ANNUAL REPORT

Power Sector Situation and the ERE's Activity for 2011

Presentation of the Chairman

Chairman's message,

Nowadays the energy sector is one of the most important sectors with direct effects on the every citizen's life and business and on the country's economic and social development.

The main objective of a public entity such as the Energy Regulatory Authority is the securing of a reliable, qualitative and with reasonable cost for the Albanian customers complying with the country's environmental policies. In order to reach this objective, our institution during 2011 as in other previous years in its activity is focused on establishing and developing a competitive, financially sound and transparent market ensuring its monitoring and regulation. While exercising its competencies and responsibilities, the Authority in compliance with the provisions of the law no. 9072, date 22.05.2003 "On power sector" as amended and the law no .9946, date 30.06.2008 "On natural gas sector", has aimed the balancing of interests of electricity customers, private investors and of the Government taking into consideration the Albanian Government's policies for a reliable supply of the Albanian customers with energy.

In addition of a detailed information regarding the ERE's activity for regulation of energy sector, this report provides a general overview of this sector in the Republic of Albania including information on latest developments, the energy sector challenges especially after the privatization of the electricity distribution activity, reconfiguration of the market, and the financial and functional unbundling of power generation, transmission and distribution activities.

During 2011 a substantial progress has been marked in one of the main pillars of the Regulator's activity that of customers protection establishing for the first time specific rules on minimum standards of service quality for the distribution and supply of electricity.

The year of 2011, marked important steps in the frame of the country's commitment under the Treaty Establishing the Energy Community especially with respect to the liberalization of interconnection capacity market and its orientation towards the competition of the market participants in interconnection capacity allocation auctions.

An important development was the further liberalization of electricity retail market as stipulated by the latest amendments of the end of 2011 of the law no.9072, date 22.05.2003 "On power sector" as amended. According to these amendments, all customers connected at high voltage (110 kV and above) and customers with an annual

consumption higher than 50 million kWh shall be supplied by qualified suppliers licensed by the ERE.

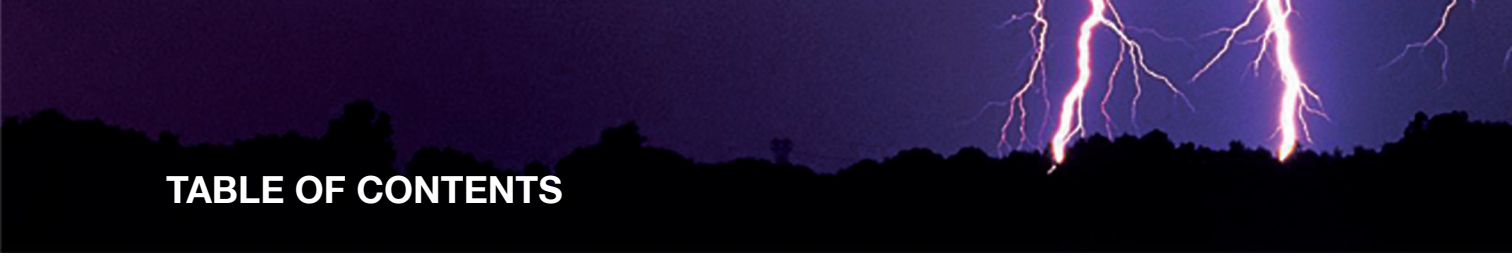
With the goal to increase the security of supply and in frame of creating an attractive climate by the Albanian Government for the new investment in this sector, the ERE has licensed the domestic and foreign companies based on criteria and procedures securing an equal treatment of all investors in compliance with the effective legislation.

With respect to the natural gas sector, the ERE in view of the regional and European developments in this important sector also for Albania, has worked on establishing clear and transparent regulatory framework necessary for carrying out concrete projects for natural gas supply of the country and the region and its diversification. ERE has worked in particular with TAP project as one of the alternatives of connecting our country with the regional gas network and supplying with gas the country's economy, which has as the final goal the minimization of energy costs for Albanian customers.

In performing and carrying out its institutional duties and responsibilities entitled by the law, the ERE continued to be assisted by the international institutions, in particular the Energy Community Secretariat and USAID, whose assistance has consisted in providing the institutional support for facing the challenges of the development of the energy sector, and strengthening the institutional capacities.

With the conviction that such reports serve not only to provide an overview of the current situation of the sector, but also to enable the learning of the policies and visions of the responsible energy institutions, we do hope that this report shall be useful for the public and all interested parties.

Sincerely,
Sokol Ramadani



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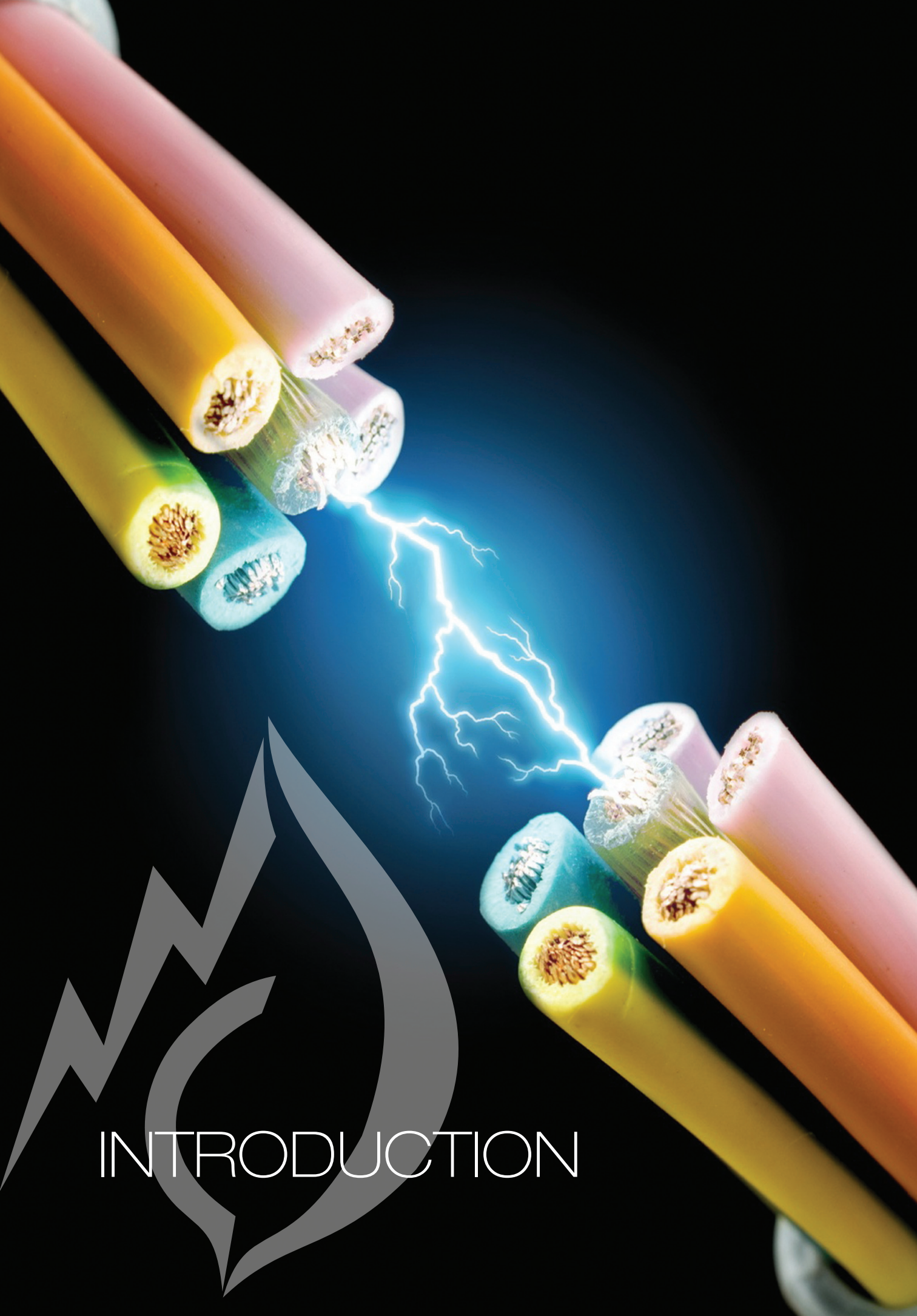


INTRODUCTION

INTRODUCTION

The Energy Regulatory Authority (ERE), is a public entity functioning based on the law no.9072, date 22.05.2003 "On power sector", as amended, and the law no.9946, date 30.06.2008 "On natural gas sector". In compliance with this legal framework, the ERE functions as a public legal person with the seat in Tirana, and is composed by the Board of Commissioners and the technical staff. Board of Commissioners is the decision-making body of the institution and it is appointed by the Albanian Parliament. The ERE has the responsibility that within March 31 of each year report on the situation of energy sector and the ERE's activities for the previous year.
The activity of the ERE as an independent institution in energy sector consists in these main directions:

- Licensing the companies carrying out an activity in the electricity and natural gas sectors.
- Setting retail and wholesale electricity tariffs and the tariffs for connection and access in the natural gas networks and storage or LNG facilities.
- Protection of electricity and natural gas customers' interest.
- Monitoring and supervising of contracts and services of the licensees, and the security of supply of energy.
- Approving grid functioning codes and metering codes and regulations or other secondary legislations in energy sector.
- Promoting the efficiency, competition and improvement of service quality in energy sector.

I. ERE's Organization Structure

For fulfilling responsibly its duties and functions provided for by the law, the ERE's organization structure is composed by three units:

a - Board of Commissioners
b - Technical staff
c - Supporting staff

The actual organization structure of the ERE reflects the decision no.181, date 5.05.2008 of the Albanian Parliament. ERE's organization structure and competences are similar to its homologous regulatory authorities from the countries of the region or furthermore. However, it should be underlined the need for completion and increase of the number of staff in order to fulfill the duties and responsibilities that continue to become more challenging in the view of the developments in the electricity and natural gas markets, strengthening of the regulator's role in monitoring of licensees, service standards provided by them, and in frame of the commitments of our country for the ultimate goal of integration to the European Union.

II. Board of Commissioners

The Board of Commissioners is composed by the Chairman and four members who are appointed by the Albanian Parliament for a 5-year term. The ERE's Board of Commissioners is the decision-making body for all regulated activities in the power and natural gas markets.
Board expresses its opinion in all problematic it deal with through deliberations that are adopted in meetings open for the public. Notice for the date and time of the meeting is published in the ERE's official website and announcement board. Board's meetings are audio recorded.

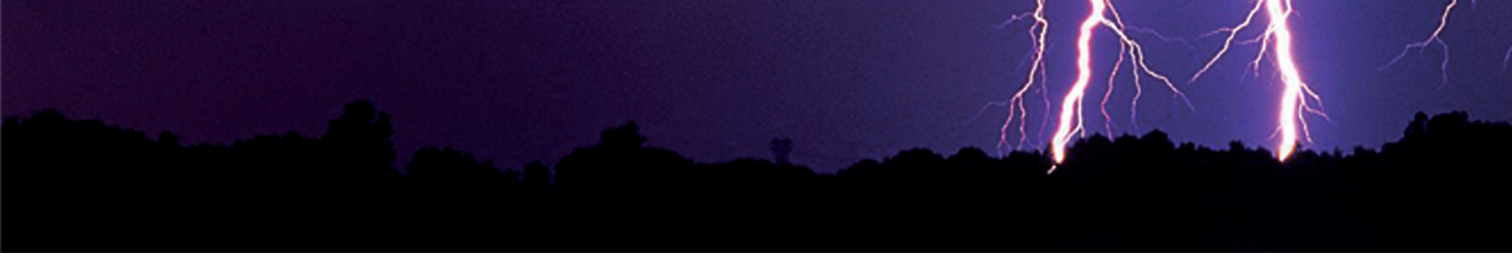
Commissioners	5
Technical and Supporting Staff	27

During 2011, the Board of Commissioners met in 44 deliberative meetings, where some 162 decisions were taken. In addition of deliberative meetings, the Board has organized a number of informative and consultative meetings whenever it was necessary. In the appendixes of this report are provided the decisions for the main issues taken during 2011.

Technical Staff:

In the ERE's technical staff are hired specialists with the respective education according to fields presented in the table below:

No.	Education in fields (Engineering, Economic, Law)	Number of employees
1	Master Degree	7
2	University studies (Bachelor degree)	17



Technical staff is organized in three departments and one office:

1. Department of Electricity Prices and Tariffs, with 5 employees.
2. Department of Licensing and Monitoring, with 7 employees.
3. Department of Legal Issues and Customer Protection, with 5 employees.
4. Office of foreign relations, with 1 employee.

In total are18 employees.

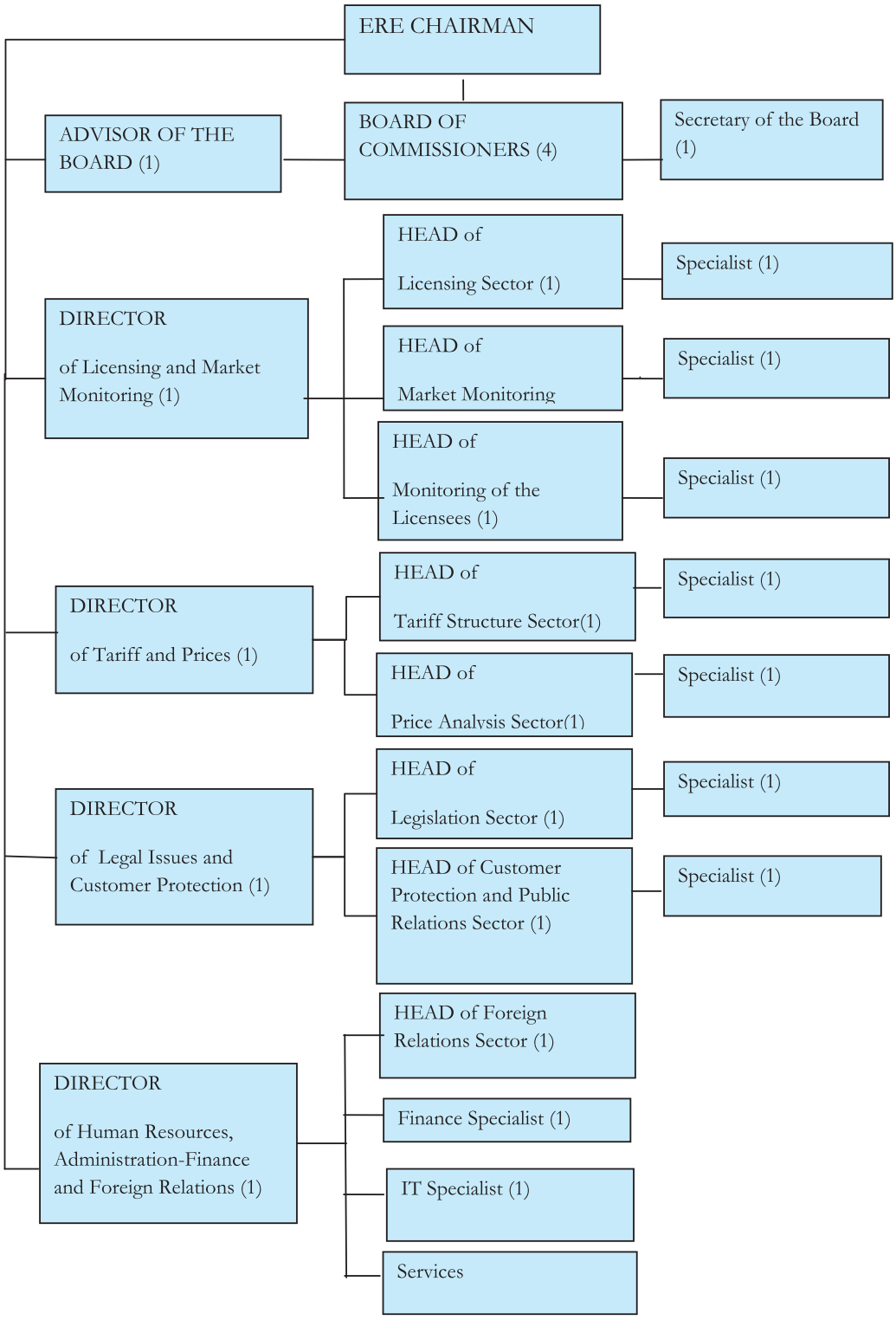
The supporting staff is organized in the Department of Administration, Finance and Human Resources with a total number of 7 employees.

All technical staff speak English language and a considerable number of staff speak at least one more foreign language. From 27 employees of technical and supporting staff, 16 from them or 55% are females. Females occupy 20% of the decision-making positions and 50% of the managing positions of staff. Three employees of ERE teach as external professors at the universities.

All decision-making personnel has been trained in the specialized European schools for energy regulation. The same trainings have been provided to the managing and other technical staff following the same schools with different programs for junior and senior specialists.

Expenses for qualification and training of personnel have been partially covered by ERE's budget and partially were sponsored by the European and American Regulatory Associations such as ERRA, NARUC, and MEDREG, with which a cooperation already exists. ERE is in possession of logistics based on advanced concepts and technologies. The working environment is equipped and built in order to create the optimal conditions for the achievement of objectives by each employee.

Organizative chart of ERE



PART I
CHAPTER I

1

Regulation of Electricity Market

1. Electricity Market

Albanian electricity market functions based on the Electricity Market Model approved by the decision of the Council of Ministers no.338, date 09.03.2008, as amended. This model is developed in compliance with the European Union Directives and the requirements of the Energy Community Treaty establishing the Regional Electricity Market.

Albanian Market Model was designed to advance the Albanian Government policies for reformation of power system and in particular for privatization of electricity distribution sector in short-term period. The aim of the model is to create a simple, regulated, transparent and balanced electricity market based on the bilateral agreements.

Another important principle of the Market Model, which protects tariff customers and increases the electricity security of supply, is that of using the domestic hydro power generation in favor of tariff customers. This principle is specific for the conditions of Albania where more than 95% of domestic electricity generation comes from the existing HPPs with low cost.

Other objectives that the Market Model tries to reach are enhancing the efficiency and viability of the power sector by ensuring sufficient flows of information about the operation of the market and creating a clear structure for electricity market transactions.

In Figure -1- is presented the schematic of the electricity market structure.

In order to have a clearer picture on the scheme of electricity supply to customers and the jurisdiction borders of each company operating in the power system of our country such as KESH-Gen.sh.a, OST sh.a. dhe CEZ Distribution sh.a, (generation, transmission and distribution), in Figure -2- is provided an illustrative scheme.

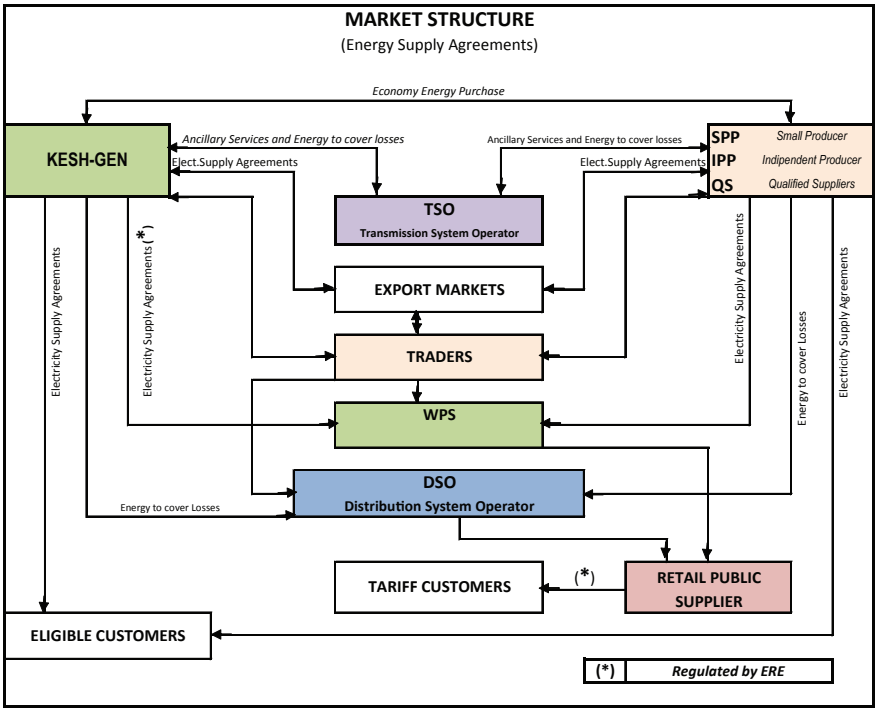


Figure Albanian Market Structure

POWER SYSTEM SCHEME

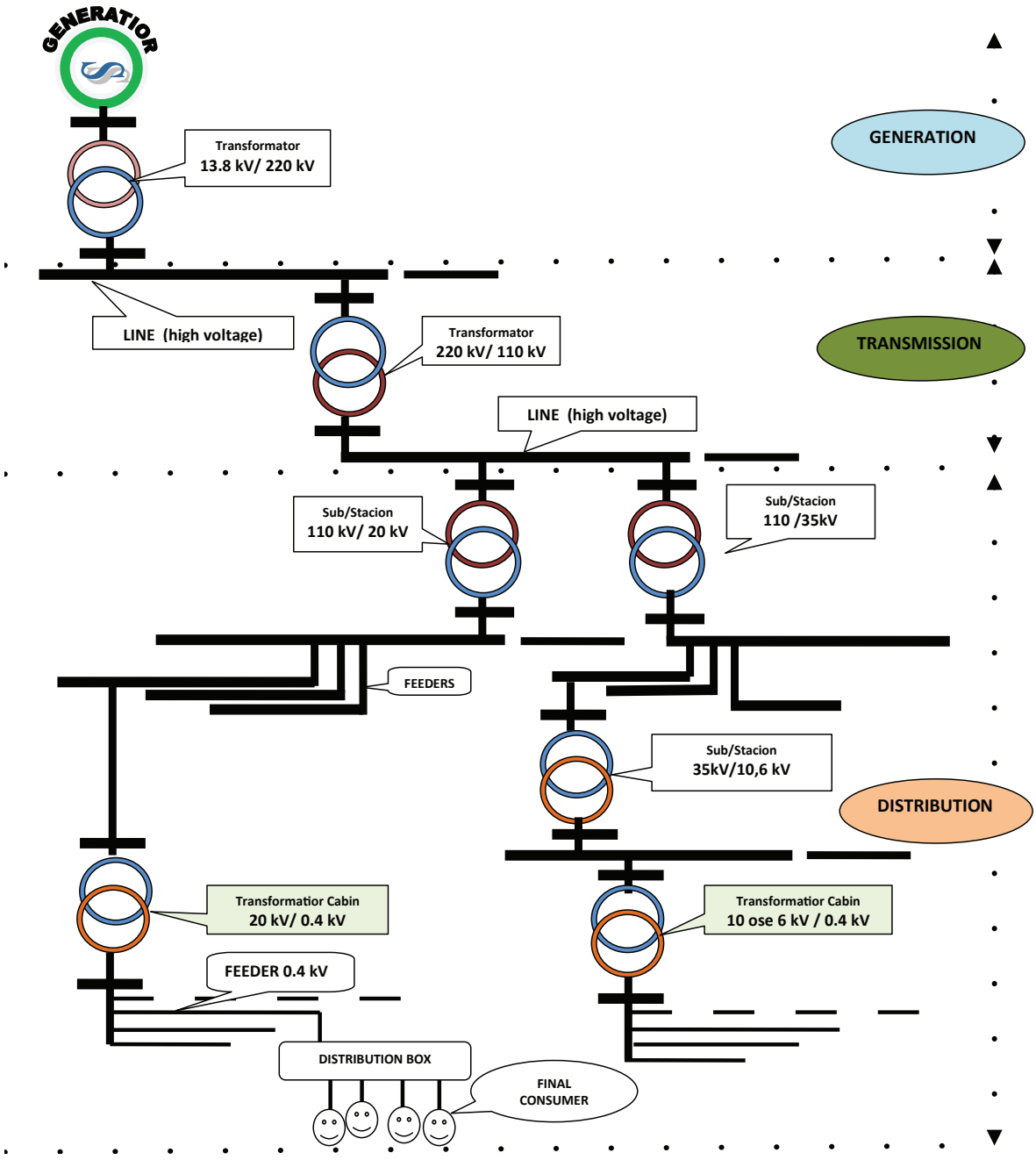


Figure 1 Power System Scheme

2. Production of electricity

Production of electricity realized by the public company KESH-Gen and private producers that are owners of power plants and also private producers that have taken by concessions the power plant from the state, or that have signed a concessionary agreement with the Government for the construction and exploitation of the new plants.

