

THE ENERGY IN ALBANIA

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NEWSLETTER

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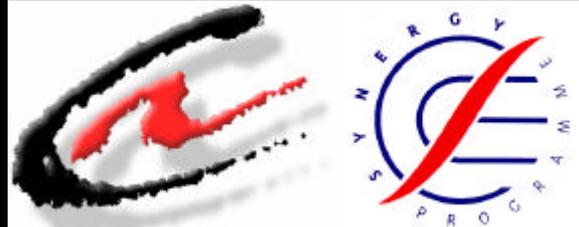
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POWER SECTOR POLICY STATEMENT (A Summary of Core Issues)

1. Introduction

The Energy Sector is one of the most important components of the infrastructure in our country and electricity remains the main energetic resource to fulfill the growing demand of industrial consumers, service sector and population. The high rate growth of electricity consumption in all economic sectors, especially the tremendous growth of consumption of this energy source in the residential sector, in addition to the lack of new generating capacities in the last 15 years, have put in serious difficulties our Power System to provide a normal electricity supply to consumers, leading it to limits of a crisis during the last two years.

The high electricity consumption especially for electric space heating, has diverted a valuable resource away from commercial and industrial uses that would otherwise create jobs and contribute to economic growth. In addition of difficulties to supply electricity to customers, KESH has been in financial distress and would be unable to meet operating expenses in the absence of the Government subsidy. Its financial difficulties are due to high technical power transmission and distribution losses, high non-technical losses, poor bill collection and below cost tariff rates.

Starting from the end of 2000, KESH has operated based on two-year Action Plans, which have

yield positive results, especially in reducing non-technical losses and improvement of collection rates. Despite this, it was considered necessary by the Government to work for further and concurrent reforms in sector organization, regulatory framework and policy direction.

Recognizing the seriousness of the current crisis and the desirability of having a coordinated, integrated and rational energy policy with the institutional infrastructure to implement that policy expeditiously and efficiently, the Government of Albania approved by the Council of Ministers Decree No. 171, dated April 19, 2002 a Power Sector Policy Statement. This document was developed with the assistance of foreign donors as USAID and WB.

2. Policy Statement Objectives

In the statement it is emphasized that the goal of the Power Sector Policy of the GoA is to develop an electricity market that provides for reliable, safe, and adequate electric supply at reasonable prices in an economically and environmentally sound manner and in accordance with accepted commercial and market principles and the rule of law. To accomplish this goal, six principal objectives must be attained: 1.- A financially and technically strong electric industry; 2.- An effective and transparent legal and regulatory framework; 3.- Restructuring of KESH through appropriate unbundling into separate distribution, transmission and generation enterprises; 4.- Clear market rules and processes for financial settlements; 5.- Significant private capital and investment by experienced strategic investors through implementation of privatization in addition to the assistance provided by the international donor community; and 6.- A competitive electricity market consistent with the European Union's requirements for reform of the electricity sector (Directive 96/92 EU) and Albania's commitments under the Thessaloniki Agreement.

3. Core issues

Albanian Power Sector Policy Statement sets forth a series of steps that will transform the Albanian electricity sector and result in a strong, commercially-viable power supply market that will deliver power reliably at affordable costs to customers. The thrust of the Statement is to initiate institutional reforms that will more clearly define the policy-making and regulatory roles of various government entities and create a market structure that will strengthen commercial operations through privatization and attract needed private investment.

Under the Statement, the Albanian Government is committed to begin to implement the necessary legal and regulatory reforms and strengthen the Electricity Regulatory Authority (ERE) keeping the Government out of exercising regulatory activities. Rationalization of electricity tariffs is considered as one of the most critical and crucial reforms for future development of Power Sector. In order to minimize the effects of this reform, the Statement requires the Ministry of Labor and Social Affairs and the Ministry of Finance, to create a mechanism to ease the impact of rate increases upon low-income levels for established minimum levels of service. Statement envisages approval of legislation requiring the Ministry of Industry and Energy to prepare, through the National Agency of Energy, and submit to the Council of Ministers a comprehensive national energy

strategy relating to all energy sub-sectors and monitor, review or update periodically specific elements of that strategy.

Government is committed to propose the necessary legal acts which would require preparation of a comprehensive energy conservation plan proposing demand side measures for all consumer groups, promotion of measures to restrain uneconomic uses of electricity by sending correct price signals as well as enhancing the use of fuels, especially LPG and kerosene, as alternative sources for heating and cooking.

One of the main objectives of the Statement is creation of a financially and technically sound electricity industry. To achieve this, the Government is committed to support KESH in its efforts for improving collection rates and for reducing technical and non-technical losses. Statement envisages unbundling of KESH according to generation, transmission and distribution functions in view not only of having a better management of this sector, but also of creating of an open and competitive market in electricity generation and supply services. Statement requires adoption of regulations providing for third party access to transmission and distribution facilities on a fair, non-discriminatory basis. In this framework it is important the preparation and adoption of a grid code, providing for the reliable and stable operation of the transmission and distribution networks, and power system dispatch.

