

Agron Hetoja, CEO of KESH, said that the price of one kilowatt-hour should be EUR 0.02 in order to cover costs of depreciation and loan repayment.

He added that it is logical that in a liberalized market, most of the profit goes to the seller of goods, and smaller portion goes to service provider.

The CEO of OSHEE, Ardian Cela says that prices for end-users are known. Energy Regulatory Entity has its own methodology for the price calculation that was approved by the Government. Distribution will not increase fees. He adds that he proposed that OSHEE pays for the part of EBRD loan.

Cela claims that the Ministry of Energy is negotiating so that revising tariffs would not affect the end consumers and to find a suitable solution for everyone.

At the end of last year, the Assembly ratified the agreement between Albania and EBRD for

the loan worth EUR 218 million for the company KESH, in order to return expensive loans from commercial banks, thus creating conditions for the national budget to be released from the government guarantees for these loans.

The loan has not been repaid yet, and the requirement concerning regulated price, and refers to "revision of regulated prices for electricity production and prices on the wholesale market in line with long-term power purchase agreements between KESH and OSHEE, with the amount of income from KESH fees", encouraged public debate, given that in accordance with the law revision of the price falls within the jurisdiction of the Regulatory Authority ERE.

The new Energy Law, adopted in 2015, obliges the companies to work at market prices and this reform includes electricity production.