2.1 Public production of electricity

Public production of electricity is carried out by the shareholder company KESH-Gen with 100% of shares state-owned and the company "TEC-Vlora" also with 100% of shares state-owned, which is part of KESH holding.

In table -1- it is shown the structure of electricity plants for public production where the total installed capacity is 1,531 MW, from which the installed capacity for HPP's is 1,433 and TPP's 98 MW. Considering also the total installed capacity of private producers of electricity of 42 MW, the total installed capacity in our country is 1557 MW.

Power Plant Features	PUBLIC POWER PLANTS								
	Fierza HPP	Koman HPP	V.Dejes HPP	Ulez HPP	Shkopet HPP	Bistr.1 HPP	Bistr.2 HPP	LanaBregas HPP	Vlora TPP
Number of Units	4	4	5	4	2	3	1	2	2
Capacity of Units	125	150	50	6.3	12	7.7	5	2.5	70+28
Installed Capacity (MW)	500	600	250	25	24	24	5	5	98
Total Installed Capacity (MW)	1,531								

Table 1 Structure of Public Generation Plants

(Source KESH sh.a.)

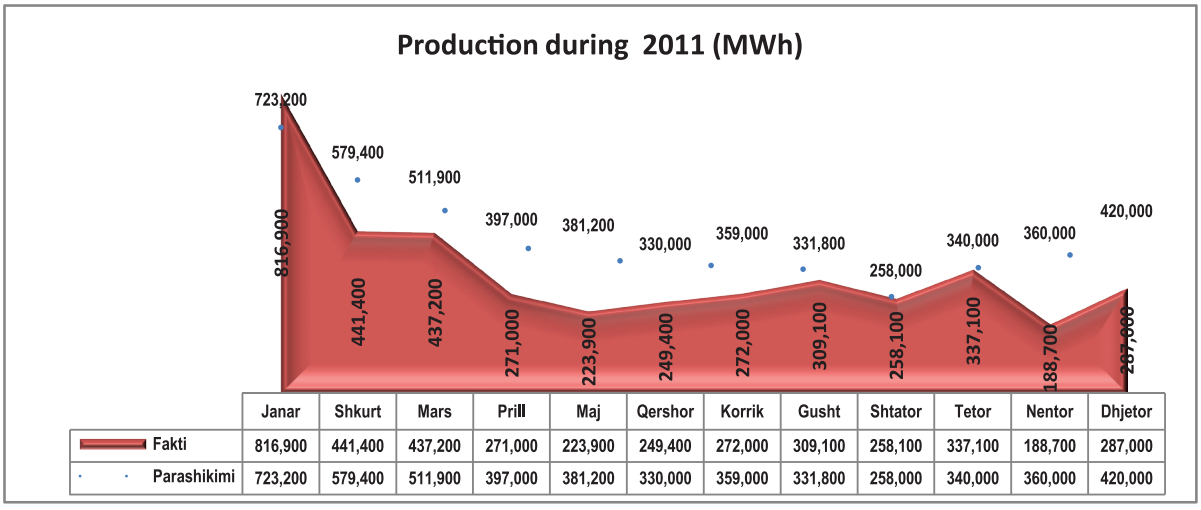
In this calculation has not been taken into consideration the Fieri TPP because it is not operational since 2008, due to a very low output.

Public production of electricity in 2011 was realized mainly 98,57% by hydro power plants (HPPs) and only 1,42% by Vlora TPP.

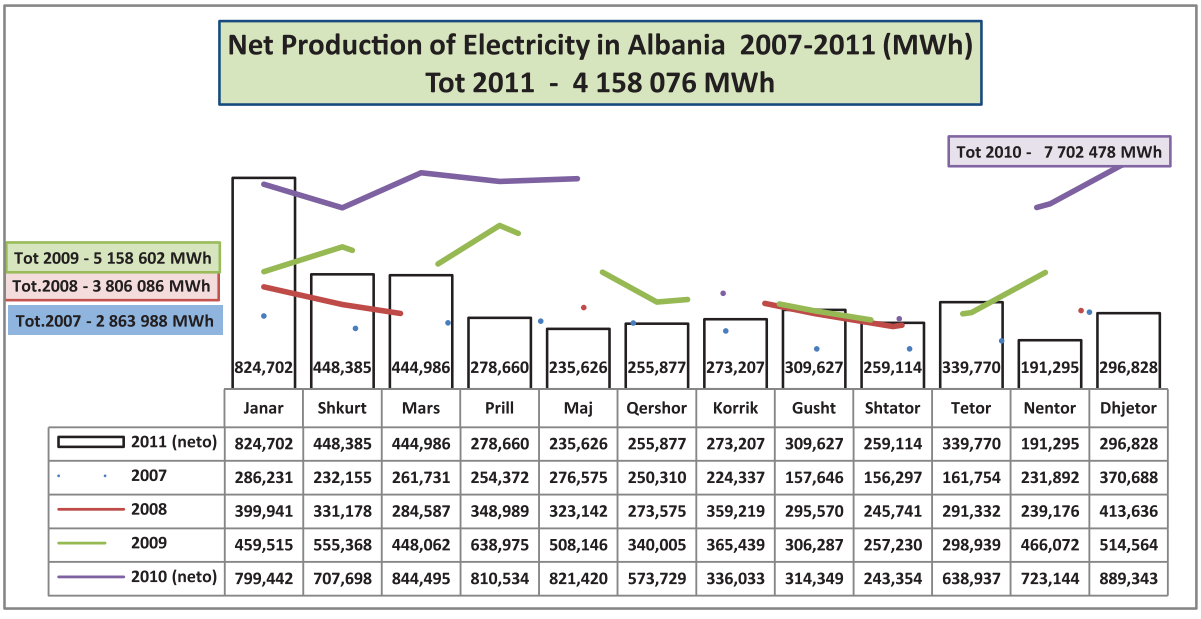
During 2011 the total production of electricity by the public generation companies was 4,021,245 Million kWh, while the total production that takes into consideration also the production from private sector of 136,831 Million kWh reaching at 4,158,831 Million kWh (4.158TWh). Figure 3

From the hydrological point of view 2011 is considered a year with low inflow probability that has influenced not positively the electricity generation in the country, reaching a production not high considering the historic generation for all time in Albania.

The graph of figure -3 – shows the performance of the daily generation of electricity for 2011 as well as its comparison for the years 2007, 2008, 2009 and 2010.



	Janar	Shkurt	Mars	Prill	Maj	Qershor	Korrik	Gusht	Shtator	Tetor	Nentor	Dhjetor
Fakti	816,900	441,400	437,200	271,000	223,900	249,400	272,000	309,100	258,100	337,100	188,700	287,000
Parashikimi	723,200	579,400	511,900	397,000	381,200	330,000	359,000	331,800	258,000	340,000	360,000	420,000



	Janar	Shkurt	Mars	Prill	Maj	Qershor	Korrik	Gusht	Shtator	Tetor	Nentor	Dhjetor
2011 (neto)	824,702	448,385	444,986	278,660	235,626	255,877	273,207	309,627	259,114	339,770	191,295	296,828
2007	286,231	232,155	261,731	254,372	276,575	250,310	224,337	157,646	156,297	161,754	231,892	370,688
2008	399,941	331,178	284,587	348,989	323,142	273,575	359,219	295,570	245,741	291,332	239,176	413,636
2009	459,515	555,368	448,062	638,975	508,146	340,005	365,439	306,287	257,230	298,939	466,072	514,564
2010 (neto)	799,442	707,698	844,495	810,534	821,420	573,729	336,033	314,349	243,354	638,937	723,144	889,343

Figure 1 Electricity Production in 2011 and the comparison with the period 2007-2011 *(Source OST)*

The peak daily generation for 2011 is marked on January 25th with 22,246 million MWh. This generation is realized only by the hydro power plants administered by KESH sh.a., with installed capacity 1433MW. For this generation the exploitation time for the maximum installed capacity, for each unit, in all the HPP's is 12 hours in 24 working hours or an average load coefficient.

The time exploitation indicator for the average load of each unit in HPP of Drini Cascade in 2011 was 4,125 hour/year from 8,760 hours in total for the year. The units have been working depending on the management of the water resource to maximize generation.

The minimal daily generation during 2011 is realized on November 25th with 4,545 Million kWh, or 4.89 less than the maximal daily generation.

In the graph of figure -4- is shown the electricity generation in our country during the period 1985 until 2011. As it can be seen from this graph the generation for 2011 is not a high generation.

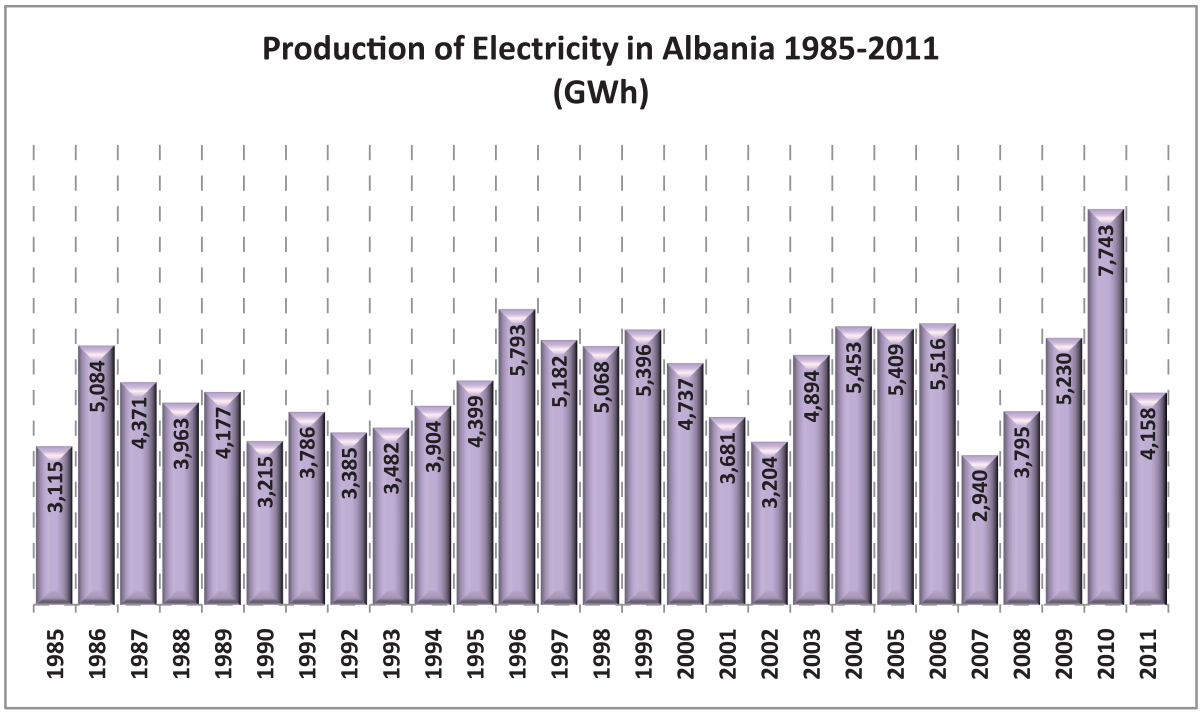


Figure 1 Electricity Production in Albania for 1985 - 2011. *(Source KESH,OST)*

For the period 2007-2011 ERE has evidenced in details the data on electricity generation for each day of each year. From the comparison of electricity generation for the period 2007-2011 extremely differences are seen. The lower annual generation during this period is the one of 2007 with 2,918 million kWh or with an average daily generation of 7,9 million kWh. While the highest generation is in 2010 with 7,743.295 million kWh or an average daily generation of 21,2 million kWh. As it is seen the difference between these two extremes is 2,7 times. Such an indicator significantly expresses the high level of risk for the stability of electricity generation by the power systems based only on HPPs'.

Under these conditions ERE emphasizes once more the importance for integration of the two complementary power systems, the Republic of Albania system, based almost all in HPPs' and the Republic of Kosovo system based almost all in TPPs' with coal.

It is important to emphasize that in these systems the generation costs of electricity are some of the lowest, that's why it is of great interest for both countries the integration in a unique power system with the construction of the 400kV interconnection line between Albania and Kosovo.

A detailed analysis for the public generation of electricity for 2010 and for the whole period 2005-2011 consists in evidencing generation and working time for each unit of the hydro power plants of this sector.

Year	Fierze	Koman	V.Dejes	Ulez	Shkopet	Bistrice-1	Bistrice-2
	Production TWh						
2005	1.86	2.187	0.927	0.121	0.058	--	--
2006	0.94	2.119	0.952	0.107	0.032	--	--
2007	0.69	1.199	0.630	0.071	0.034	--	--
2008	1.07	1.551	0.817	0.092	0.079	0.119	0.119
2009	1.54	2.000	1.082	0.126	0.102	0.137	0.137
2010	2.29	2.420	1.510	0.150	0.120	0.130	0.04
2011	1.238	1.602	0.815	0.07	0.058	0.126	0.028

Table 2 Generated quantities from each HPP

Table -2- shows the generation quantities for each HPP while figure -5- shows the graphs for these parameters for HPP in the Drini Cascade

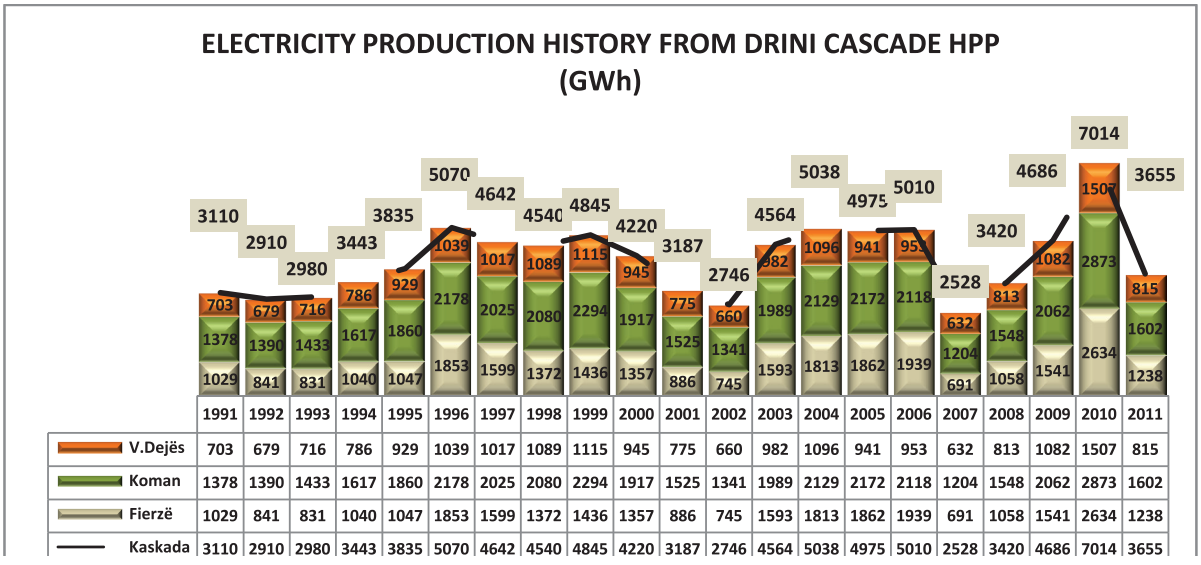
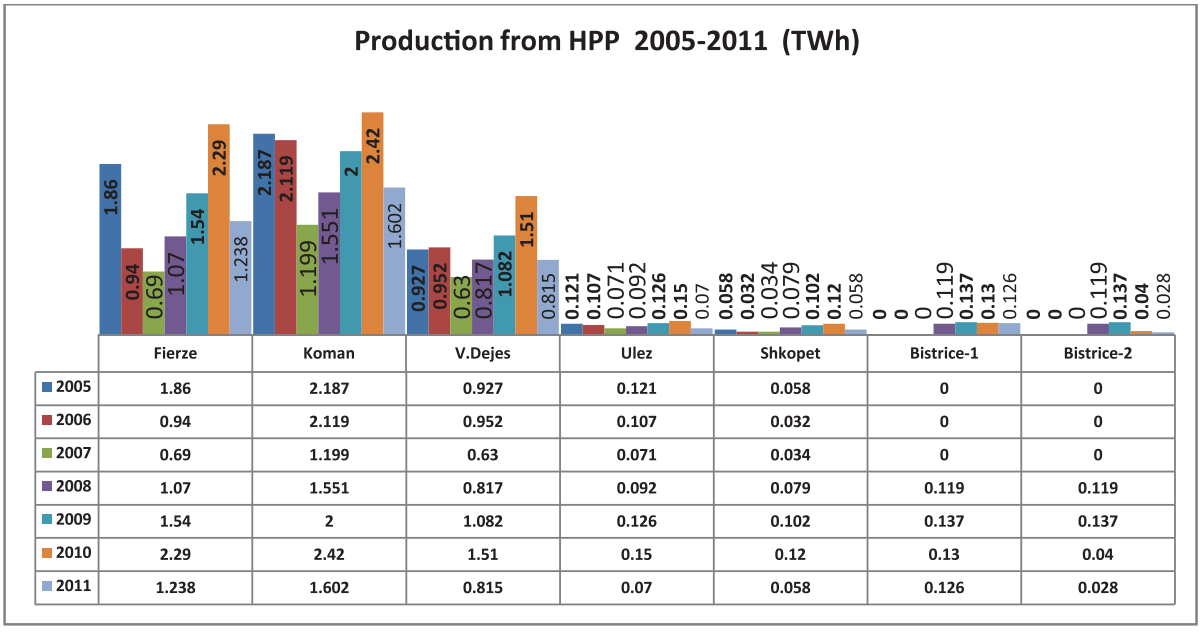


Figure 5 Electricity Production History from Drini Cascade



	Fierze	Koman	V.Dejes	Ulez	Shkopet	Bistrice-1	Bistrice-2
2005	1.86	2.187	0.927	0.121	0.058	0	0
2006	0.94	2.119	0.952	0.107	0.032	0	0
2007	0.69	1.199	0.63	0.071	0.034	0	0
2008	1.07	1.551	0.817	0.092	0.079	0.119	0.119
2009	1.54	2	1.082	0.126	0.102	0.137	0.137
2010	2.29	2.42	1.51	0.15	0.12	0.13	0.04
2011	1.238	1.602	0.815	0.07	0.058	0.126	0.028

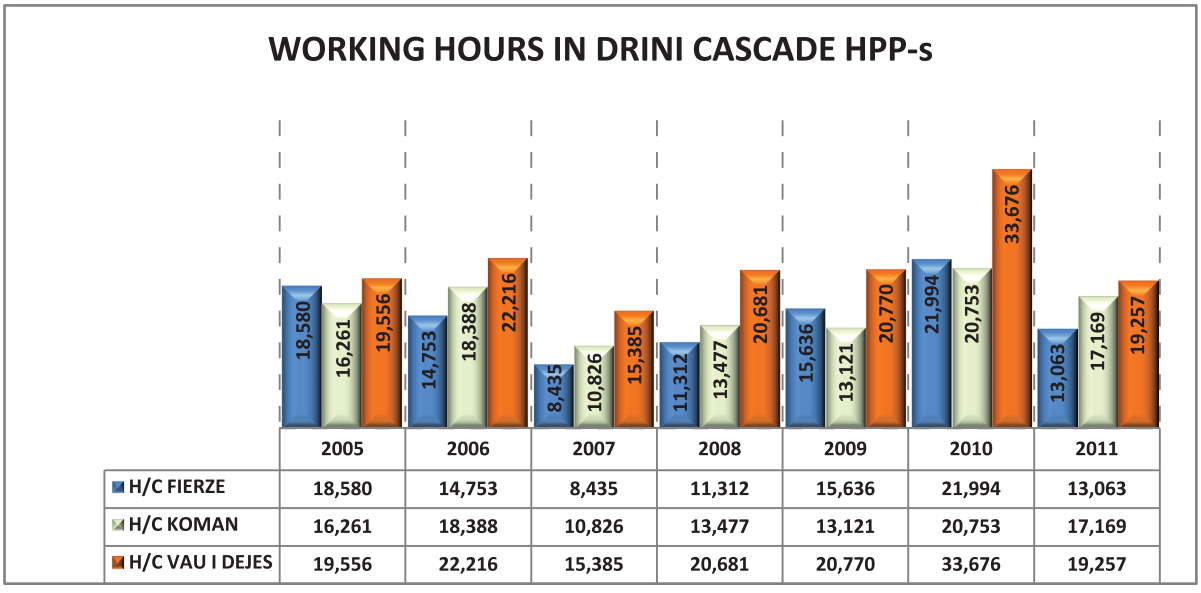
Figure 6 Generation from HPP 2005-2011

The graph of figure -7- shows the annual electricity production from each plant in the public sector, while Table -3 - shows the total annual working time of the units for each plant.

An important phenomenon in the work of hydro power plant in the system has been the high avaiability of all the units in plants. It is important to mention that due to this the water was not wasted without being first used for electricity during January 2011.

Year	Fierze	Koman	V.Dejes	Ulez	Shkopet	Bistrice-1	Bistrice-2
Working hours							
2005	18,580	16,261	19,556	21,324	6,141	18,060	8,300
Average per unit	4,645	4,065	3,911	5,331	3,070	6,020	8,300
2006	14,753	18,388	22,216	19,430	10,832	23,598	7,924
Average per unit	3,688	4,597	4,443	4,857	5,416	7,866	7,924
2007	8,435	10,826	15,385	14,430	7,036	25,757	1,584
Average per unit	2,108	2,706	3,077	3,607	3,518	8585	1,584
2008	11,312	13,477	20,681	17,323	8,606	22,887	5,042
Average per unit	2,828	3,369	4,136	4,330	4,303	7,629	5,042
2009	15,636	13,121	20,770	22,015	11,215	25,408	8,221
Average per unit	3,909	3,280	4,154	5,503	5,607	8,469	8,221
2010	21,994	20,735	33,676	26,411	13,519	25,668	8,004
Average per unit	5498	5,183	6,735	6,602	6,759	8,556	8,004
2011	13 063	17 169	19 257				
	3 266	4 295	4 814				

Table 3 Annual Working hours per unit per each plant



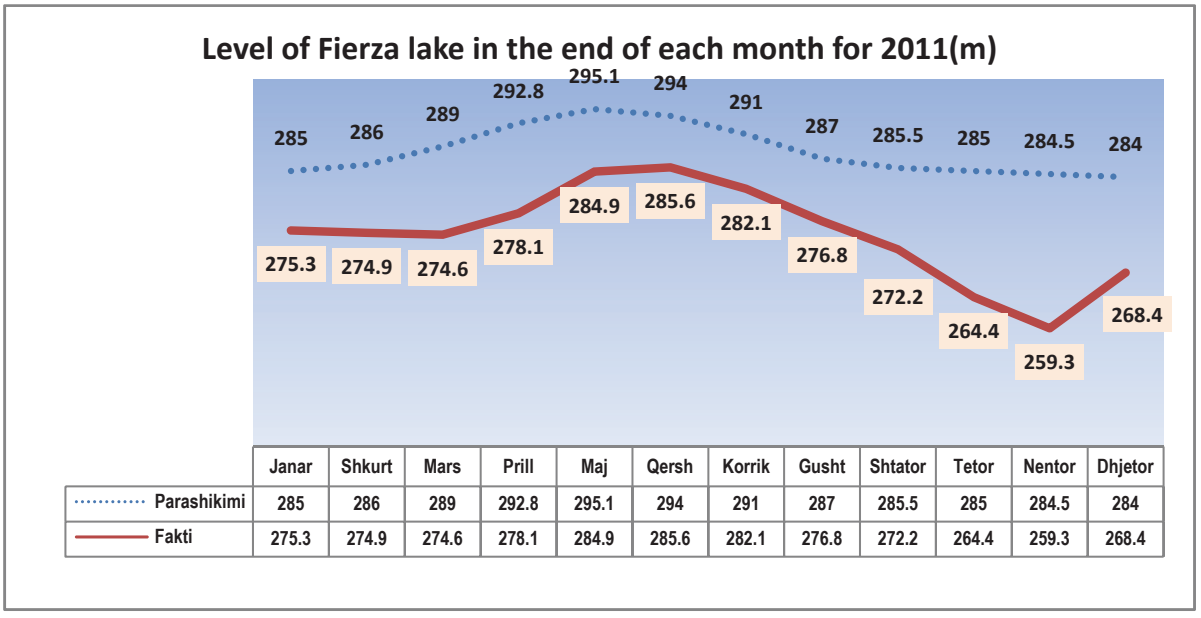
	2005	2006	2007	2008	2009	2010	2011
H/C FIERZE	18,580	14,753	8,435	11,312	15,636	21,994	13,063
H/C KOMAN	16,261	18,388	10,826	13,477	13,121	20,753	17,169
H/C VAU I DEJES	19,556	22,216	15,385	20,681	20,770	33,676	19,257

Figure 7 Working Hours in Drini Cascade HPP's

2.2 Criteria on exploitation of power reserve at Drini Cascade

As commonly known Fierza HPP is a plant with annual regulation of flows, what influences directly in the production of Koman and Vau Deja HPP which are supplied by regulated flows of Fierza HPP.