These market rules and procedures shall be in harmony with the European Union Directive 96/92 regarding electric sector market opening and access. When retail competition is introduced, eligible customers, as defined by the ERE, will be permitted to contract directly for their own sources of supply. Only large consumers will be eligible at first. Consistent with the opening of the generation and supply market, the rules will permit regulated third party access in accordance with the dominant practices in the EU and the proposed EU Directive changes.

4. Conclusions

It is important to emphasize that despite the Power Sector Policy Statement represents an important step forward towards reformation and improvement of this sector, its implementation in practice will be difficult. This documents needs to be followed up with a complete set of legal and by-legal acts creating the necessary framework based on which Power Sector shall be developed. Signing of the Athens Memorandum of Understanding on the Regional Electricity Market in South East Europe and its integration into the EU Internal Electricity Market put in front of Albanian Government and all institutions dealing with energy, challenges which require a greater commitment than that required under Policy Statement to meet the objectives of this reform.



Zija KAMBERI
Energy Consultant

WORLD RENEWABLE ENERGY CONGRESS VIII

1. Congress Mission Statement

At no time in modern history has energy played a more crucial role in the development and well-being of nations than at present. The source and nature of energy, the security of supply and the equity of distribution, the environmental impact of its supply and utilization, are all matters that must be addressed by suppliers, consumers, governments both rich and poor, industry, academia, and financial institutions.

The World Renewable Energy Congress (WREC), is the premier forum for networking between these sectors. The Congress addresses these issues through the organization of a regular meeting and exhibition that brings together representatives from countries around the world to discuss the development of energy sources that are secure, sustainable, accessible and economically viable. WREC enables policy makers, researchers, manufacturers, economists, financiers, government officials and others to present their views in plenary and technical sessions and to participate in discussions, both formal and informal, thus enabling the transfer of knowledge between nations, institutions and individuals. Following the Congress, WREC facilitates the dissemination of the latest achievements in policy, research and applications through its publications and Web site.

2. First Announcement and Call for Abstracts

Abstracts are currently being accepted. All abstracts must be written in English and no more than one page in length. The Congress Topics are listed below.

- Solar Energy,
 - Photovoltaics,
 - Solar Thermal,
 - Solar Materials.
- Wind Energy,
- Geothermal Energy,
- Distributed Energy and Electricity Reliability,
- Biomass Conversion,
- Industrial Technology,
- Vehicle Technology,
- Hydrogen, Fuel Cells and Infrastructure Technologies,
- Low Energy Architecture and Building Technologies,
- Energy Policies.

The key dates are:

- Nov. 30, 2003 - Last date for receiving abstracts,
- Jan. 30, 2004 - Last date for acceptance of abstracts,
- Apr. 30, 2004 - Last date for receiving full paper.

Please send, preferably by email, to:

Ms. Anna Talamantez,
National Renewable Energy Laboratory
1617 Cole Boulevard Golden, CO 80401-3393, USA.
Email: wrec@nrel.gov
Tel: 1-303-275-3668, Fax: 1-303-275-3097

3. Congress Organization

Congress Chair: Dr. Stanley Bull, NREL, USA.
International Advisory Committee Chair and Congress Co-Chair: Prof. Ali Sayigh, WREN, UK.

Technical Program Committee Chair:

Dr. Larry Kazmerski, NREL, USA.

Organizing Committee Chair:

Mr. Robert Noun, NREL, USA.

Congress Exhibition Contact: Ms. Nancy Jo Wiggin,
Director of Sales,

Infinity Expo Group, 4 Research Drive
Shelton, CT 06484

Tel: 203-925-0004, Fax: 203-925-0003

4. General Information

Congress Location: Denver, Colorado, Marriott City Center Hotel.

Congress Registration: Pre-registration for this conference will be required. The registration fee for the World Renewable Energy Congress VIII will be \$400 (\$500 after June 15, 2004). Students with a verification certificate, \$150; members of WREN, \$300.

Registration information is available online since May 2003 at www.nrel.gov/wrec.



Dr. Eng. Edmond M. HIDO
Member of International
Steering Committee

NATIONAL STRATEGY OF ENERGY

First Part - Preparation of NSE

The development strategy of Energy Sector is a document that analyses actual situation and recommends actions and changes which must be undertaken in the future. It analyses and involves all necessary changes that must be undertaken to increase the supply reliability and optimization of energy sources to meet demand in order to achieve the sustainable development of whole economy. The new strategy of Energy Sector, being essentially national necessities well turned, ensures sustainable development of the whole economy as we mentioned above, and at the same time realizes environment protection throughout the cycles of energy sources utilization. Development strategy of energy sector will be part of general strategy of Albania economic development.