In figure -8- is graphically shown for 2011 the level water in meters, in the Fierza reservoir as well as the daily water flows in m3/sec of Drini river at this reservoir. Also are shows for comparison the daily levels of water and the daily water flows for each year for the period 2007-2011.



	Janar	Shkurt	Mars	Prill	Maj	Qersh	Korrik	Gusht	Shtator	Tetor	Nentor	Dhjetor
Parashikimi	285	286	289	292.8	295.1	294	291	287	285.5	285	284.5	284
Fakti	275.3	274.9	274.6	278.1	284.9	285.6	282.1	276.8	272.2	264.4	259.3	268.4

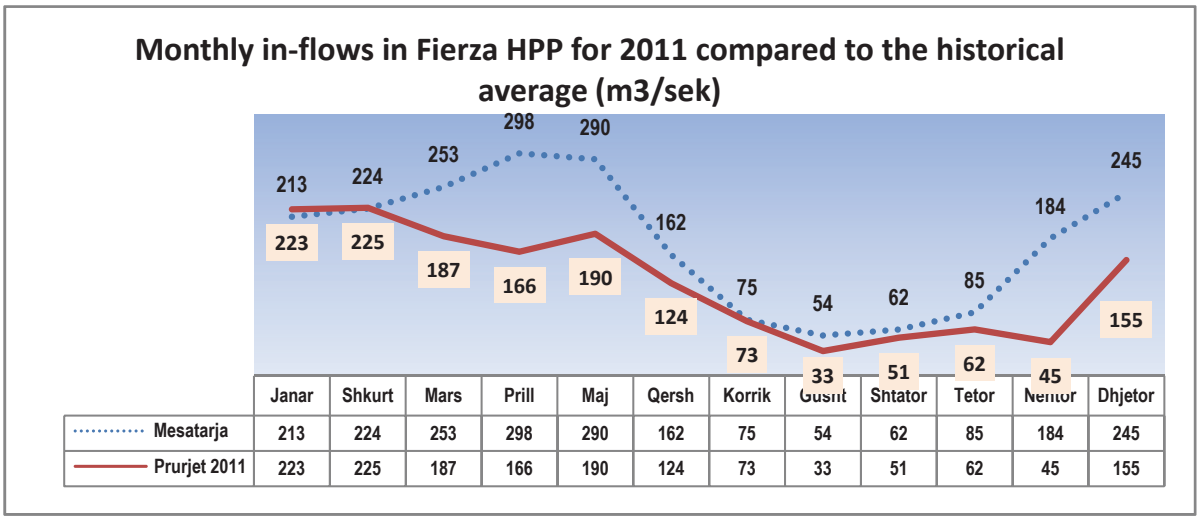
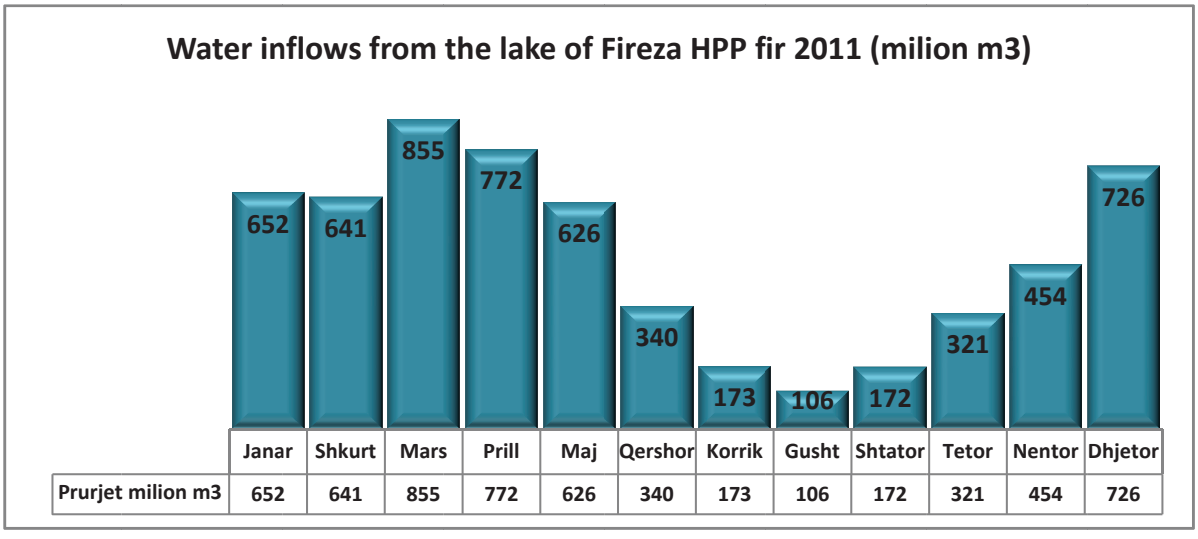


Figure 8 Level of Fierza lake in the end of each month for 2012, and daily inflows m3/sec



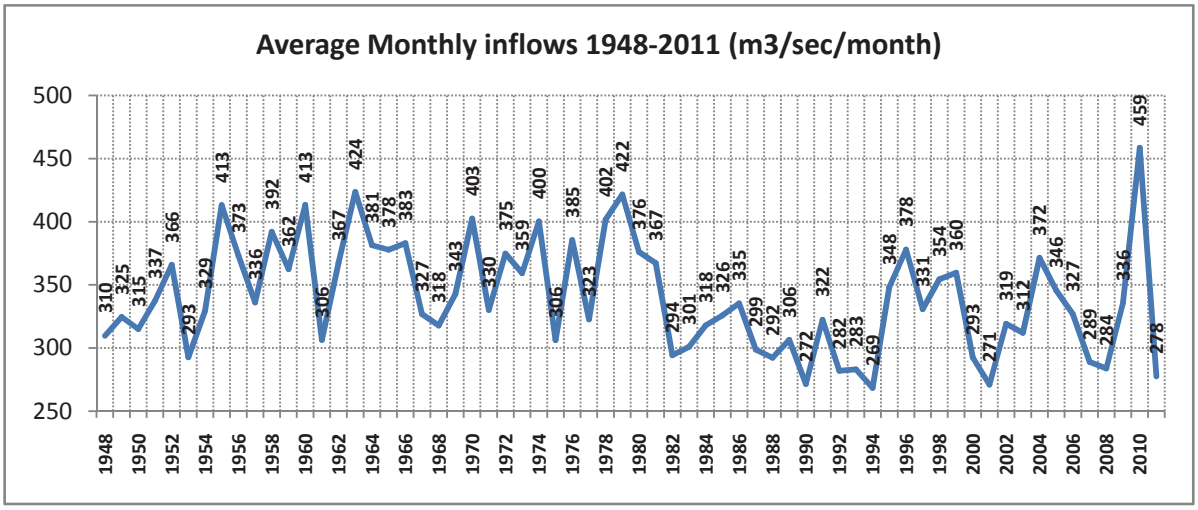


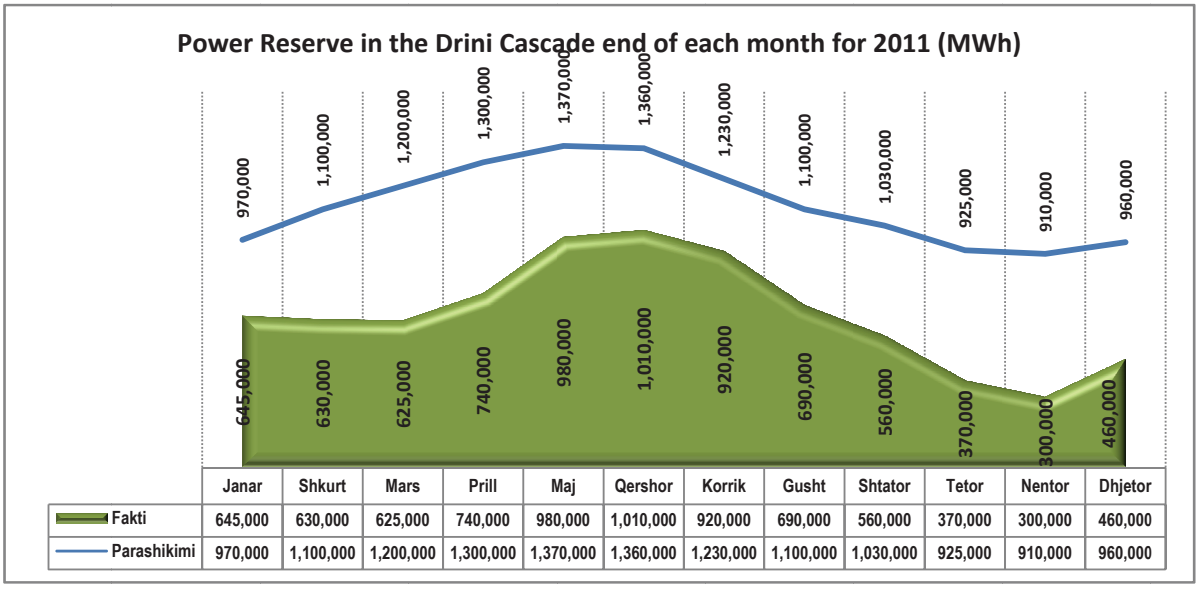
Figure 9 Average monthly inflows in Fierza HPP, monthly average for 1948-2011

It can be easily seen that the differences between the inflows for 2011 with the inflows of the previous years are very low, which makes 2011 an extraordinary historical year for low inflow.

Appart from this extraordinary hydrological conditions the managing of the water level in Fierza reservoir, is carefully treated, so that in order to be absorbed by the basin maximal quantity of inflows especially in January 2011. In the graph of figure -10- it is shown the power reserve exploitation for each day of the year 2011.

As it is seen, the criteria for the elaboration of the power reserve are based on three main principles of the Regulation on Dam Exploitation consisting in:

- Following the dam security conditions
- Optimal exploitation of the power reserve
- Minimization of flood effects



	Janar	Shkurt	Mars	Prill	Maj	Qershor	Korrik	Gusht	Shtator	Tetor	Nentor	Dhjetor
Fakti	645,000	630,000	625,000	740,000	980,000	1,010,000	920,000	690,000	560,000	370,000	300,000	460,000
Parashikimi	970,000	1,100,000	1,200,000	1,300,000	1,370,000	1,360,000	1,230,000	1,100,000	1,030,000	925,000	910,000	960,000

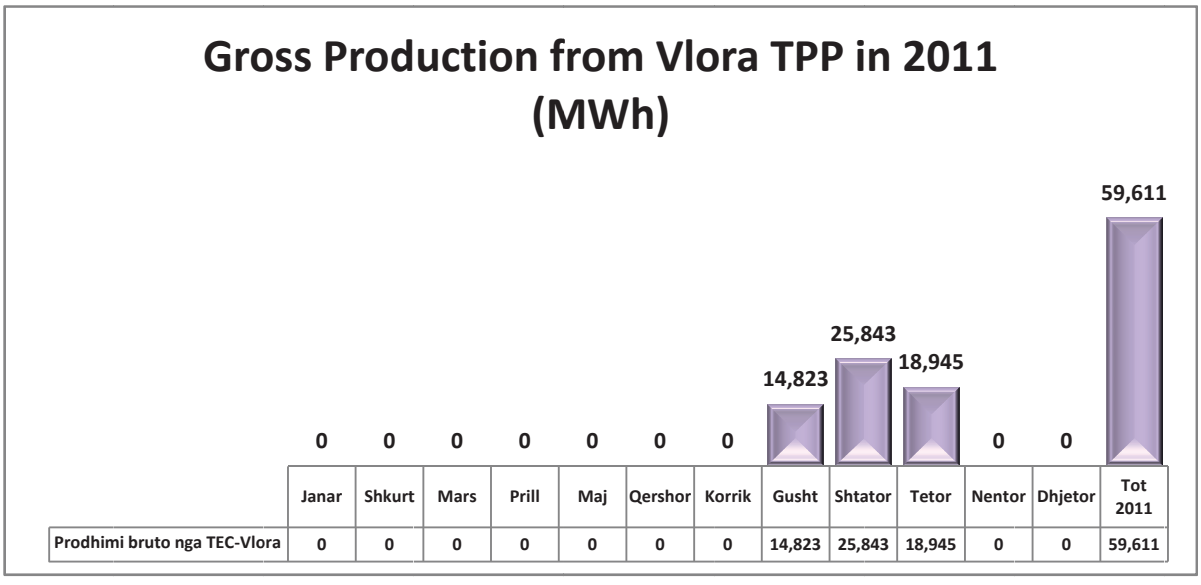
Figure 10 Power Reserve in Drini cascade end of each month for 2011 (Source OST sh.a)

In engineering opinion, regarding the daily and annually regulation of inflows in a cascade, serves as the basis regulation model that is generally based on inflows with a security scale or probability around 70%. Based on this the annual elaboration model of the power reserve is constructed in order to realize a high efficiency exploitation of this reserve or in other words the maximum quantity of electricity is taken.

No doubt, the decision by Albanian Government for the construction of Skavica HPP so it can be added to the public electricity sources, is an initiative with a high economic efficiency, which shall not only increase the domestic generation but also to highly absorb the inflows in the Drini upper flow, which shall be a sensitive factor to the increase of security scale from floods.

2.3 Electricity generation by Vlora TPP

The Vlora TPP was forecasted to become operational in 2011 but due to technical problems during testing the operation at full capacity was delayed. In Figure -11- is shown the generation of this TPP each day of 2011. During this period the TPP generation was 59.611 million kWh electricity.



	Janar	Shkurt	Mars	Prill	Maj	Qershor	Korrik	Gusht	Shtator	Tetor	Nentor	Dhjetor	Tot 2011
Prodhimi bruto nga TEC-Vlora	0	0	0	0	0	0	0	14,823	25,843	18,945	0	0	59,611

Figure 11 Gross Production from Vlora TPP in 2011 (Source KESH sh.a, OST sh.a)

This TPP was projected and constructed to work with natural gas but actually it is using diesel marine, because it has not been realized yet the supply of Albania with natural gas, as a consequence the cost of electricity generated from it is much higher than that of the existing HPPs, because the price of oil in the international markets is very high.

Vlora TPP has two turbines installed, one with gas, the other one is classic steam with high pressure with productivity respectively 70% and 30% of the general capacity for each unit.

2.4 Electricity Generation from private HPP-s

Table -4- shows a summary of the structure of private production of electricity. Actually there are 58 HPPs from 26 private and concessionary companies with total installed capacity 43.12 MW of which 17.25 MW were added during 2011. General generation for 2011 from private generators was 136.8 GWh or 2.0% of the total generation for 2011.

In table -4- is shown the monthly generation of electricity during 2011 from 26 concessionary and private companies that administer or own 58 hydro power plants with capacity up to 15MW.

During 2011 began work 5 new HPPs (“Ansara” Elbasan, “Faqekuq 1&2” Skrapar, “Gizavesh” Librazhd, “Stranik”, “Çarshove” Permet, “Sasaj” Sarande) with general installed capacity of 17.25 MW and a generation of 10.674 GWh..

The general generation of electricity by HPP up to 15 MW reached from 159.01 GWh in 2010 to 136.8 GWh in 2011; thus, a decrease of 14% due to the not favorable hydric situation.

Electricity Generation from Private/Concessionary subjects for 2011 (MWh)		
No.	Subject	Quantity realized
1	Marjakaj sh.p.k	1,098
2	WTS Energji sh.p.k	671
3	Selce sh.p.k	1,098
4	Maksi Elektrik sh.p.k	756
5	Spahiu Gjanc sh.p.k	5,118
6	Wonder Power sh.a	4,771
7	Amal sh.p.k	1,153
8	EMIKEL sh.p.k	3,927
9	Favina sh.p.k	6,265
10	Juana sh.p.k	405
11	Sarolli sh.p.k	412
12	Projeksion Energji sh.a	1,026
13	Albanian Green Energy sh.p.k	31,042
14	Balkan Green Energy sh.p.k	36,870
15	HEC-i TERVOL-it	21,736
16	HIDRO ALBANIA ENERGY	2,669
17	HPP Bishnica 1,2 sh.p.k	6,282
18	DISHNICA ENERGJI sh.p.k	499
19	ELEKTRO LUBONJA sh.p.k	229
20	ANSARA KONÇENSION sh.p.k	708
21	En.Ku sh.p.k	131
22	HP OSTROVICA ENERGY sh.p.k	5,874
23	DOSKU ENERGY sh.p.k	783
24	Hidroinvest 1 sh.p.k	839
25	ERMA MP sh.p.k	300
26	Energo Sas sh.p.k	2,170
	Total	136,832

Table 4 Electricity Production from Private/Concessionary subjects for 2011

In the graph of figure -12- it is shown the performance of generation by small HPPs (up to 15MW) during the period 2004-2011. Taking in consideration that the increased generation of year 2010 in addition to the installed capacity increase in large amount was effected by the very favorable hydric conditions, in the graph can be seen the high temps of generation increase from the HPP given in concession after 2008.

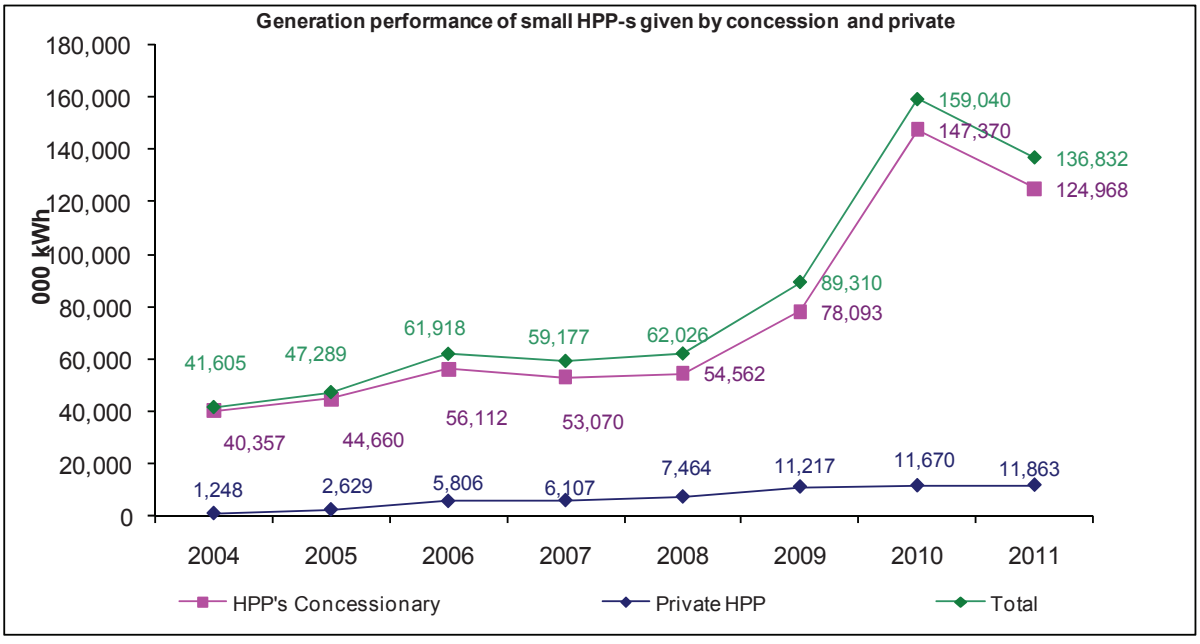


Figure 12 Generation performance of small HPPs given by concession and private (Source ERE)

In the graph of Figure -13- are shown the revenues collected from private subjects to from the electricity sale generated from HPP with capacity up to 15MW, which for 2011 reached over 1 Billion Leke.

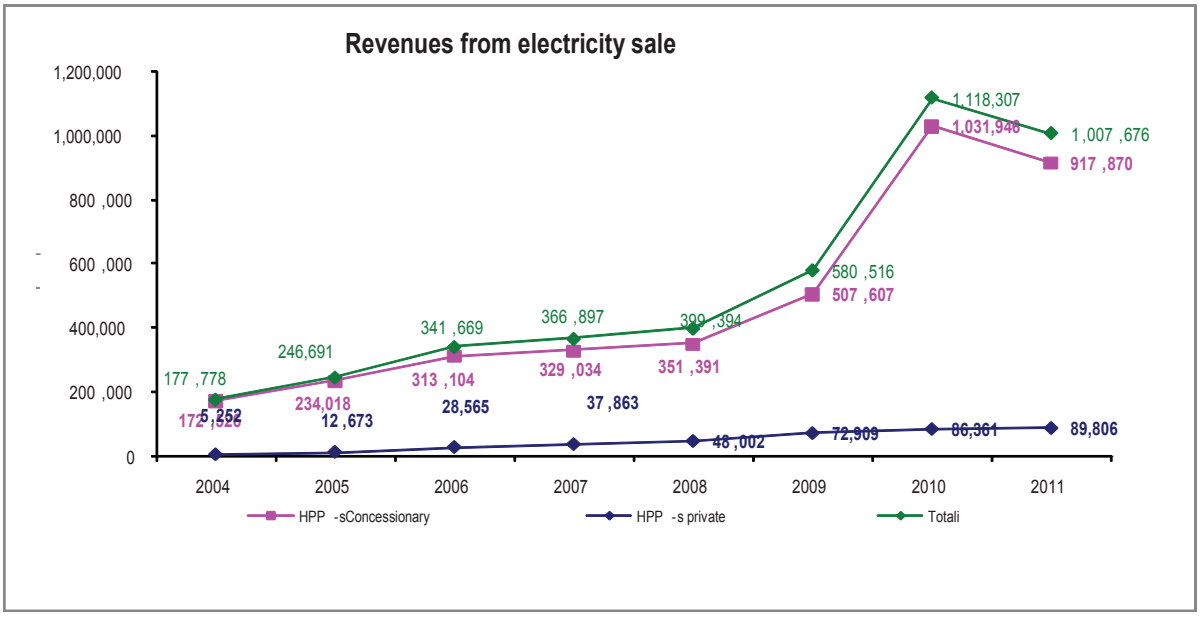


Figure 13 Revenues from Electricity sale (Source KESH sh.a)

In the power sector strategy, the Albanian Government has set as priority the exploitation of the power potential that is still unexploited. To enhance the initiative for private investments in construction of new HPPs given

by concession, with a capacity up to 15 MW, the Government has authorized KESH to purchase all the electricity produced by them, with a price approved by ERE, according to an incentive formula which refers to the average import prices of electricity plus a bonus of 10%. The price differentiation between the existing private HPP and those newly build is justified with the big difference in the investment value between these two categories.

During 2010 due to the energy import price as well as due to the increase of the exchange rate Euro/Leke, the price of the electricity for HPP up to 15 MW with the "new" concessions for 2011 was 6.85 or 14% higher in comparison to the price of 6l lek/kWh of 2010. While the price of year 2012 for the HPP with new concessions, based on the methodology that is based on the import prices of the previous year resulted 9.3 leke/kWh or 34.9% higher than the price of 2011.

In 2011 the price for existing HPP private concessions due to the price evaluation based on another methodology increased in 7.57 L/kWh from 7.4 L/kWh or with an increase of 2.29%. This difference in the price increase between these two groups comes as a result of the application of two different methodologies: for old HPP private concessions the basis for the calculation is the average price for tariffs clients for the actual year while for the HPP with new concessions the base of calculation is the import price and exchange rate for the previous year.

In Figure -14- is shown the performance of the HPP prices with capacity up to 15 MW, during the period from 2004 to 2012.

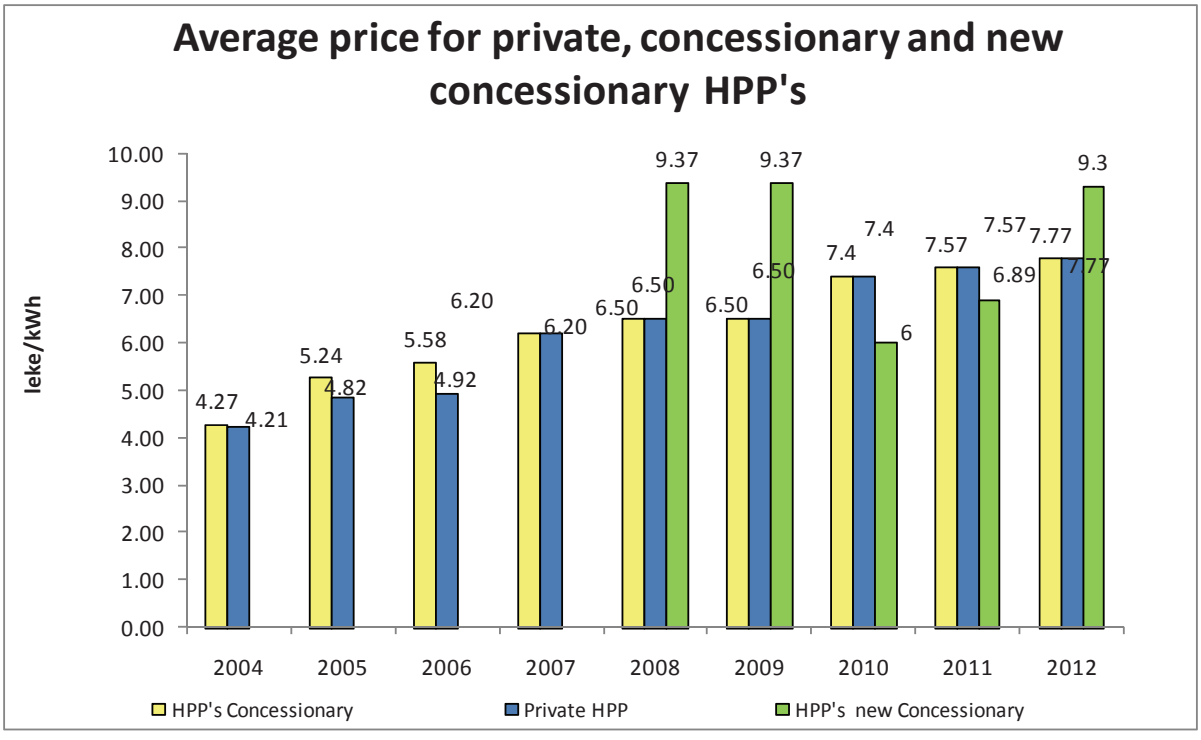


Figure 14 Average private for private, concessionary and new concessions (Source ERE)

From the graph above it is seen that the prices of old HPP private/concessionary has a stable increasing trend, the price for HPP given by concession after 2007 has fluctuations which can stop the investor's incentive to invest in this sector. This has brought the need to set an unified and stable price at least for 10 years of HPP with capacity up to 15MW, independently from the nature of ownership.

PRODUCTION FROM PRIVATE AND CONCESSIONARY PLANTS FOR 2011 (MWh)														
TOTAL IPP's	159,040	16,468	14,249	15,773	14,909	21,220	14,045	6,639	4,506	3,462	5,988	4,653	14,919	136,832
HPP Bene (Shkodër)	586	186	118	171	252	144	100	0	0	0	0	0	126	1,098
HPP Tamarë (Koplik)	546	92	85	103	98	101	56	0	0	0	35	20	81	671
HPP Selcë (Koplik)	1,778	98	73	149	251	220	26	0	0	18	72	31	161	1,098
HPP 1& 2 Leskovik (Kolonjë)	996	114	110	96	126	94	90	44	0	0	0	46	35	756
HPP Gjanç (Korçë)	8,628	0	0	0	0	1,386	974	1,546	1,095	116	0	0	0	5,118
HPP Bogovë (Skrapar)	12,940	895	731	703	504	1,039	789	110	0	0	0	0	0	4,771
HPP Xhyrë (Librazhd)	1,445	234	152	150	156	164	138	90	32	36	0	0	0	1,153
HPP Lenije (Gramsh)	2,861	250	220	267	261	265	255	161	62	93	105	99	214	2,252
HPP Çorovodë (Skrapar)	553	0	83	100	100	100	90	43	0	0	0	0	60	576
HPP Tuçep (Bulqizë)	1,602	108	108	102	114	114	110	89	101	102	120	0	30	1,098
HPP Vithkuq 1 (Korçë)	5,202	542	467	1,024	1,150	958	441	140	137	58	141	115	1,093	6,265
HPP Orenj (Librazhd)	459	63	54	58	50	51	39	33	0	0	0	0	57	405
HPP Shpella (Pogradec)	589	27	67	60	58	54	43	35	12	6	0	18	32	412
HPP Rehovë (Kolonjë)	728	67	28	53	82	80	66	3	0	0	0	15	0	395
HPP Treskë 1 (Kolonjë)	787	107	88	91	92	91	63	34	0	0	0	30	35	631
HPP Çarshovë (Përmet)	0	0	0	0	0	0	0	0	0	0	0	0	0	0
HPP Smokthinë (Vlorë)	40,302	4,326	3,658	4,025	3,220	3,038	2,618	1,643	1,598	1,120	1,701	1,631	2,464	31,042
HPP Bulqizë-1 (Bulqizë)	830	121	102	124	136	139	120	93	80	69	71	65	121	1,241
HPP Homesh (Bulqizë)	1,001	100	82	72	61	52	36	8	6	19	14	23	37	510
HPP Zerqan (Bulqizë)	1,316	155	138	174	156	149	96	78	67	68	76	71	72	1,299
HPP Arras (Dibër)	12,584	1,376	1,480	1,520	1,704	1,736	752	184	40	256	592	400	1,744	11,784
HPP Lurë (Dibër)	934	236	212	65	0	39	0	0	0	30	109	0	59	750
HPP Orgjost (Kukës)	1,129	630	498	573	654	570	546	318	60	63	111	66	126	4,215
HPP Lekbibaj (Tropojë)	662	0	0	0	0	0	0	0	0	0	191	116	8	315
HPP Dukagjin (Shkodër)	1,741	92	130	139	174	180	168	182	182	132	172	154	124	1,829
HPP Marjan (Korçë)	530	36	35	35	37	38	38	37	26	10	7	7	28	334
HPP Lozhan (Korçë)	493	35	42	67	54	57	42	11	0	3	5	3	4	323
HPP Barmash (Kolonjë)	2,243	281	207	148	92	91	45	0	0	0	0	0	33	897
HPP Treskë 2 (Kolonjë)	222	115	113	127	105	125	66	15	0	0	0	0	21	687
HPP Nikolicë (Bilisht)	1,185	275	172	186	232	267	238	157	119	57	46	17	60	1,827
HPP Funarë (Librazhd)	5,803	718	625	486	591	585	449	9	0	101	300	279	528	4,671
HPP Lunik (Librazhd)	1,185	137	113	111	98	89	70	12	8	6	14	5	61	724
HPP Kërpicë (Gramsh)	1,148	88	71	76	73	77	78	67	60	49	44	48	60	792
HPP Ujanik (Skrapar)	2,149	178	89	133	150	146	116	69	16	6	21	5	13	943
HPP Borsh (Sarandë)	1,124	152	87	134	113	85	69	32	0	11	38	40	34	795
HPP Leshnicë (Sarandë)	537	118	99	88	77	54	25	13	9	9	12	10	29	541
HPP Velçan (Korçë)	5	26	155	174	70	84	264	116	58	78	84	42	176	1,327
HPP Sheshaj (Tropojë)	0	0	0	0	0	0	0	0	0	0	0	0	0	0
HPP Voskopojë (Korçë)	0	0	0	0	0	0	0	0	0	0	0	0	0	0
HPP Piqerras (Sarande)	0	0	0	0	0	0	0	0	0	0	0	0	0	0
HPP Muhur (Dibër)	368	135	121	119	124	117	24	0	0	6	81	101	114	941
HPP Rajan (Kolonjë)	0	0	0	0	0	0	0	0	0	0	21	15	90	126
HPP Tuçep (Bulqizë)	0	0	0	0	0	0	0	0	0	0	0	0	0	0
HPP Bicaj (Kukës)	0	0	0	52	27	25	23	0	0	0	0	0	4	131
HPP Ansara (Elbasan)	0	512	40	44	40	49	0	0	0	0	23	0	0	708
HPP Tervol (Elbasan)	35,596	2,592	2,526	2,767	2,468	4,104	3,022	556	313	351	461	316	2,260	21,736
HPP Cermalev (Kukës)	3,065	320	273	297	267	301	296	232	182	159	174	170	0	2,669
HPP Bishnicë (Pogradec)	2,795	832	665	736	772	783	634	304	244	258	256	217	580	6,282
HPP Dishnicë (Korçë)	179	57	82	114	78	100	40	0	0	0	27	0	0	499
HPP Lubonje (Korçë)	215	42	48	60	42	37	0	0	0	0	0	0	0	229
HPP Faqekuq1&2 (Skrapar)	0	0	0	0	0	3,240	888	178	0	171	213	192	993	5,874
HPP Gizavesh (Librazhd)	0	0	0	0	0	0	0	0	0	0	524	128	131	783
HPP Stranik (Librazhd)	0	0	0	0	0	0	0	0	0	0	130	160	549	839
HPP Sasaj (Sarandë)	0	0	0	0	0	0	0	0	0	0	0	0	2,170	2,170
HPP Çarshovë (Përmet)	0	0	0	0	0	0	0	0	0	0	0	0	300	300

Table 5 Production from Private and Concessionary Plants for 2011 (Source ERE)

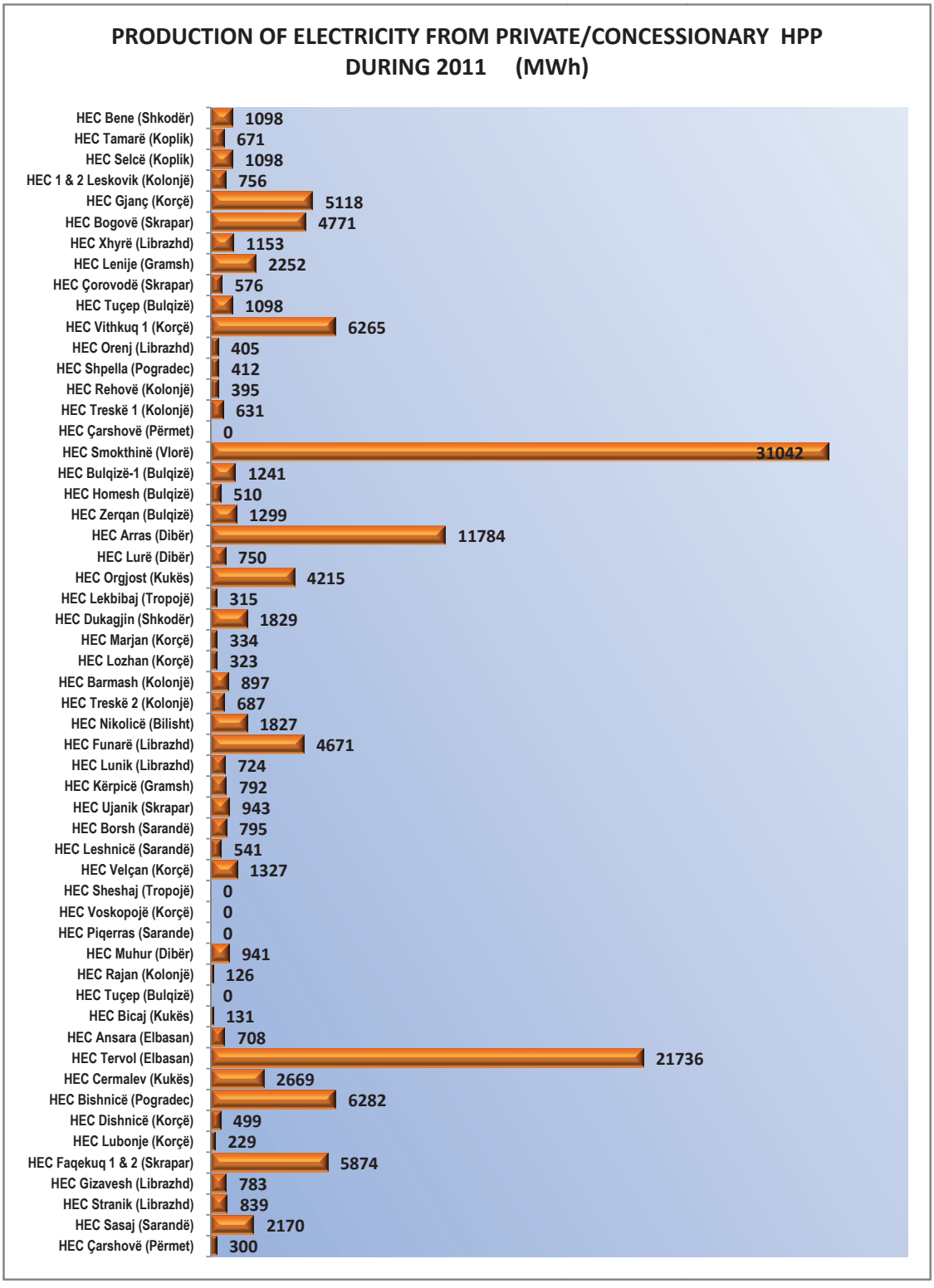


Figure 15 Production of Electricity from private and concessionary HPPs for 2011

2.5 Energy Efficency in Generation

The characteristics of the efficiency of electricity production first of all spring from the nature of generation sources. In a power system, where all the electricity, or generally, the main part of it, is being produced by hydro power plants, it is important to evidence the main features of this system springing out also its priorities and flaws.
In our analysis are taken into consideration these main features:

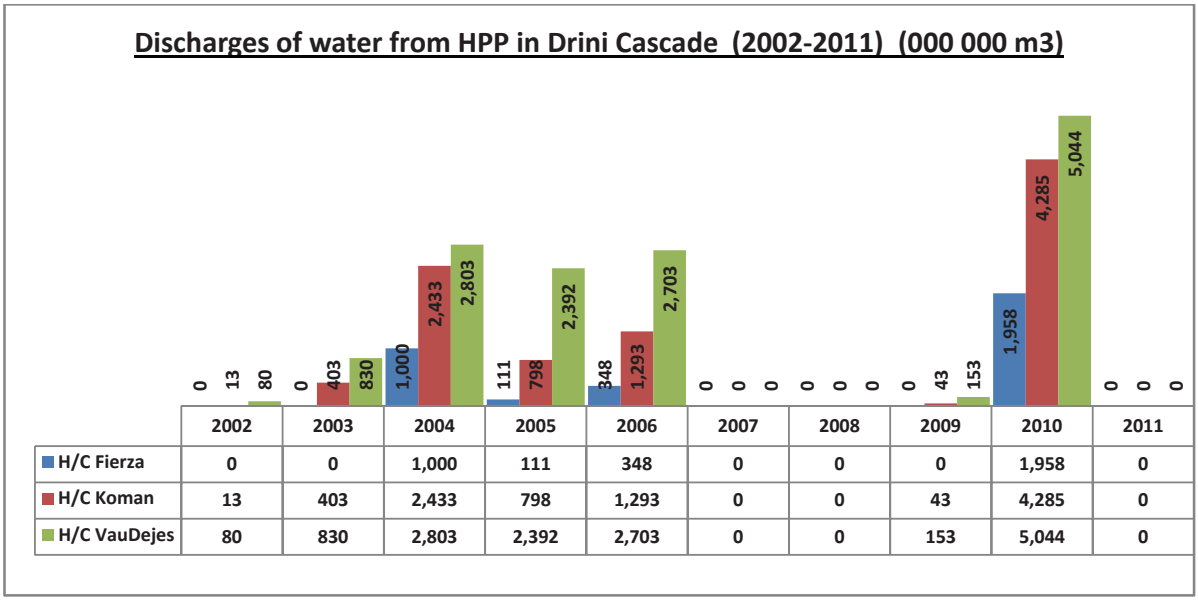
- The ability to accumulate electricity in potential power reserve.
- The ability to regulate the flows annually.
- Optimization of production and import of electricity combination.
- High flexibility towards load, which permits to easily cover the peak load.
- The dependency of electricity production by the hydrological weather conditions.
- Discharges of water from reservoirs.
- Relatively high investments for their construction and longer time for concluding and commissioning the plants compared to TPPs
- Lower expenses for exploitation and maintenance.

Based on the daily power situation in the country, the ERE has followed everyday this situation and has reflected it graphically to be able to analyze and evaluate the exploitation efficiency of the power cascade.

In table -6- are shown comparative data for each year of the period 2002 – 2011 between the indicators that influence directly in the efficiency evaluation of electricity production.

Name	Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Generation (GWh)	3,204	4,974	5,467	5,409	5,516	2,933	3,770	5,201	7,702	4,158
Import (GWh)	2,072	937	567	365	633	2,828	2,417	1,884	1,911	3,262
Average Price for import (Euro/MWh)	30.18	30.15	35.57	40.04	47.81	69.00	79.00	48.69	45.50	60.49
Import Price (000Euro)	62.53	28.26	20.17	14.63	30.25	195.13	190.94	91.74	86.95	197.34
Supply (GWh)	5,430	5,900	5,945	5,933	6,121	5,719	6,300	6,593	6,970	7,342
Annual water amount (billion m^3)	4.44	5.8	7.81	6.74	6.52	4.11	4.12	6.00	10.85	5.84
Annual water spills (billion m^3)	0	0	0	0	0	0	0	0	1.96	0
Specific consumtion (m^3/kWh)	1.38	1.17	1.43	1.25	1.18	1.4	1.04	1.19	1.20	1.47
Load sheddings (GWh)	960	662	556	664	412	891	200	0	0	0
Load sheddings (hours/days)	4.3	2.9	2.3	2.7	1.6	3.4	0.3	0	0	0

Table 6 (Burimi KESH, OST)

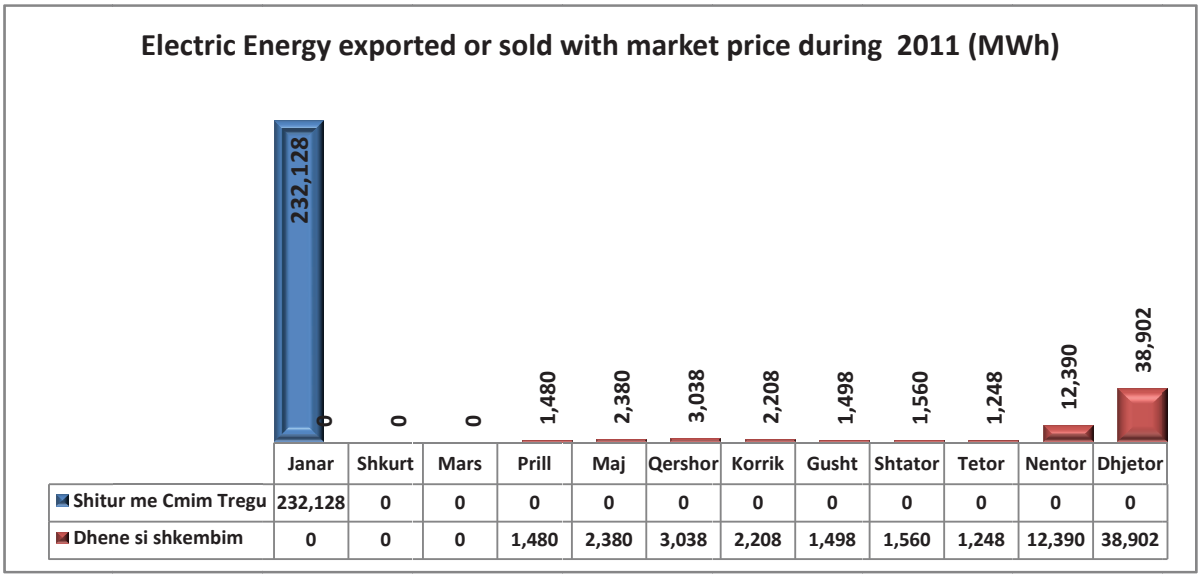


	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
H/C Fierza	0	0	1,000	111	348	0	0	0	1,958	0
H/C Koman	13	403	2,433	798	1,293	0	0	43	4,285	0
H/C VauDejes	80	830	2,803	2,392	2,703	0	0	153	5,044	0

Figure 16 Water discharges from Drini cascade HPPs (2002-2011) (Source OST sh.a)

Due to the dry hidrological conditions in 2011 KESSH has not applied the water discharge from the reservoirs of the three HPP of the Drini cascade.

In figure -16- are shown graphically the water discharges from the HPP of the Drin Cascade, for each eyar from 2002-2011.



	Janar	Shkurt	Mars	Prill	Maj	Qershor	Korrik	Gusht	Shtator	Tetor	Nentor	Dhjetor
Shitur me Cmim Tregu	232,128	0	0	0	0	0	0	0	0	0	0	0
Dhene si shkembim	0	0	0	1,480	2,380	3,038	2,208	1,498	1,560	1,248	12,390	38,902

Figure 17 Electric energy exported or sold with market price in 2011 (Source KESH sh.a, OST sh.a)

These exports made by KESH sh.a. in January have been made without demaging the security of supply with electricity for the country.

	REALISATION		
Year 2011	Quantity MWh	Value €	Value without VAT
Total	232 128	9 280 982	1 303 977 971

Table 7 Electricity Export for 2011

In table -7- are shown the revenues of KESH from the electricity export over 1.3 billion lek.

ERE thinks that for a generating system of electricity mainly from HPPs, and especially with concentrated sources with over 80% of the annual production in Drini river cascade with inflows varying from 7-8m3/sec in over 1,500m3/sec in Fierza and over 4,000 m3/sec in Vau I Dejes, it is necessary that the structure within KESH for the elaboration of power reserve be supported by a qualified and well equipped service for hydrometereological prognosis.

3. Electricity consumption

During 2011, as well as in 2010 the only electricity interruptions have been those for breakdowns in the network or due to scheduled repairing works.

Being this the case, 2011 objectively expresses the real level of annual demand for electricity.

3.1. Electricity demand

As abovementioned, until 2009 there has been no reliable evaluation of the electricity demand. Since 2008 when the reliable supply with electricity started, the premises to make a real evaluation and objective planning of the energy demand in the following years, were established.

Figure -18-shows graphically the annual consumption of electricity in Albania for the period 1985 - 2011.