Naturally, the term "Energy Strategy" has a different meaning in centralized economy and trade market, too. To fulfill the mission, in order to have a sustainable development of whole economy sector, it require all objectives and necessary fiscal measurements determination, hereby of whole measurements strategy absolutely well-defined in time and relevant investments. Also, the energy strategy is a necessity to fulfill our country obligations against Regional Electricity Market in South East European Countries, to fulfill all the international obligations related to the environment protection and to integrate and converge the Energy Sector development in

accordance with EU Directives, to enable the Albanian association in European family.

Development strategy of Energy Sector includes the technical, financial, economic, legal, organization and institutional, environmental directions and continuous training of specialists, in order to prepare all the necessary framework to integrate the Albanian electricity system in unconstrained way in regional electricity system and European one. During the energy strategy preparation are taken into considerations a lot of issues and many other important questions are given answered as below:

- What are the national interests that should be protected and how?
- How they should be spread in different energy subsectors? (oil, hydroenergy, natural gas, wood sources, etc.)?
- How we are going to rise the competition and market opening towards to customers without avoiding state responsibilities for energy system function and supply reliability?
- Which will be the necessary conditions that must be determined and completed at proper time in order that the Albanian electricity system be merged with EU one?

Although the scenarios are based on the well-known soft LEAP, National Strategy of Energy is conceptually unique, because it's adapted with Albanian actual situation, as there are not similar solutions for all cases. South-Eastern European countries, including Albania, will be involved in EU energy market, taking into account the energy sector specifics of each country, based on the principles of Energy Charter Treaty and Directive 96/92 of Electricity.

Although it has been difficult to forecast exactly what will be the characteristics of this future development, some directives, which has get out as result of full length historic analysis for our country, as well as similar ones, has high opportunity to happen in the future:

- Future energy system must be oriented to wards the customer,
- Future energy system must be more diversified related to all resources and energy technologies consumption,
- More attention related to energy efficiency consumption,
- All the technologies used for necessities fulfilment must be based on lower cost principle, energy supply reliability and environment protection.
- The renewable energy sources should be encouraged to enable the maximum utilization of local resources.

Energy Sector strategy is developed as a national one, that has in base of it, national and customers interests. None of private priorities entire or partially, will not be taken into account above national interest. This important issue, has become concrete during the compiling of concept for electricity trade development, oil and its by-products, natural gas, in which, public function will be clearly and definitely separated by private enterprises function, having as base objective the reformation of energy markets. As a consequence, state ownership remains in transmission of electricity, natural gas infrastructure, based on non-discrimination and neutrality principle towards anyone that will buy or sell energy, based on Albanian Constitution.

The strategy of energy will analyse three main issues:

1. Energy supply-demand situation till 2015,
2. Institutional structure of Energy Sector,
3. Financial package arrangement and time schedule of each measure implementation, based on proposed recommendations by National Strategy of Energy.

The objective of Energy Strategy is the development of an effective Energy Sector that will:

- Guarantee the supply security with energy sources in general and with electricity in particular,
- Promote efficient, economic consumption with low environment impact, in such manner that Energy Sector will support a sustainable development of economic and social sectors.

The main objective of National Energy of Strategy is:

- "Energy sector reconstruction based on trade market principles and development of a comprehensive energy policy."

Immediate objectives of National Energy of Strategy are:

- Fulfillment of all obligations of Power Sector Policy Statement, approved by Albanian Government on April 19, 2002.
- Fulfillment of all obligations of 2 years KESH Action Plan.
- Reduction of energy consumption, structuring electricity tariffs in their cost based level, in parallel with gradually improvement of quality and continuity of electricity supply.
- Secure favorable conditions for increasing electricity import.
- Promotion of alternative sources such as LPG for space heating and cooking.
- Intensification of efforts on rehabilitation of both Drini and Mat cascades, small Hydro Power Plants, and rehabilitation of transmission and distribution networks.
- Rehabilitation with new technology of TPPs of Fier and Ballshi with HFO and RHO.
- Acceleration of efforts for financing of Vlora TPP, (first unit).
- Intensification of efforts in collaboration with foreign companies, to increase production in existing oil and gas fields within economical rentability.
- Reduction of diesel and gasoline consumption in transport sector through drastic measurements application, related to targets of environment pollution as EU Standards.
- Acceleration of institutional reform to secure more focus on strategic and demand side energy measures planning, including support to apply the recommended efficiency measurements in household, service and industry sector. Institutional reform must be supported on specific laws of other Energy Sectors.
- Enforcement of Electricity Regulator Entity as an independent unit and administration of the sector through expansion and consolidation of National Agency of Energy.



Dr. Eng. Besim ISLAMI
Chairman
National Agency of Energy