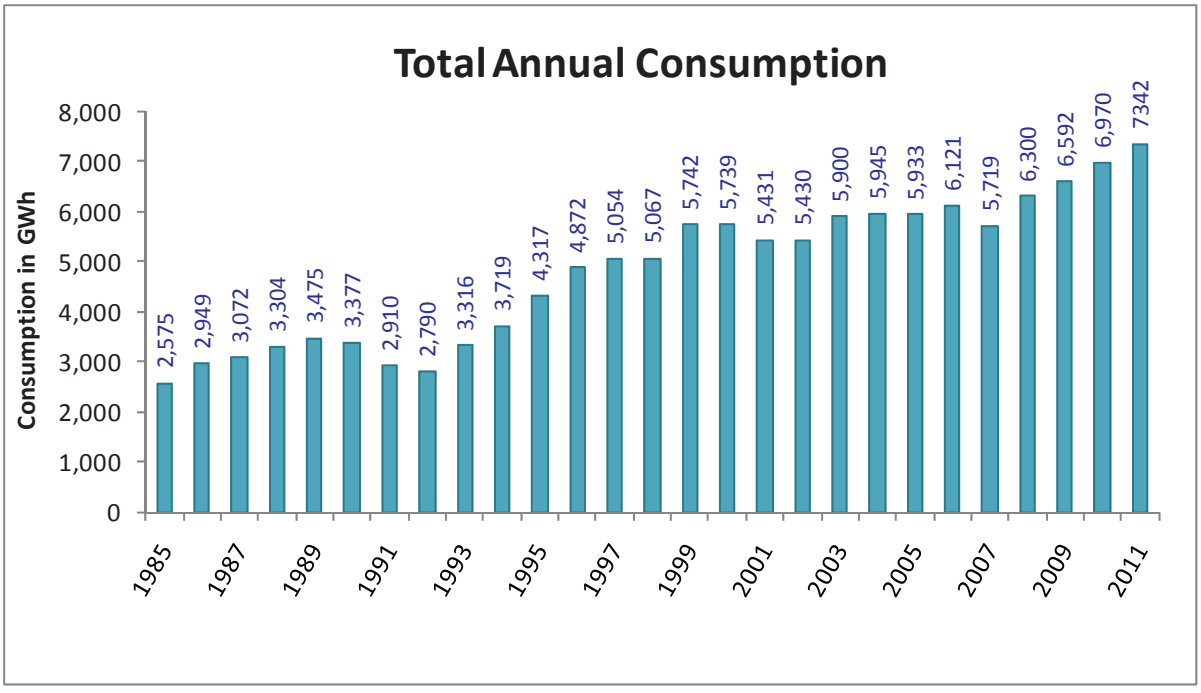
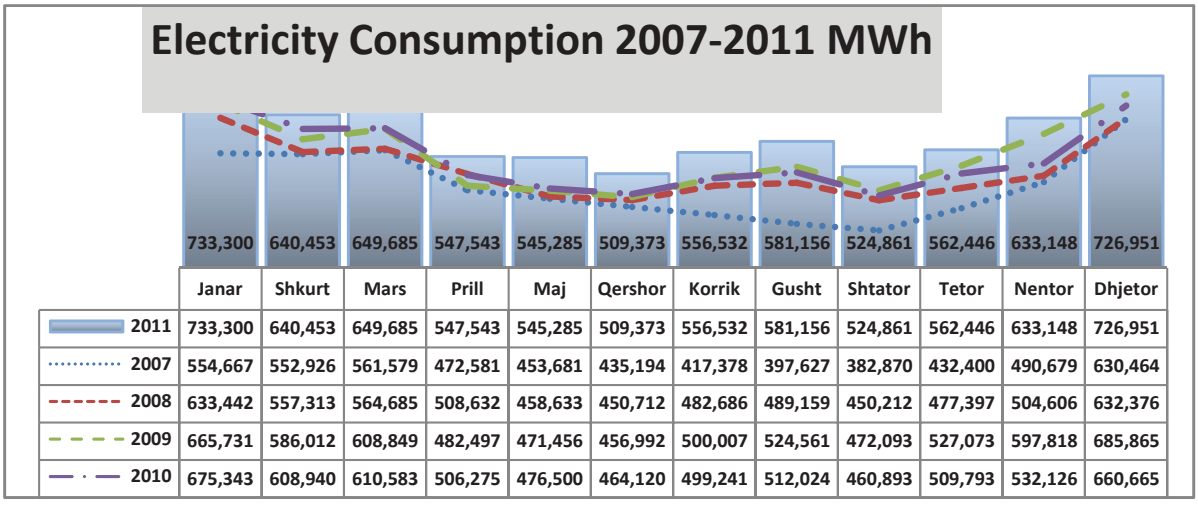


Figure 18 Total Consumption (Source OST sh.a)

The annual average demand for this period results to be in absolute value 183 GWh/Year. Before 2008, due to outages of electricity this indicator is not real. Refering to the years 2009, 2010 and 2011 the energy demand for 2010 in absolute valua is 378 GWh more than 2009, or 6% more, while in 2011 is 372 GWh or 5% more than in 2010. In figure -19- it is shown a comparative graph of the total electricity consumption for each month, respectively for the period 2007-2011.



	Janar	Shkurt	Mars	Prill	Maj	Qershor	Korrik	Gusht	Shtator	Tetor	Nentor	Dhjetor
2011	733,300	640,453	649,685	547,543	545,285	509,373	556,532	581,156	524,861	562,446	633,148	726,951
2007	554,667	552,926	561,579	472,581	453,681	435,194	417,378	397,627	382,870	432,400	490,679	630,464
2008	633,442	557,313	564,685	508,632	458,633	450,712	482,686	489,159	450,212	477,397	504,606	632,376
2009	665,731	586,012	608,849	482,497	471,456	456,992	500,007	524,561	472,093	527,073	597,818	685,865
2010	675,343	608,940	610,583	506,275	476,500	464,120	499,241	512,024	460,893	509,793	532,126	660,665

Figure 19 Electricity Consumption 2007-2011 (Source OST sh.a)

The power balance for 2011 which takes into consideration in addition to generation and imports, also the exchanges, consumption and electricity losses is shown in the diagram of figure -20-.

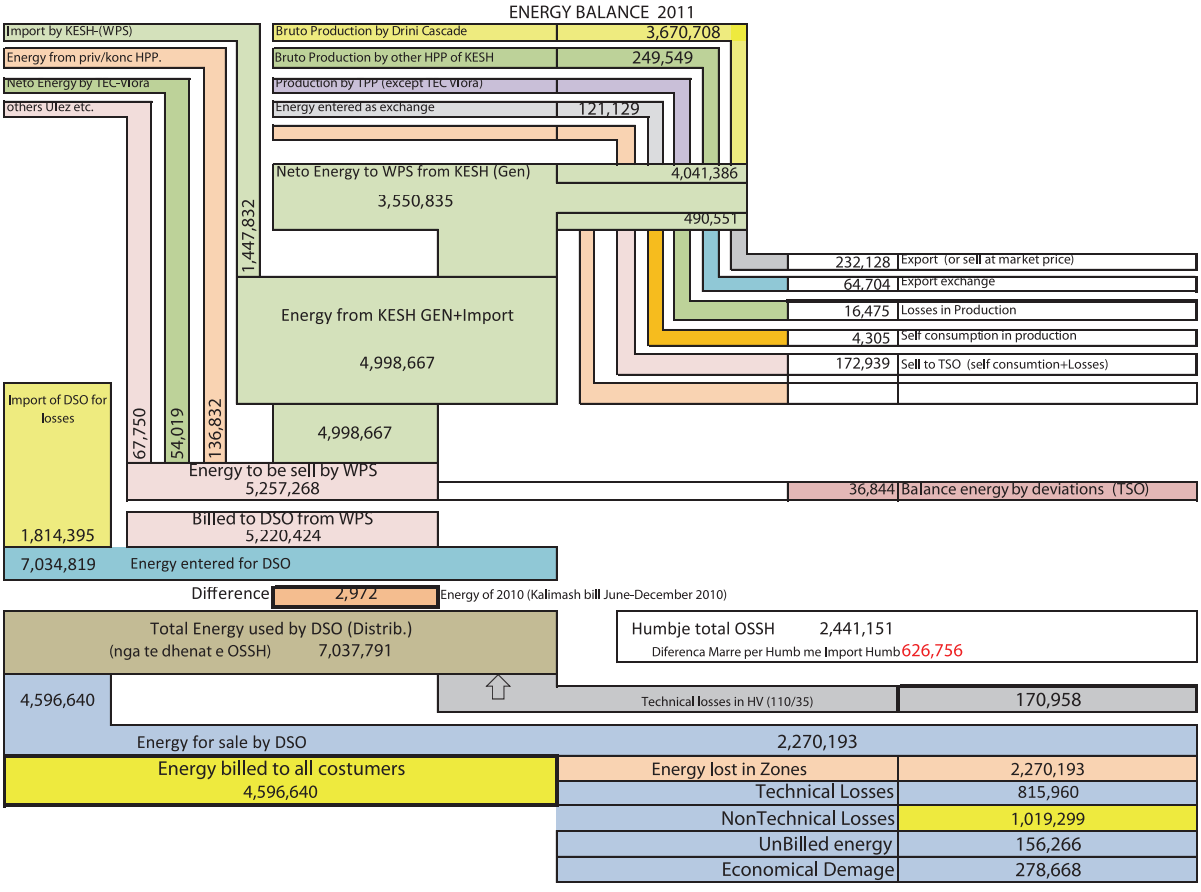


Figure 20 Energy Balance for 2011 (Source ERE,OST,KESH,CEZ)

In setting the quantity of electricity sold for 2011 is left out the quantity of 278 GWh billed as economic demage and 156.2 GWh reported from CEZ Distribution as unbilled energy.

In the grahp of Figure -21- it is shown the annual peak load for the period 1985-2011. The peak in 2011 is 1450 MW.

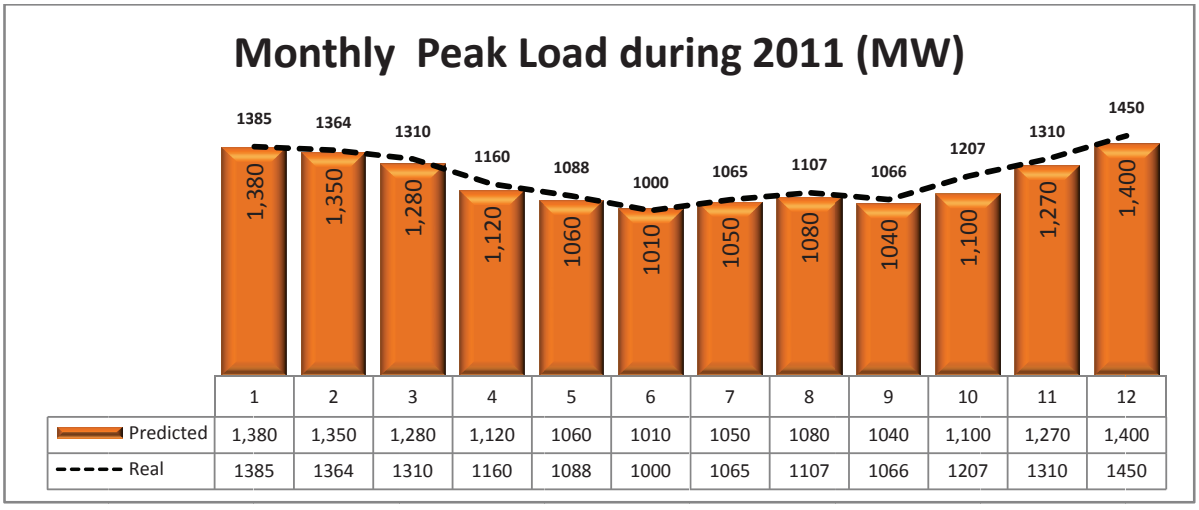


Figure 21 Monthly Peak load for 2011 (Source ERE)

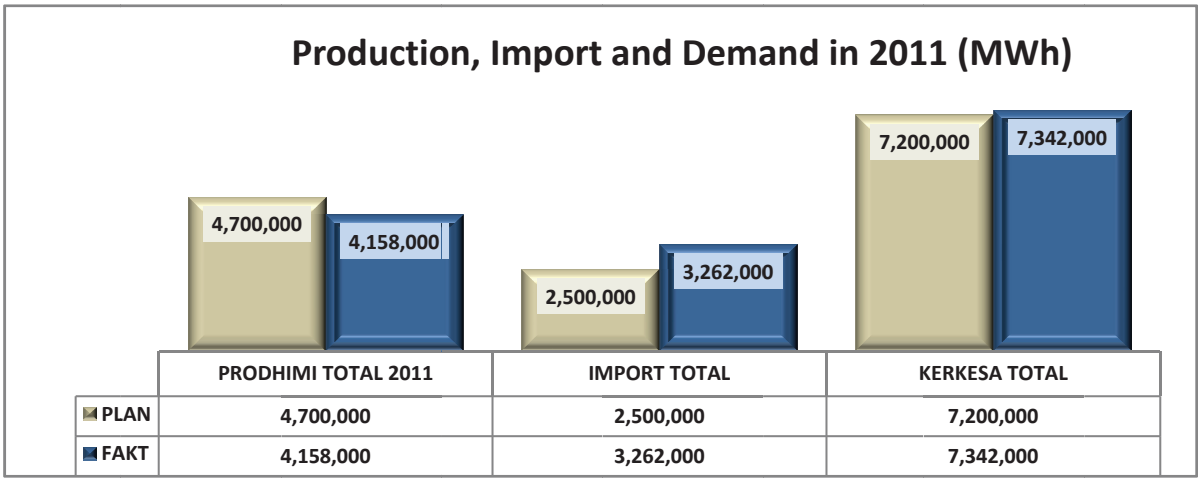


Figure 22 Production, Import and Demand for 2011

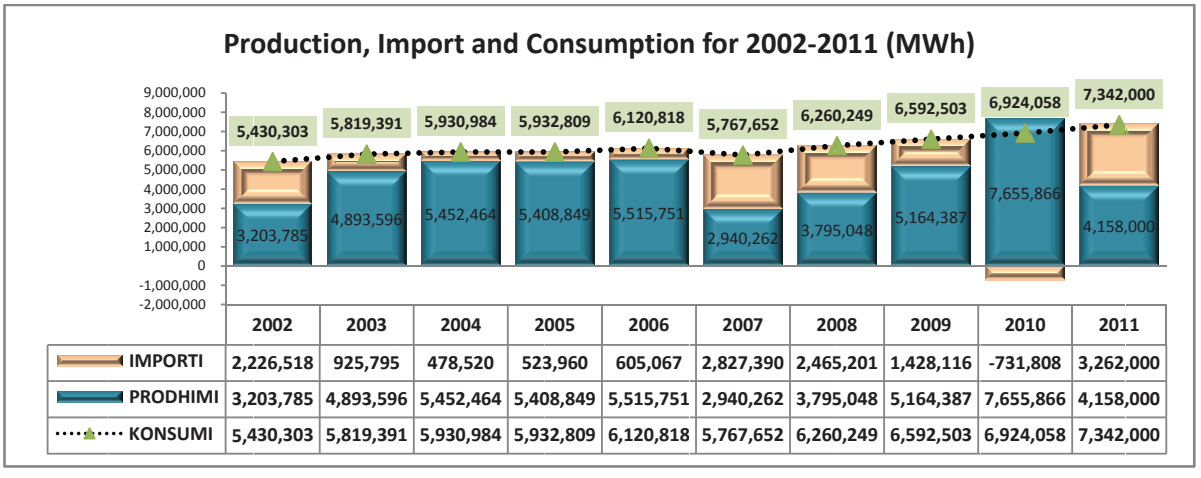


Figure 23 Production, Import and Consumption for 2002-2011

In 2011, as it can be seen from the respective graph and table the highest historical consumption in our country 7.342 TWh was reached. The general trend of electricity consumption is the annual increase of electricity load averagely with about 4% for the period 1985-2011.

Together with the increase ein electricity demand is increased also the peak load from 420 MW in 1985 in 1450 MW in 2011 with an average annual increase of 40.8 MW.

3.2 Structure of electricity consumption

The structure of electricity consumption expresses in a synthetic way also the economic and industrial development of a country.

In our country the household consumption is 51.4% of the total billed consumption for 2011 which shows an economy with limited industrial development. (In the calculation of this indicator we have been based on the sale structure shown in the CEZ Distribution annual report which contains also billings for economic demage at the amount of 278 GWh as well as the unbilled energy 156 GWh for which the company does not provide analytical data on the quantities billed for each group of customers).

An important part is being occupied by the electricity consumption of budgetary and non-budgetary customers, which are mainly water supplies and pumping stations that are the biggest debtors of OSSH.

The households (with the respective prices 7.70 lek/kWh and 13.5 lek/kWh) are the main part in the OSSH revenues.

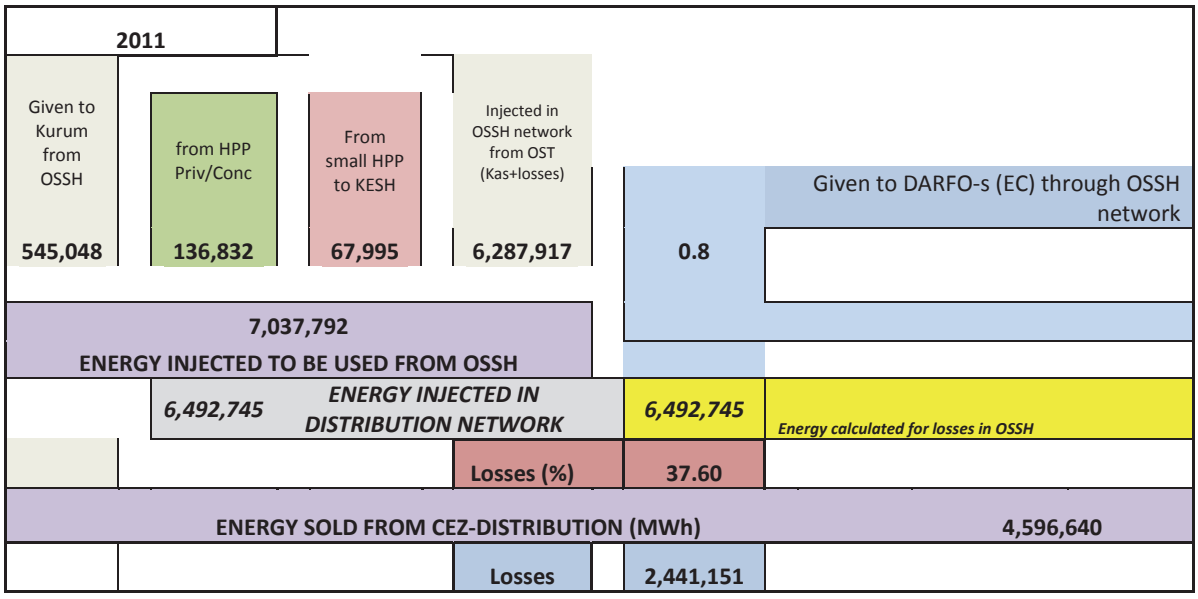


Figure 24

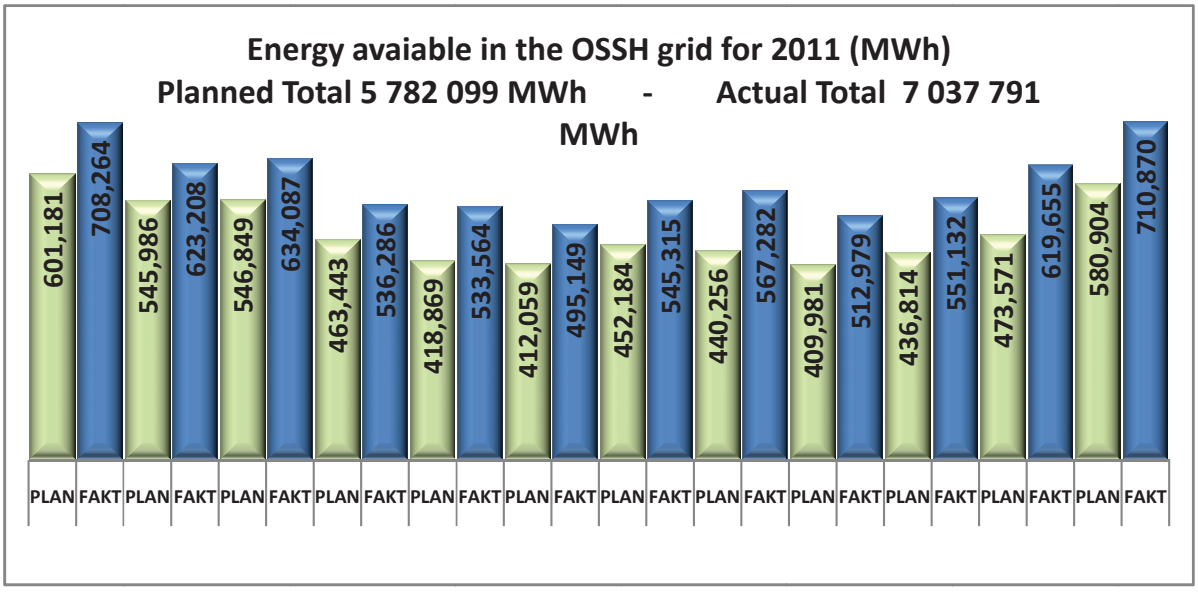


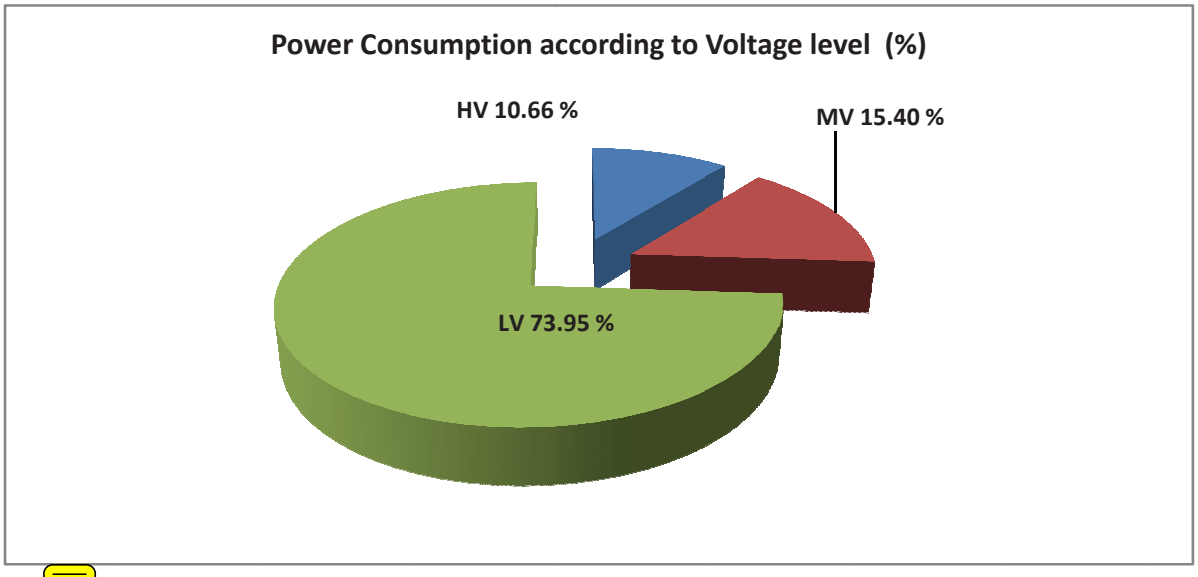
Figure 25 Energy avaiable in the DSO grid for 2011

The dominance of household customers, per consequence the dominance in the OSSH revenues and the sharp issues coming out of this category of customers with non technical losses of electricity, represents one of the most problematic factors in the electricity prices level that is highly sensitive to the public and that needs an immediate solution.

Active Electricity Sold in 2011	4597 MWh
Reactive Electricity Sold in 2011	278.8 MWh

Table 8 Electricity sold in 2011 active/reactive

In the graph of figure -26- that shows the structure of electricity sale according to voltage level, it is seen that in low voltage where the household customers and most of the business are connected, the electricity sale for these customers are dominating compared to the other voltage levels.



FiFigure 26 Power Consumption according to the volatge level (Source CEZ Distribution)

It does worth mentioning that according to the consumption level it is significant the fact that around 69.1% of the total customers in the country belong to the consumption block up to 300kWh/month, or to the vulnerable customers.

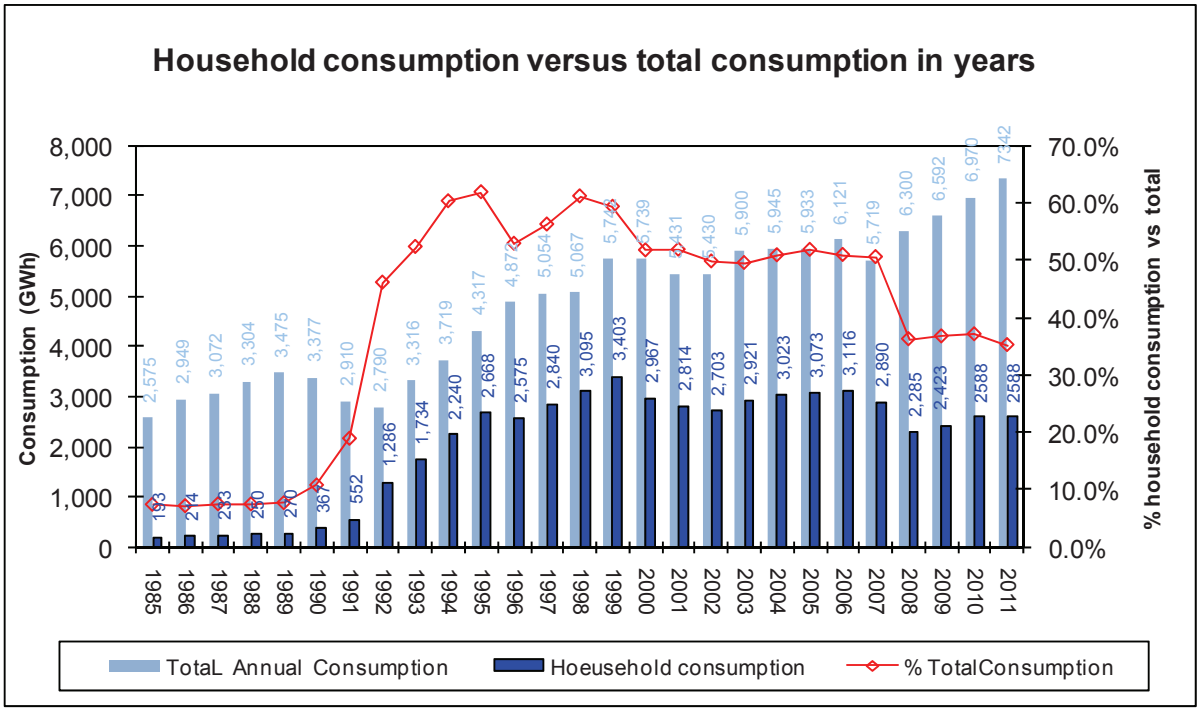


Figure 27 Household consumption vs. Total consumption in years (Source CEZ Distribution)

An important indicator of the economic development in the country is also the performance indicator of the household consumption towards the total consumption. Figure -27- shows this performance for the period 1985 - 2011. For the household customers, based on the CEZ Distribution report, is not excluded the respective part of the economic damage and unbilled energy due to lack of analytical reports from the company.

The trend to decrease the household consumption towards the total consumption, after 2007 is a positive trend, which is related not only to the reduction of electricity losses but also to higher economic development of the country.

3.3 The profile of electricity consumption

The structure of electricity consumption influences directly in the load profile or consumption of electricity. Figure -28- shows the profile of electricity consumption of a winter day (January 21st 2011), where there is the maximal load for 2011 of 25.996 million kWh/day and the consumption profile for a summer day (April 10th 2011) belonging to the minimal load for 2011 of 17.705 million kWh/day.

A characteristic feature of this profile is the big load "gap" between night hours (24 – 7) towards day hours. In absolute value it reaches 700MW or 50% of the maximal load. Such a profile shows how little it is worked in "third shift". Compared to a load profile of a winter day, in the profile of a summer day it is prominent a peak load in evening hours (19-22) which has mainly to do with the intensification of the household's activities during these hours, in summer.

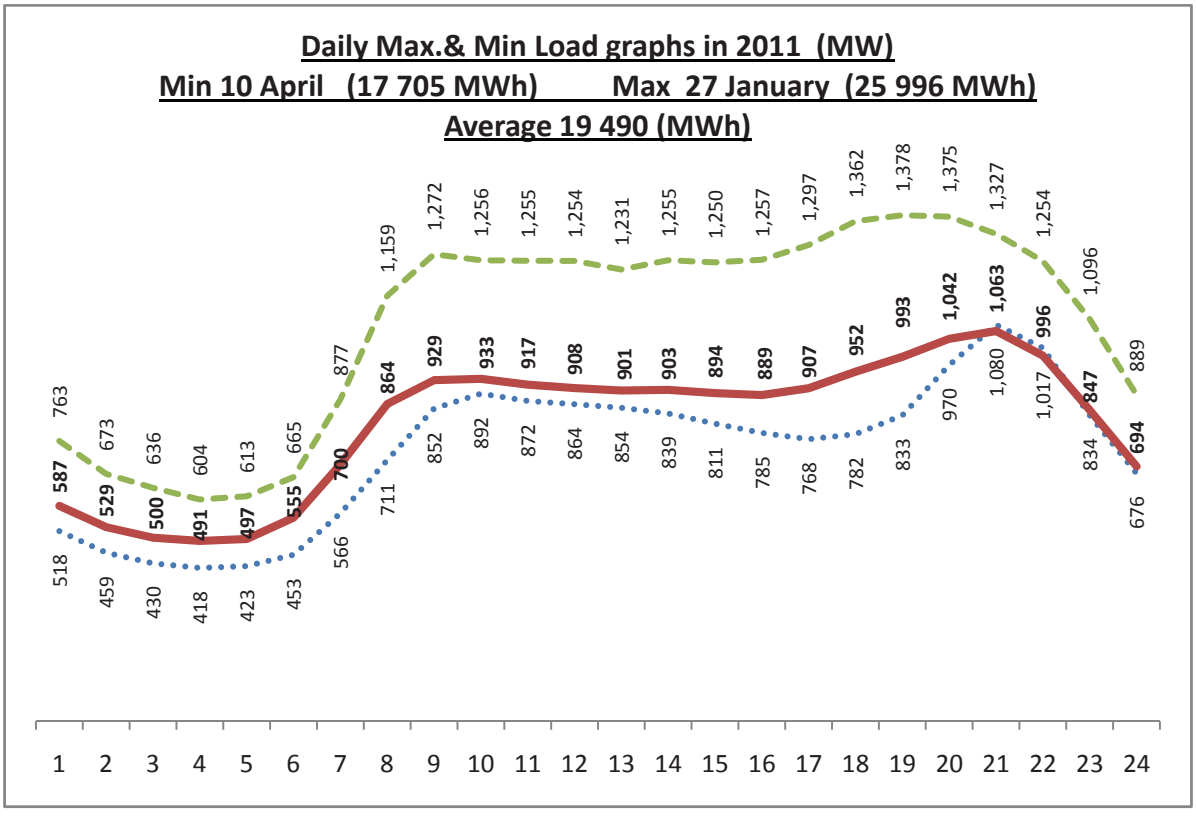
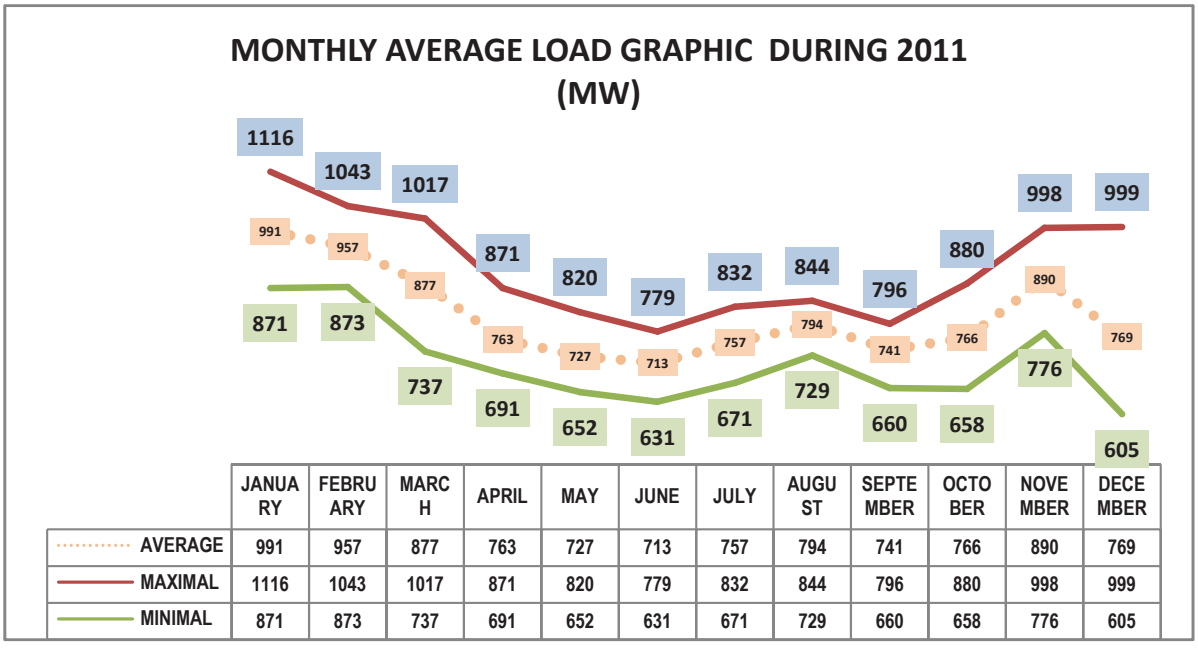


Figure 28 Daily load graphs for 2011 (Source ERE,OST)

The profile of annual consumption of electricity is shown in the graph of figure -29-. A characteristic feature of this profile is the symmetrical summer-winter consumption. In the warm period April-September there is an average consumption almost constant, while in the three following months there has been a symmetric increase of the load which is explained with the cold weather and use of electricity for heating.

The use of electricity for heating is another damaging phenomenon of the electricity consumption in our country. Each difference in temperature is immediately reflected in the daily consumption of electricity, of the effect from use or non-use of space heating.

During summer, in July and August there is a new peak load, which from year to year is becoming more evident and is connected with the wide use of cooling equipment.



	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER
AVERAGE	991	957	877	763	727	713	757	794	741	766	890	769
MAXIMAL	1116	1043	1017	871	820	779	832	844	796	880	998	999
MINIMAL	871	873	737	691	652	631	671	729	660	658	776	605

Figure 29 Monthly average load graphs fort 2011 (Source OST sh.a)

3.4 The Electricity Import

In compliance with the Albanian Market Model, the electricity imports to cover the domestic needs in our country are carried out by two public suppliers, the Wholesale Public Supplier (WPS) as part of KESH sh.a., CEZ Distribution and Eligible customers.

While WPS imports electricity to cover the needs of tariff customers, OSSH imports energy to cover the electricity losses in the distribution sector.

Differently from 2010 when for the first time since 1998 in the import-export balance, the exports were greater than imports and our country was a net exporting country, in 2011 we turn again to be a net importing country.

In the graph of figure -30- it is shown the electricity balance of import-export for the period 1985-2011. As it can be noticed until 1998 (with the exception of summer 1990) our country has been a net exporting country.

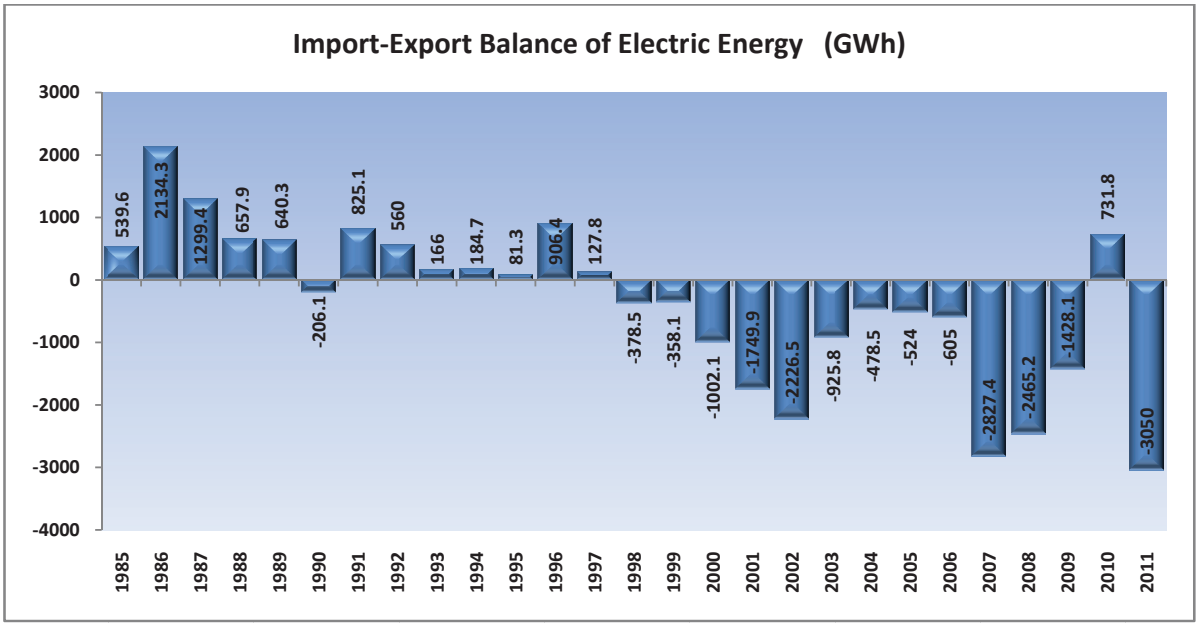
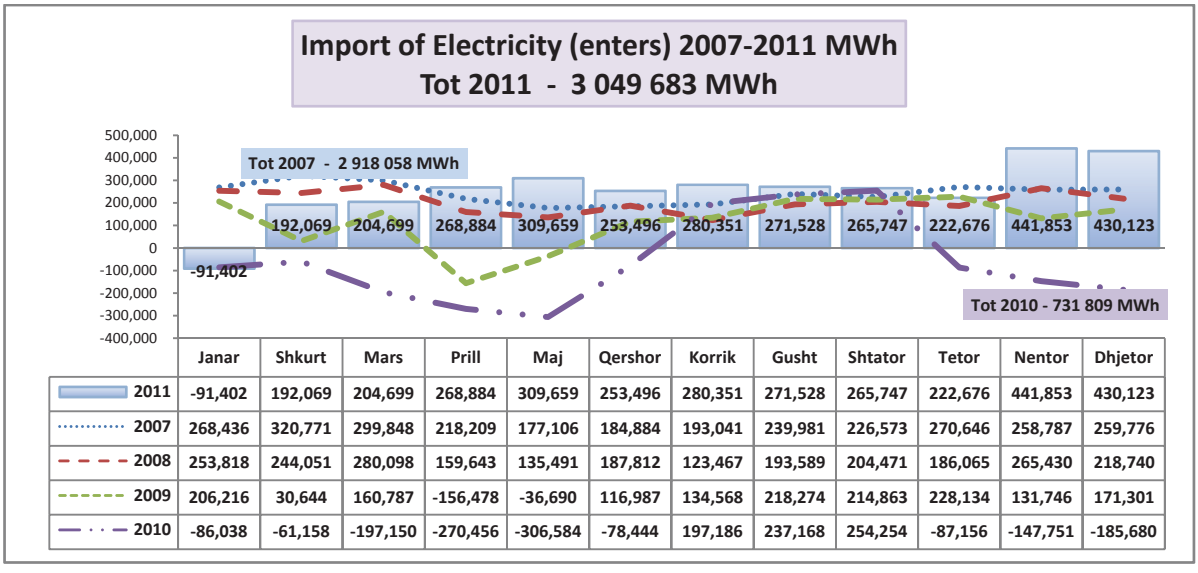


Figure 30 Import-Export of Electricity in years (Source CEZ Distribution)

In the graph of figure -31- it is shown the electricity import for each month of 2011 and the comparison in the respective years 2007-2010.



	Janar	Shkurt	Mars	Prill	Maj	Qershor	Korrik	Gusht	Shtator	Tetor	Nentor	Dhjetor
2011	-91,402	192,069	204,699	268,884	309,659	253,496	280,351	271,528	265,747	222,676	441,853	430,123
2007	268,436	320,771	299,848	218,209	177,106	184,884	193,041	239,981	226,573	270,646	258,787	259,776
2008	253,818	244,051	280,098	159,643	135,491	187,812	123,467	193,589	204,471	186,065	265,430	218,740
2009	206,216	30,644	160,787	-156,478	-36,690	116,987	134,568	218,274	214,863	228,134	131,746	171,301
2010	-86,038	-61,158	-197,150	-270,456	-306,584	-78,444	197,186	237,168	254,254	-87,156	-147,751	-185,680

Figure 31 Import of Electricity 2007-2011 (Source CEZ Distribution)

In figure -32- it is graphically shown the performance of electricity production, import and electricity consumption during the period 2002 – 2011.

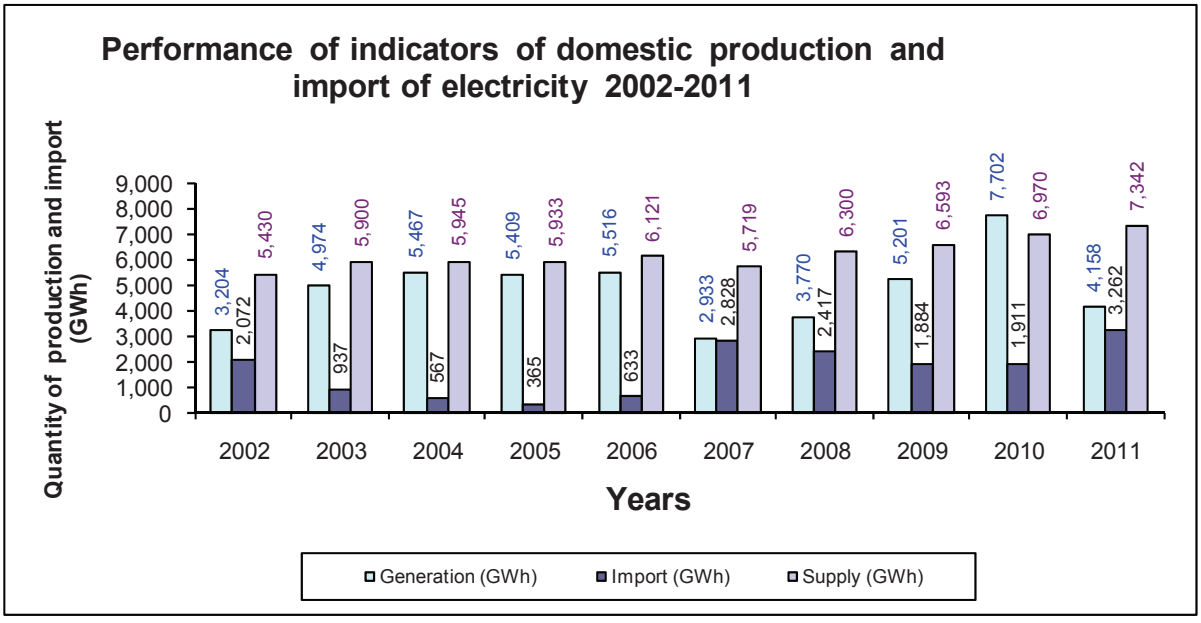


Figure 32 Performance of indicators of domestic production and import of electricity for 2002 – 2011

In the graph of figure -33- it is shown the performance of electricity imports during the period 2002-2011. Until 2008 the imports have been carried only by KESH, after 2008 with the privatization of the distribution company, imports have been carried out by CEZ Distribution and for the supply of tariff customers by RPS under KESH sh.a. In 2010 the imports have been carried out only by CEZ Distribution to cover the electricity losses in 2011 we have imports from these two companies at a total of 3,262 GWh.

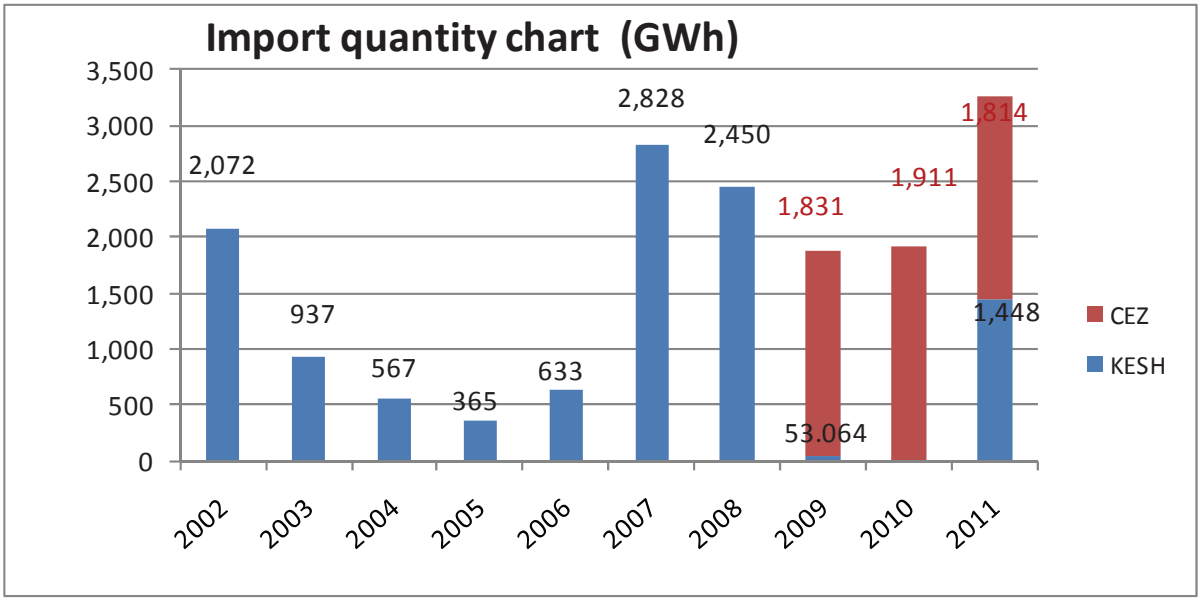


Figure 34 Import quality chart 2002-2011

(Source KESH,CEZ Distribution)

In figure -34- is shown the import quantity chart for the period 2002 – 2011.

As it is seen, from 2002-2008, when they reach the peak the import prices have been continuously increasing. This trend is stopped in 2011 when the import price was increased by 32.94% compared to 2010.

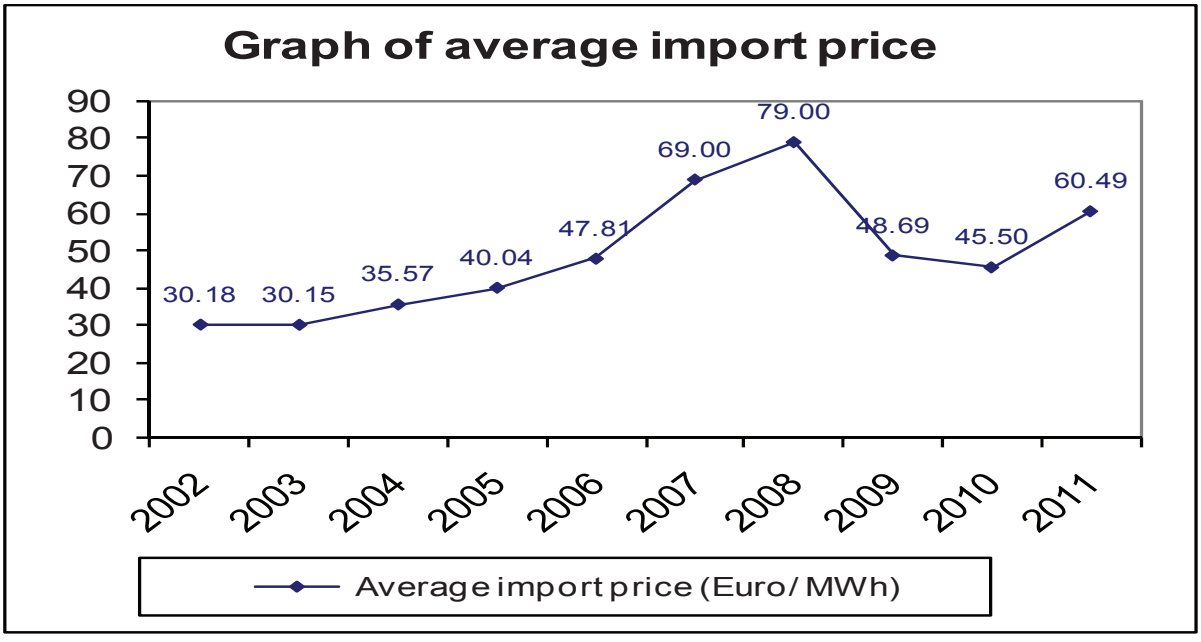


Figure 35 Graph of import price (Source CEZDistribution,KESH)

In figure -35- are shown the funding made during the period 2002- 2011 to secure the respective electricity quantities, compared to the respective import prices.

2011 marks the highest value in terms of expenses for electricity purchase and this is mainly due to considerably high import quantities.

Considering the balances of the electricity import, it can be said that electricity represents a product with a very high cost that per consequence should be used with a very high efficiency.

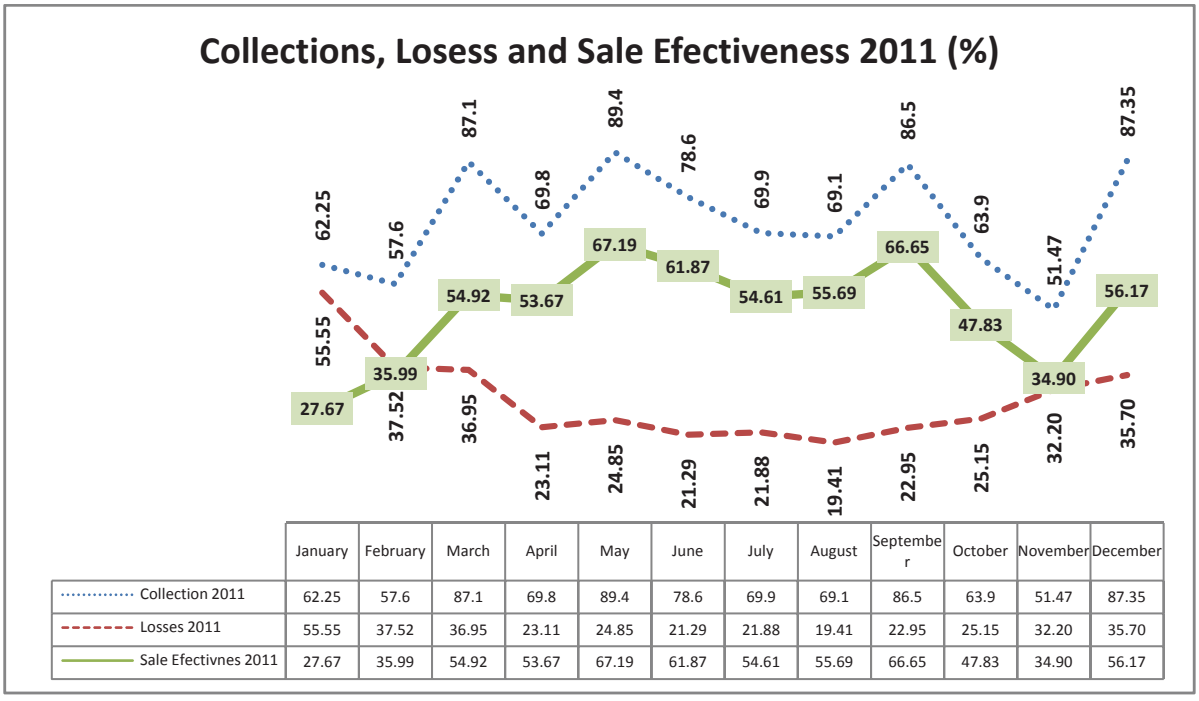
3.5 Energy Efficiency in Consumption

If in public generation the energy efficiency of this activity has been increasing year after year, it cannot be said the same for the efficiency consumption of electricity.

The determining factors in the decrease of the consumption efficiency are:

- High level of electricity losses in distribution. Total technical and non-technical losses have unacceptable levels, what is reflected in the low level of collections towards the total consumption.

- Low level of collections of the electricity billed.
  In the graph of figure -36.- it is shown the level of losses, collections and efficiency for each distribution zone during 2011. Efficiency expresses the final result of efficacy in electricity consumption that takes into consideration the common effects for the level of billing and collections.



	January	February	March	April	May	June	July	August	September	October	November	December
Collection 2011	62.25	57.6	87.1	69.8	89.4	78.6	69.9	69.1	86.5	63.9	51.47	87.35
Losses 2011	55.55	37.52	36.95	23.11	24.85	21.29	21.88	19.41	22.95	25.15	32.20	35.70
Sale Efectivnes 2011	27.67	35.99	54.92	53.67	67.19	61.87	54.61	55.69	66.65	47.83	34.90	56.17

Figure 36 Collection, Losses and Sales Effectiveness in 2011 (Source CEZ Distribution)

The total losses in distribution during 2011, taking into consideration also ERE's evidences on economic damages and unbilled energy are 37.58% of the total energy injected in the distribution system, as shown in graph of Figure -36-.

The level of collections reported from CEZ Distribution for 2011 is 70.69% of the billed energy. This figure includes also the arrears for 2006-2010 at the amount 6.9 Billion Leke. The collection rate for 2011 in actual invoices reported from CEZ Distribution is 59%.

The annual coefficient of efficiency for distribution (which considers the annual level of losses and collections) results to be 49.63%. it is clearly seen that the efficiency level in distribution is reduced by 4.11% compared with 2010.

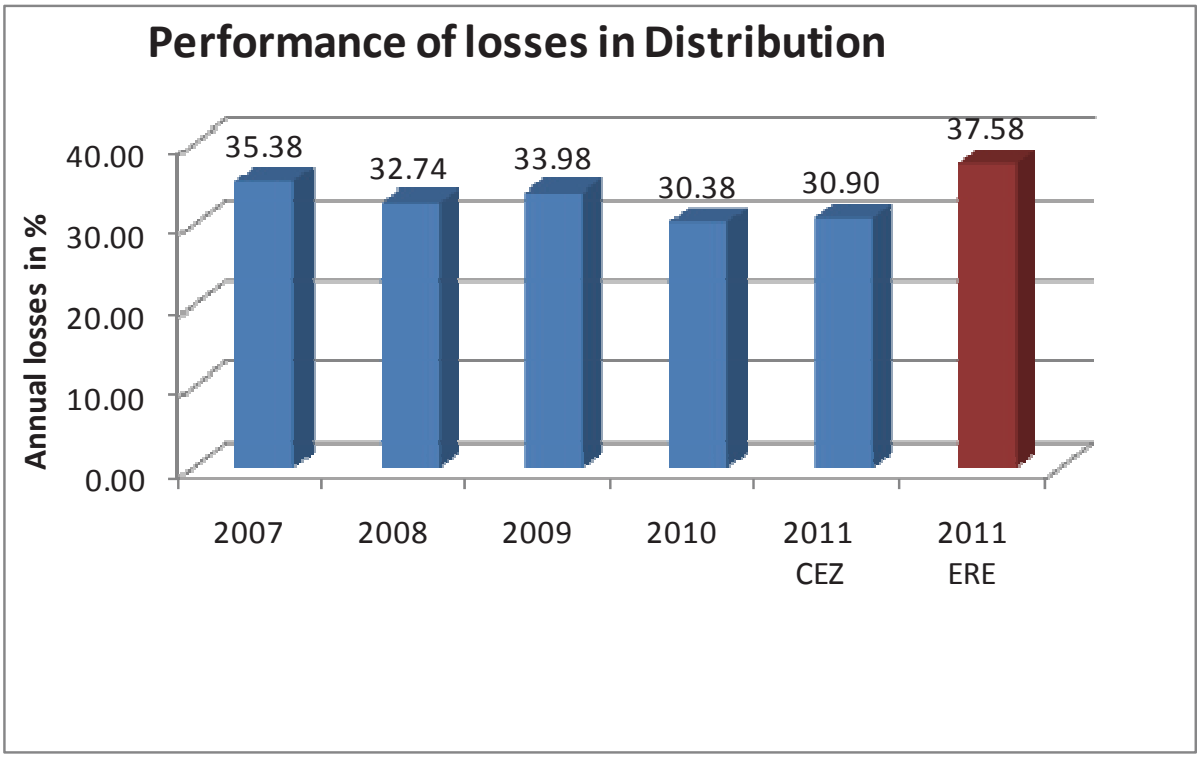


Figure 37 Performance of losses in Distribution (Source CEZ Distribution)

In compliance with the program for reduction of losses in distribution, approved by Decision of ERE Board of Commissioners No.93 date 30.11.2010, CEZ Distribution has the obligation that for the period 2010-2011 to reduce the losses by 6% meaning from level 33.92 by January 2010, to reduce the level in 27.92 by 31 December 2011.

The level of losses 30.9% reported from CEZ Distribution brings the conclusion that the company did not meet the losses target. Considering the ERE calculations for this indicator and also taking into consideration the losses presented from the company as "economic damage" and "unbilled energy" the situation is more pessimistic with the level of losses 37.58%.

The low efficiency in the electricity consumption comes from a poor management in the distribution sector by CEZ Distribution. The privatization until now did not reflect any turning point in good management. It is the main duty of CEZ Distribution to deeply reflect an improvement in the managing of the company and to realize as soon as possible the positive turn much expected from the Albanian customers.

The electricity losses in transmission are 172.9 GWh and make 2.3% of the energy injected in the transmission system. The fact losses in total for 2011 which take into consideration the losses in distribution with 2440 GWh and the losses in transmission with 172.9 GWh are in total 2,163 GWh or 35.6% of the whole energy injected in the power system of the country.

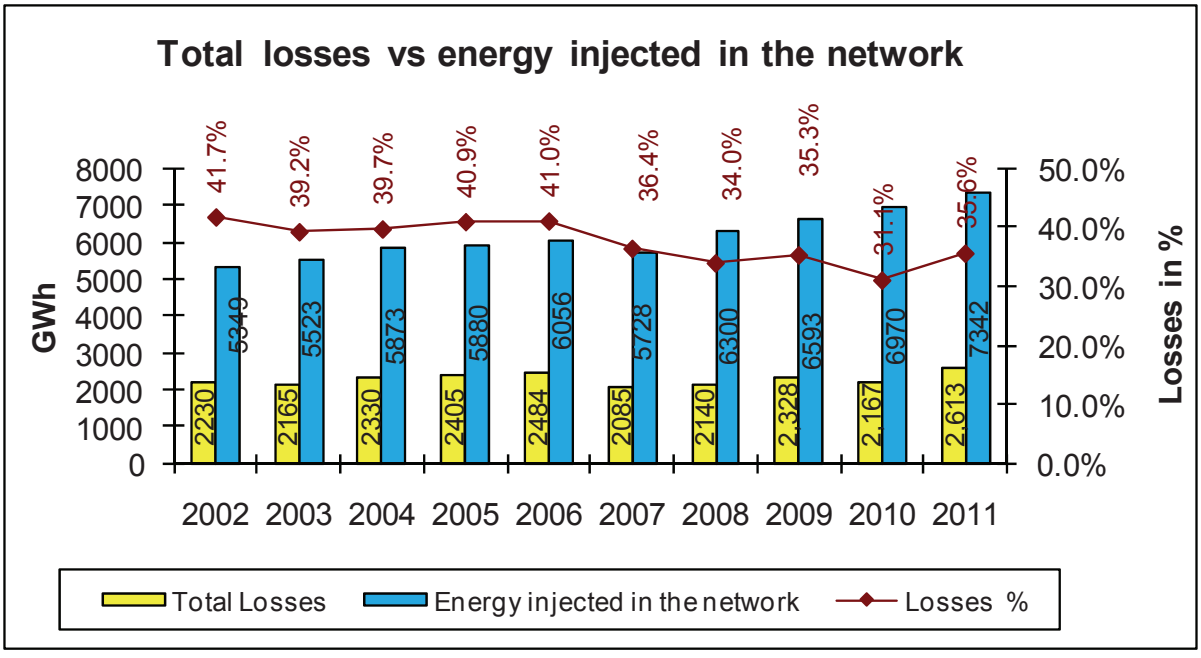


Figure 38 Total losses vs. Energy injected in the network (Sources ERE,CEZ Distribution)

The graph in figure -38- shows the performance of losses during the period 2002 – 2011 while the graph of figure -39- shows the relation billing-collection for the same period.

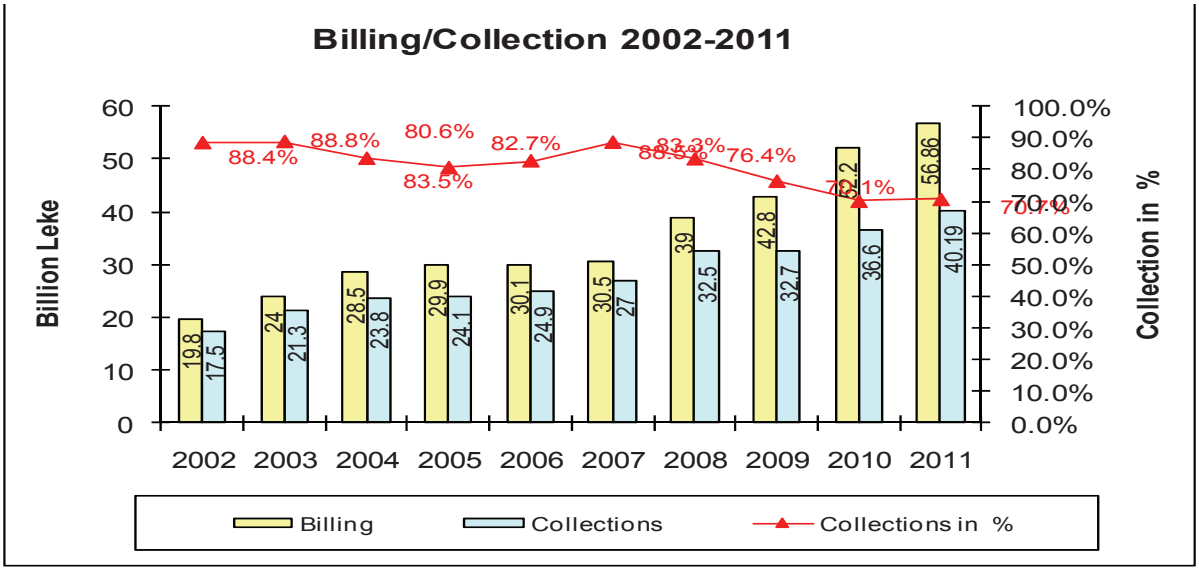


Figure 39 Billing/Collections for 2002-2011 (Source CEZ Distribution)

It must be emphasized that the level of performance of CEZ Distribution is still far from the targets.

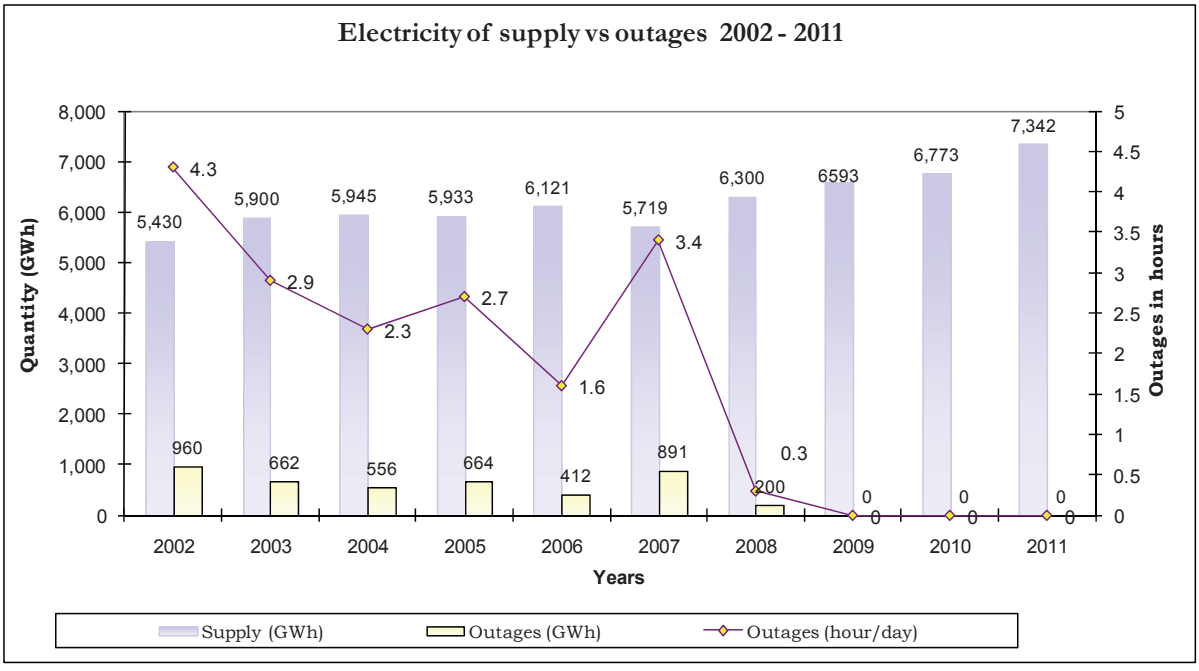


Figure 40 Electricity Supply versus Outages for 2002-2011 (Source ERE,CEZ Distribution)

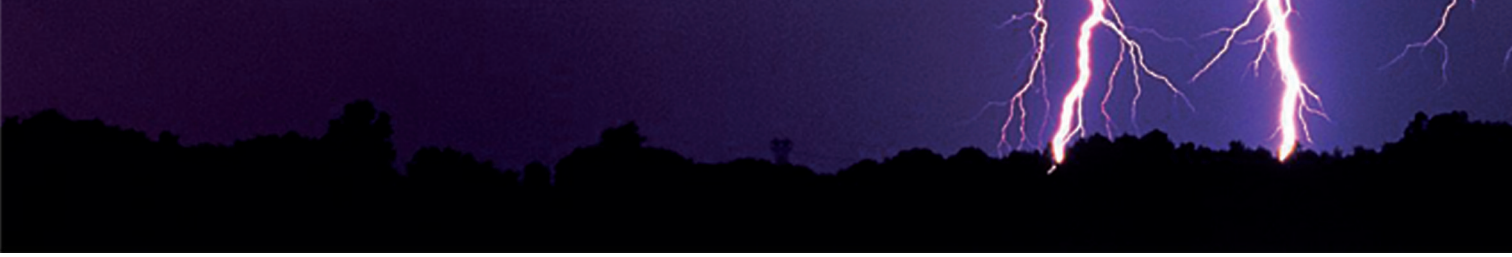
One of the main indicators of efficiency is the lost load. The lost load is the most expensive one, due to the heavy impact that this brings in the economic and social life of the country.

Until 2008 the electricity supply has been carried out with load shedding in the graph of figure -40- are shown the electricity load shedding during the period 2002 – 2011. Only in the last three years in Albania there has been no load shedding and this is now a consolidated phenomenon.

4. Transmission System Operator

The development of the transmission network in compliance with the long-term strategy and plans for the developments of the power sector in general is one of the main responsabilities of the Transmission System Operator OST sh.a and is essential for carrying out its functions. The whole Albanian power system is actually being developed intensively. This is obvious in the following aspects:

- The increase pace of the demand for electricity in Albania is quite high. Referring to the data for the period 2005-2011, the electricity injected to the transmission system for customer needs has been increased by 3.8% per year.
- The request for connections of new generators to the transmission system have been increased and according to the expectations for more important energy sources, mainly HPPs and wind farms will be build. The applications for construction of wind farms have reached a very high installed capacity.
- Our power system still does not fulfill the country's electricity needs with domestic production and for this reason each year it is needed to import high quantities of powe are need to be imported. This deficit is quite high in dry years, where to cover the demand a higher import is needed. Thanks to the new line 400 kV Tirana – Podgorica



around 700 MW of firm capacity can be imported.

- In the framework of EU integration and Energy Community Treaty, our country has taken the relevant obligations, to adopt the related legislation and to establish favorable technical conditions for the integrated development of the electricity market in the region, through the rehabilitation and modernization of the Transmission System and upgrading of the interconnection network.

4.1 Main projects finalized in 2011

- 400 kV Interconnection Line Elbasan2-Tirana2- Podgorica.

The project has two parts:

1. 400 kV line Elbasan2-Tirana2.

The line has a length of 48 km with a total investment of around 13 milion Euro.

2. 400 kV line Tirana2- Podgorica. The whole value is 43 million Euros. The project consists in the construction of 400 kV interconnection line Tirana2- Podgorica. The line has a total length of 155 km from which 125.3 km are in the Albanian territory. Part of the line from Tirana to V. Dejës (around 80.5 km) is constructed with towers in double circuit for the 400 kV Tirana – Kosova B line. Also part of this project is the construction of two 400 kV exists in Elbasan2 S/station.

Actually, these two lines have been finalized. The lines energizing test was madeand they become operational on 11 May 2011. Due to delays in the construction of 400/220/110 kV Tirana2 S/Station, initially the lines were put in operation together through direct connection of Elbasan2 – Podgorica 2 line. On 10 July was realized the entrance and exit of this line in 400 kV Tirana2 substation.

The 400 kV Elbasan – Tirana 2 and Tirana 2– Podgorica lines are part of the 400 kV Elbasan 2– Tiranë2 – Podgoricë line, that has enabled to close through our territory 400 kV ring in the Balkan region.

The project will have a big impact on the increase of technical possibilities to exchange electricity between our system and the neighboring countries, but it will have a regional impact as well. Under the actual conditions of our country this project is especially important because it shall create the technical possibilities to receive in the right time the requested import quantities in the right time, to cover the demand with electricity in every situation. This was proven in the difficult hydro period by the end of 2011 where an import of around 18 million kWh per day was made avoiding a critical situation that would put our country to apply long load shedding. Furthermore, with the construction of new hydro power sources and wind farms, for which Albania has considerable resources, the transmissions and transit of their output through the Albanian power grid toward other countries in the region is guaranteed.

In addition to this, it will have an important impact in the increase of reliability and sustainability of the whole power system. The construction of this line was one of the prerequisites for OST to become a full member of European Network of Transmission System Operators for Electricity (ENTSO-E).

Other positive impacts:

- Joint operation of complementary generation systems in order to reduce their common costs for electricity generation will be enabled. Regional generation dominated by thermo will be used to cover the base load and the generation in Albania dominated by hydro will covers the peak load.
- Concrete technical possibilities to establish and integrated electricity market in South East Europe.
- Increase of exchange capacity with the neighboring countries shall give an incentive to the private investments for construction of hydro capacities and wind farms at the same time, for generation of electricity in Albania considering still unexploited country's potential.
- Reduction of common cost for new electricity sources.
- Enables the balancing of reactive energy, because the line's capacitive generation avoids the reactive flows to enter our system from the neighboring countries.
- Improvements in the levels of voltage and reduction of electricity flows in the transmission network.

- ***Construction of 400/220/110 kV Tirana substation***

The project is evaluated to be 24.5 milion Euro and includes the construction of a 400/220/110 kV substation in Tirana, composed of 2 400/220 kV autotransformers with capacity 300 MVA each, two 220/110 kV transformers with capacity 120 MVA each and the respective busbars for the connection with 400, 220 and 110 kV transmission network. The project has been finalized and the S/station has been commissioned in July 2011. The importance of this S/station is multifunctional.

SUB/STATIONS OF TRANSMITION SYSTEM		
	INSTALLED CAPACITY	Number
400 kV	750 MVA	3
220 kV	2 126 MVA	12
150 kV	40 MVA	1
TOTAL		16

HIGH VOLTAGE LINES	
400 kV	319.585 km
220 kV	1128 km
150 kV	34.4 km
110 kV	1216.2 km

INTER CONNECTION LINES	
Fierza – Prizren	220 kV (68 km)
Koplik – Podgorice	220 kV (44.75 km)
Bistrica 1 – Myrtos	220 kV (47km)
Zemlak - Kardia	400 kV (20 km)

First, through transforming 400/220 kV it ensures the connection between the two voltage levels: 400 kV and 220 kV, by enabling the injection of the capacity flow from 400 kV interconnection network in the internal 220 kV network. This substation together with 400 kV Elbasan 2 s/st, is a necessary part of the network that is used for electricity exchange with the neighboring countries, especially electricity import.

The new 220 kV node represents creates a new configuration where the 220 kV network appears more balanced, operating in a safe mode. The power flows are delivered from HPP Koman directly to Tirana region, which represents the largest load node in the country.

Furthermore, through 220/110 kV transforming and 110 kV network the supply conditions of 110 kV s/stations in the distribution system in Tirana is improved remarkably.

The project has a great impact in the reliability of the whole power system, in improving the quality of transmission service and in reduction of the electricity losses in the transmission grid.

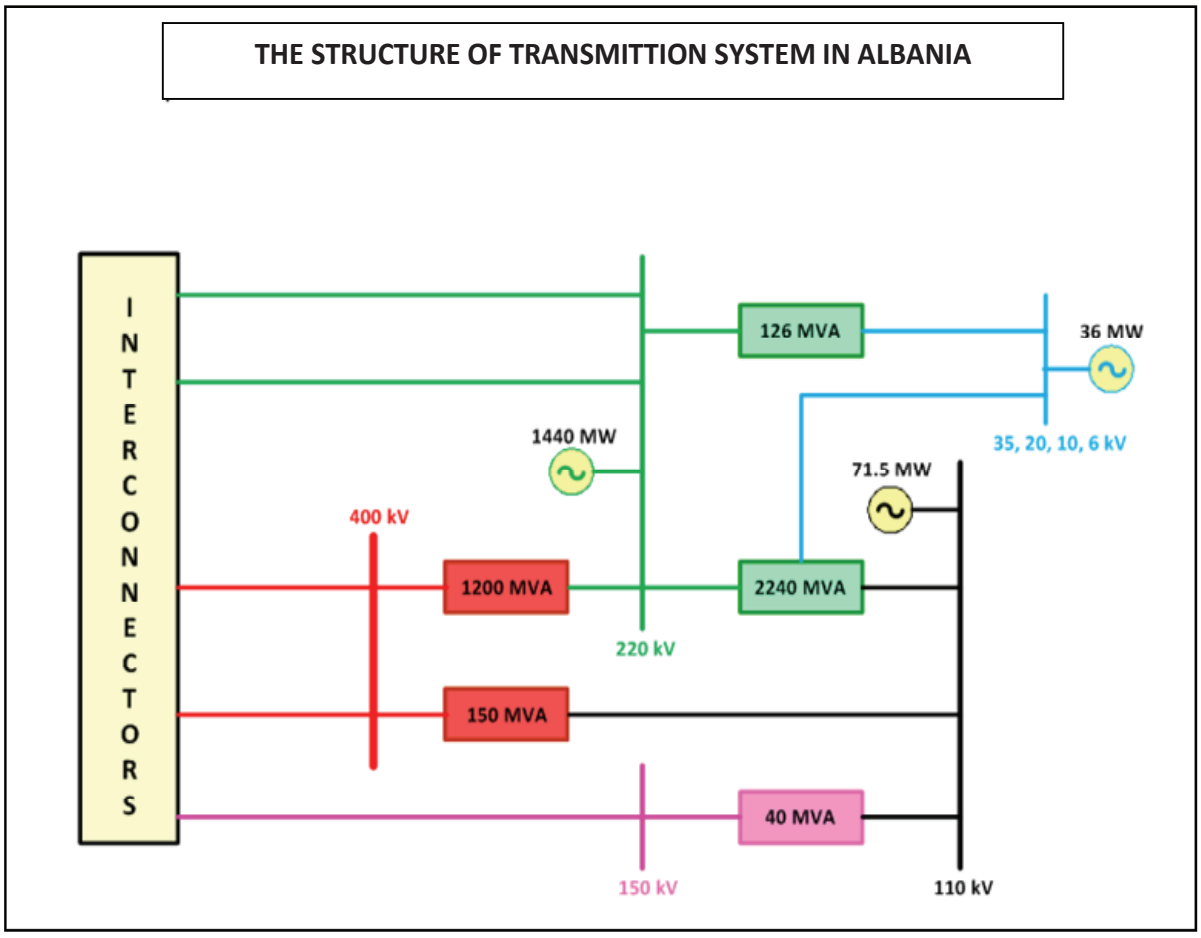


Figure 41 Structure of Albanian Transmission System

5. Distribution System Operator

OSSH has as its object of activity the maintenance and development of a secure and efficient distribution system to guarantee a qualitative and reliable supply of customers connected to this system.

The distribution system is administered by the Distribution System Operator (OSSH), which is licensed by ERE to carry out the distribution of electricity. OSSH carries also the electricity imports to cover the electricity losses in distribution.

The distribution system operator represents the set of overhead and cable lines, s/station and other installations (transforming cabins) that serve to the distribution of electricity.

The supply of electricity and all billing and collection procedures of the electricity sold to tariff customers are carried out by the Retail Public Supplier (RPS), that represents a subject that is financially and functionally independent from OSSH, but legally makes part of it. RPS for the supply of tariff customers, purchases with regulated prices by

Wholesale Public Supplier (WPS) the whole electricity produced in the country and imported by it (WPS), to meet the needs of tariff customers.

CEZ Distribution sh.a. Carries out both the activity of Distribution System Operator and Retail Public Supplier.

5.1 Structure of Distribution System

In table -9- it is presented the map of the Republic of Albania and the geographical areas of each distribution zone. CEZ Distribution is organized in 4 Distribution zones named as below:

- Northern Zone with center in Shkoder
- Central Zone with center in Durres
- South-East Zone with center in Korca
- South-West Zone with center in Fier

No. of Distribution Zones	4
No. of Distribution S/Zones	40
No. of units in LV	5
No. of substations	165
No. of S/stations 110 kV	70
No. of S/stations 35 kV	95
No. of cabins	21984
Cabins 8 kV	10648
Cabins 10 kV	8 448
Cabins 20 kV	2 888

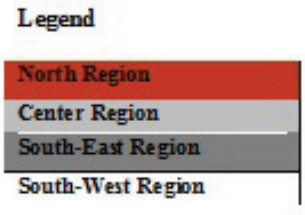


Table 9 Structure of the Distribution System (Burimi CEZ Shperndarje)

Table -10- shows the data on assets and number of customers of the Distribution System Operator.

Zones	CEZ Distribution	Center (Durres)	North (Shkoder)	South-East (Korce)	South-West (Fier)
No. of S/Zones	40	7	12	11	10
Line 35 kV(km)	1.131	200	231	400	300
Capacity MVA	2956	1000	552	654	740
Transformers HV	316	61	79	63	113
Surface (km^2)	29 176	2458	10 023	0219	7476
Substations	156	31	46	41	47
Customers	1 108 000	410 000	189 000	248 000	261 000
Cabins MV	20 056	6 518	5 438	4 100	4 000
Network length MV (km)	12 490	2354	3 763	3403	3 970
Network length LV (km)	25 695	4 155	7 532	8110	5 898

Table 10 Data of the Distribution System Operator (Source CEZ Distribution)

PART II
CHAPTER I

2

Regulation of Natural Gas Sector

1. ERE's Priorities in Natural Gas Sector during 2011

During 2011, ERE has tried to strengthen its institutional capacities for the development of necessary regulatory framework in the natural gas field harmonizing it with the EU Directives and with that of other countries in the region.

Given that the short and medium term development of natural gas sector in Albania is closely linked with the success of TAP project, the main attention of ERE in this sector has been focused on providing total support to the efforts for realization of this project creating the necessary opportunities for achieving the Albania's interests with respect to it.

2. Brief Overview of most important developments related to Natural Gas Projects

TAP, ITGI/Posseidon, Nabucco and SEEP, are four projects part of the so called the South Corridor that aim to supply Western European markets with natural gas coming from gas field of Shah Deniz 2 of Azerbaijan. All four projects submitted on October 1, 2011 their offers to Shah Deniz 2 consortium in the conditions when the available gas from this field could be sufficient for only one of the bidding projects.

Contrary from it was expected, the bid was not concluded within 2011. Only in February 2012, Shah Deniz 2 consortium selected TAP and ITGI as two competitive projects that aim the Italian gas market. The bidding is still under process, and it is expected that within June 2012, the preferable project for the north route, NABUCO or SEEP, that lead to Baumgarten, Austria, be selected. Final phase of selection of one from two qualified projects in the initial phase is announced to be finalized by mid-2013.

Due to the importance not only from energy, but also from economic and geopolitical perspectives, the "battle" of projects aiming Shah Deniz 2 gas resources, has been very intensive at all levels.

ERE has made present in all important international meetings and events, the need for a fair and equal treatment of all projects based on objective economic criteria, and has underlined the special importance of TAP project not only for Albania but also for the implementation of the Gas Ring of Western Balkan and for Italy as well.

Based on the cooperation between METE and ERE, in October 2011, Albania filed with the Secretariat of Energy Community in Vienna, a formal request that TAP project be classified as a priority project for the Energy Community, since it goes through one of the Contracting Parties (Albania) and is expected to contribute in the development of natural gas sector and improvement of energy security of supply in the region.

2.1 Specific Developments of TAP projects during 2011

TAP is the only project passing through Albania therefore it represents a great interest for our country. Project is estimated to have a total cost of Euro 3,7 billion. It is expected to start the construction works in 2014, and be ready for use in 2017, which is the year of starting of gas production of second phase for Shah Deniz 2 gas field.

During 2011, TAP company taking into consideration the latest developments in Greece, took the decision to change the connection of the pipeline with the Greek transmission gas system from Thessaloniki to Komotini, a town near to Greek-Turkish border. This decision, which extends the pipeline with additional 300 km except the increase of the value of investment will contribute to the independency of TAP pipeline from Greek gas system.

During 2011 TAP company carried out the environmental studies in Albania, Greece and Italy, and filed the application for getting the necessary permits according to the respective legislation of transit countries.

2.2 Handling of Application Filed by TAP AG Company for Exemption from Third Party Access Obligation to TAP Pipeline

On 01.09.2011, TAP AG company filed with ERE the request for exemption from third party access obligation in the transmission system in compliance with Article 40 of the Law no. 9946, date 30.06.2008 "On natural gas sector".

Given that the pipeline will pass through Greece, Albania and Italy, TAP AG company filed the same application at the same time with respective authorities of Italy (Italian Ministry of Economic development), Greece (RAE, Greek Energy Regulatory Authority) and with the European Commission and the Agency of the Cooperation of Energy Regulators (ACER).

In compliance with the provisions of the law no. 9946, date 30.06.2008 "On natural gas sector", the handling of this application should be made in cooperation with the respective authorities of the countries where the pipeline go through and the EU responsible structures. ERE has asked from METE and the Competition Authority an evaluation of the application, and it shall involve during the next steps of the evaluation other interested stakeholders.

This is a first request of such nature for the ERE, therefore its Rules of Practice and Procedure did not contain any provisions how to handle it. In order to enable the reviewing of the request the Board of Commissioners:

- with the decision no. 107, date 17.10.2011, approved the necessary modifications to enable the reviewing of the said application taking into account its specifics, and
- with the decision no. 155, date 19.12.2011, approved the beginning of procedure for reviewing of the application filed by TAP-AG company.

ERE is in a continuous communications with the national authorities and authorities from other countries, and it is considering carefully any comments or suggestions with respect to the application for the exemption from third party access obligation in the transmission system filed by TAP-AG company.

TAP-AG company has explained that the project is mostly based on the Italian natural gas market although in the application it is expressed the interest for the opportunities to supply natural gas of Western Balkan countries, including Albania. Taking into consideration the importance of gas supply of the country, ERE has requested TAP-AG company to provide a clearer statement and solution regarding this issue, which shall be one of the main issues in the future discussions.

In the decision-making process on the application filed by TAP AG company, ERE aims that in addition of enabling this very important investment to ensure that the regulatory framework provides all necessary opportunities for the supply with natural gas of the country's economy and establish a functional gas market. This process is being carried out with the international assistance.

2.3 Difficulties Encountered in Coordinating the Efforts of the Respective Authorities of Countries that TAP Project Pass Through for Handling TAP AG Application.

TAP project will pass through three different countries two of which, Greece and Italy as the EU member states are subject of Directive 2009/73/EC, also called the Third Legislative Package, and Albania, which is a Contracting Party of the Energy Community, subject of Directive 2003/55/EC, also called the Second Legislative Package, transposed by the law no. 9946, date 30.06.2008 "On natural gas sector"[1].

Notwithstanding above, the Italian Ministry of Economic Development (MSE), which is the responsible authority for treating the application filed by TAP AG company, in its letter of September 30, 2011 sent to homologue Albanian and Greek institutions, referring to the Decree[2] of April 11, 2006 explains that since Albania is not a member state of the EU, the procedure for handling TAP application should be anticipated by an Inter-Governmental Protocol of Agreement for the said project or otherwise the application should wait the prior approval of the Italian Ministry of Environment.

ERE has raised this concern with the Energy Community Secretariat arguing that the treatment of Albania as a third country directly ignores the existence of the Energy Community Treaty, which has been signed by Italy. This position is coherent with the official statement of Directorate C (Security of supply) of DG Energy[3] . of the European

1 Council of Ministers of the Energy Community in its last meeting of October 6, 2011 in Chinsinau, Moldova decided that the new energy directives known also as the Third Legislative Package shall be trasnpoused in the legislation of the Contracting Parties within 2015.

2 Decreto del Ministro 11 Aprile 2006 publicatto sulla Gazetta Ufficiale Della Republica Italiana del 12 maggio 2006.

3 Letter of Mr. Slavtcho Neikov, Director of Energy Community Secretariat, Vienne sent to MSE on December 22, 2011.

Commission and the Energy Community Secretariat [4].

According to above, MSE has suspended the handling by the Italian side of application filed by TAP AG, which has caused the standstill of the progress on this issue for three regulatory authorities: Albanian regulator - ERE, Greek regulator – RAE, and Italian regulator- AEEG.

Under this circumstance, the decision regarding the application of TAP AG for exemption from third party access obligation shall be finalized after the clearance of the position of the competent Italian and Greek authorities including those of the European Union and the Energy Community.

3. ERE's Contribution in the Gas Working Group of the Energy Community

During 2011 ERE has actively participated in the meetings of the Gas Working Group of the Energy Community. Through this engagement, it was made possible that along with the enlargement of knowledge's in this field a great contribution was provided for carrying out a number of studies focused on the challenges of the development of natural gas sector in the countries of the Energy Community.

4 Letter of Mr. Slavtcho Neikov, Director of Energy Community Secretariat, Vienne sent to MSE on December 22, 2011.

PART III
CHAPTER I

3

Albanian Energy Regulator's Activity

PART III CHAPTER I 3

1. Tariff and Prices of Electricity

1.1 Tariff and Prices of Electricity for the period 2012-2014

Based on the Law no. 9072 date 22.05.2003 "On Power Sector" as amended, respectively in the articles 26, 27 and 28 as well as the other by-laws pouring from it, ERE exercises its legal authority in setting the tariffs for the regulated activities carried out in the power sector.

In this context one of the main activities of ERE for 2011 was to review the applications for the new electricity tariffs including generation, wholesale public supplier, retail public supplier, transmission, distribution and retail supply to tariff customers.

Based on the full and detailed analysis of the technical, economic and financial indicators, submitted from all the regulated companies including KESH sh.a, Vlora TPP sh.a, TSO sh.a. and CEZ Distribution sh.a. and the three generating companies "Ulëz Shkopet HPP" sh.a., "Bistrica 1 and Bistrica 2 HPP"sh.a., "Lanabregas HPP" established in compliance with the Law No. 10430 date 09.06.2011, "On the establishment of the companies " Ulëz - Shkopet HPP", sha, "Tirana, Lanabregas HPP", sha and "Bistrica 1 and Bistrica 2 HPP sh.a" and setting the form and generation structure of privatization of the companies " Ulëz - Shkopet HPP", sha and "Bistrica 1 and Bistrica 2 HPP", in compliance with their request for revenues through a transparent process, ERE set the tariff and prices for the abovementioned activities for the period 2012-2014, approved by the ERE Board of Commissioners with the relevant decisions No.144, 145, 146, 147, 148, 149, 150, 151, 152, 153 and 154 on 07.12.2011.

1.1.1 Methodology and Procedures on setting the Tariff and Prices.

ERE in compliance with Law no. 9072, date 22.05.2003, "On Power Sector", as amended, has developed and approved the methodologies for calculation of tariffs for the regulated activities in the power sector.

ERE in order to guarantee a transparent and fair process in setting the tariffs correctly implemented the Decision No.21 date 18.03.2009 of the ERE Board of Commissioners amended by Decisions No. 107 date 17.10.2011 " On some additions and amendments made to the ERE Rules of Practice and Procedure" which sets the steps and procedures for the application, review and approval of the electricity tariffs.
Considering the principles set in the abovementioned secondary legislation and because the electricity tariffs are to be transferred to the retail prices for the tariff customers, the requests submitted for these tariffs were reviewed simultaneously by ERE.

1.1.1.1 Tariff of Electricity Generation for KESH sh.a.

On 1st September 2011, KESH sh.a., licensed for generation of electricity, submitted with the ERE the application for reviewing the generation tariff of electricity for the third regulatory period 2012-2014.
The tariffs for 2012, 2013 and 2014 proposed from KESH/Gen for electricity generation were respectively 1.10 leke / kWh, 0.99 leke /kWh and 1.04 leke /kWh, so with an average annual increase of 65 % from the previous tariff of 2011 with 0.63 leke/kWh.

The average annual required revenues to cover the operative and capital expenses for the period 2012-2014 for KESH Gen, are calculated at the amount 3,856 million leke from 4,364 million leke requested from the company. this change comes due the correction that ERE made to some of the items in the operative expenses of the company, but also for the privatization of 5 HPP's in compliance with Law N. 10430 date 09.06.2011.

The average annual tariff for public generation for the period 2012-2014 was set 1.00 leke /kWh by decision of ERE no. 144 dt 7.12.2011. The average annual tariff for generation for the period 2012-2014 has been increased by 58.7% compared to the one in 2011 that was 0.63 leke/kWh.

1.1.1.2 Tariff of Electricity Generation for the period 2012-2014 for "Ulez Shkopet HPP" sh.a.; "Bistrica 1 and Bistrica 2 HPP"sh.a. "Lanabregas HPP"sh.a.

Ulez & Shkopet HPP sh.a., Bistrica 1 Bistrica 2 HPP sh.a. and Lanabregas HPP sh.a. are licensed for generation of electricity from the ERE Board of Commissioners relevant Decisions No. 132 date 06.12.2011, No. 136 date 06.12.2011and No. 134 date 06.12.2011.

These companies submitted with the ERE the requests for the electricity prices for 2012 which were carefully analyzed in compliance with the methodology for calculation of public generation company approved by the ERE Board of Commissioners by decision no. 77, date 26.06.2008.

In conclusion to this analysis were set the tariffs for electricity generation for the period 2012-2014 for the companies to be: 2.72 leke/kWh for Ulez & Shkopet HPP sh.a, 2.20 leke/kWh for Bistrica 1, Bistrica 2 HPP sh.a. and 6.25 leke/kWh for "Lanabregas HPP"sh.a.

1.1.2 Tariff of Wholesale Public Supplier

KESH sh.a., licensed for the wholesale of electricity submitted with the Albanian Energy Regulator the request for the tariff review for the wholesale of electricity for the period 2012-2014. This request consisted in reviewing the average annual tariff for this period from 1.48 leke/kWh in 4.91 leke/kWh with an increase of around 231%. The proposal for this tariff was based on:

- Adjustment to increase the revenues for the actual period of 2011, due to increase of electricity imports to cover the increase in electricity demand sold to tariff customers.
- Calculation of required revenues for the third regulatory period 2012-2014 based on the security of supply from hydro resources in the country, import and forecasted generation from Vlora TPP sh.a that has a very high operational cost.
- Taking into consideration the costs to pay back the over-drafts taken from the Banks for 2007 and 2008 as well as for the un-forecasted imports of electricity for 2011.

ERE in compliance with Decision No. 78, date 26.06.2008, of the ERE Board of Commissioners, "On approval of the methodology for the calculation of tariff for the wholesale public supplier" as well as the Regulatory Statement, approved by the Board of Commissioners with Decision Nr. 12, date 03.03.2009, has approved for the regulatory period 2012-2014 the average annual revenues of 12,120 million leke, that correspond to an annual average tariff of 2.83 leke /kWh, so an increase of 91.2% compared to the previous regulatory period.

1.1.3 Electricity price for the existing HPPs up to 10 MW

Based on the Power Sector Law and the secondary legislation, ERE has the competence and responsibility to review the electricity prices generated from the existing small power producers (concessionary or private) with installed capacity up to 10 MW as well as for new generators with installed capacity up to 15 MW. For calculation of the electricity price generated from the existing HPPs it has been implemented "The Methodology for calculation of unified price for the electricity sale price for the licensees for electricity generation from HPPs with installed capacity up to 10 MW" approved by the ERE Board of Commissioners with Decision No.5, date 26.01.2007.

Based on the ERE calculations the electricity sale price from the producers, concessionary and private, with installed capacity up to 10 MW, for the period 01 January 2012 – 31 December 2012 was set 7.77 leke/kWh.

1.1.4 Electricity Price for new HPPs up to 15 MW

For the calculation of the sale price of electricity produced by new HPPs with installed capacity up to 15 MW it has been implemented "The Methodology for setting the unified electricity price produced by new HPPs with installed capacity up to 15 MW given by concession based on Law No. 9663, date 18.12.2006 "On concessions".

To promote the investments in exploitation of the hydrological reserve, in all the water flows, the Government adopted the reference of import price policy, of the electricity price produced by these subjects to the public company KESH sh.a. with average import price of the previous year.

According to the abovementioned methodology, for calculation of the electricity price the following formula is used;

Pu = Pi * 1.1. * Rex

where :

Pu is the unified price of electricity produced by new HPPs with installed up to 10 MW,

Pi is the average import price of electricity realized by KESH sh.a. (functioning as WPS) in the previous year,

REX average exchange rate Leke/EUR published by the Bank of Albania for the previous year.

The average import price in 2011, from KESH sh.a.reports was 60.18 Euro/MWh.

Following this methodology of calculation of electricity price by new HPPs given by concession with installed capacity up to 15 MW is 9.30leke/kWh or 34% higher than 2011. Such fluctuations in price come from the variation of import price of electricity in different years, is not in compliance with the Government policy to enhance and encourage the investments for the construction of these hydro power plants.

1.1.5 Transmission Tariff of Electricity

Transmission System Operator, licensed for the transmission activity of electricity, submitted with the ERE the request for the transmission tariff increase for the third regulatory period of 22.3 % compared to the actual tariff of 0.6 leke/kWh.

ERE in calculation of transmission tariff has been based on the Methodology for calculation of transmission tariff of electricity, approved by Decision No.59, date 29.12.2005,of the ERE's Board of Commissioners.

The tariff of 0.65 leke/kWh, approved by Decision No. 146 date 7.12.2011 of the ERE's Board of Commissioners, is a result of the average annual revenues of 4037 million leke. These revenues forecast to cover all the operative and capital expenses, including the capitalization of the finished loans and precision of the obligations of TSO for interest and principal payment for the old loans and loans expected to be implemented.

1.1.6 Distribution Tariff and Retail Supply of Electricity to Tariff Customers for the period 2012-2014.

CEZ Distribution Sh.a. performing its functions of the Distribution System Operator and Retail Public Supplier submitted with the ERE the application for the distribution and retail of electricity for tariff customers for the third 2012-2014. This application reflected also the latest amendments made with the Law No. 10485, date 26.11.2011 "On some amendments and additions to the Law No. 9072 "On Power Sector", as amended, dealing with the electricity market liberalization for users connected to the HV and those with a higher consumption than 50 million kWh for all voltage levels.

The average required annual revenues by CEZ Distribution sh.a. for distribution and retail supply for the period 2012-2014, are 46,609 million leke not including the change in tariffs for the wholesale supply (from KESH) and transmission (from TSO) during this period. By concluding the average retail price for tariff customers was requested to be 9.80 leke /kWh or 2.83 % higher than the existing average price.

ERE for the review and approval of the distribution and retail tariff review and approval was based on :

- Decision No.79 date 26.06.2008 of the ERE Board of Commissioners " On the approval of the methodology for calculation of distribution tariff of electricity";
- Decision No. 80, date 26.6.2008 of the ERE's Board of Commissioners " On the approval of the methodology for calculation of retail tariff of electricity"
- Regulatory Statement approved by the ERE with Decision No.12, date 03/03/2009;
- Decision No. 46 of the ERE's Board of Commissioners date 14.06.2010 "On DSO request to approved the level of losses for 2008".
- Decision No.143 date 07.12.2011 "On reviewing the application of CEZ Distribution sh.a on the approval of the investment plan for the third regulatory period 2012-2014.
- Decision No.93 date 30.11.2010 "On the approval of the total losses schedule for the three regulatory periods".
- Decision No. 99 date 30.09.2011 of the ERE's Board of Commissioners "On the approval of bad debt study".

After carefully reviewing all the elements in the application of CEZ Distribution, including here the monitoring carried out in the company to verify the costs, the explanations provided in the additional information and technical and open hearings, ERE decided to recognize to CEZ Distribution sh.a.:

- average annual revenues for the retail activity at the amount 40,760 million leke, including the required revenues for generation, transmission and distribution, for the third regulatory period (2012-2014). from these the amount 21,288 million leke belong to distribution and the amount 4,557 million leke to the retail activity.

- average tariff of distribution for the third regulatory period (2012-2014) at 5.0 leke /kWh or 20.6% lower than 6.3 leke per kWh that was in 2011. this tariff reflects a reduction in the operative expenses (OPEX) of 5,586 million leke for the regulatory period 2012-2014. This reduction was considered reasonable due to lack of arguments from the company for the required revenues.
- average tariff of retail supply for tariff customers reflects the reduction of required revenues from CEZ Distribution sh.a., as retail supplier at the amount 9,772 million leke for the period 2012-2014, from which the reduction of operative expenses is 1,386 million leke and reduction of required revenues to cover the bad debt (without including the compensation of previous years) is 8,386 million leke.
- access tariffs for users supplied in MV and LV respectively at : 3.2 leke/kWh and 5.4 leke/kWh;

By concluding the analysis and methodology used the average retail price for tariff customers is 9.53 leke/ kWh that is the same average price approved by ERE for 2011. This average price is spread to the tariff customer categories in the table -11-

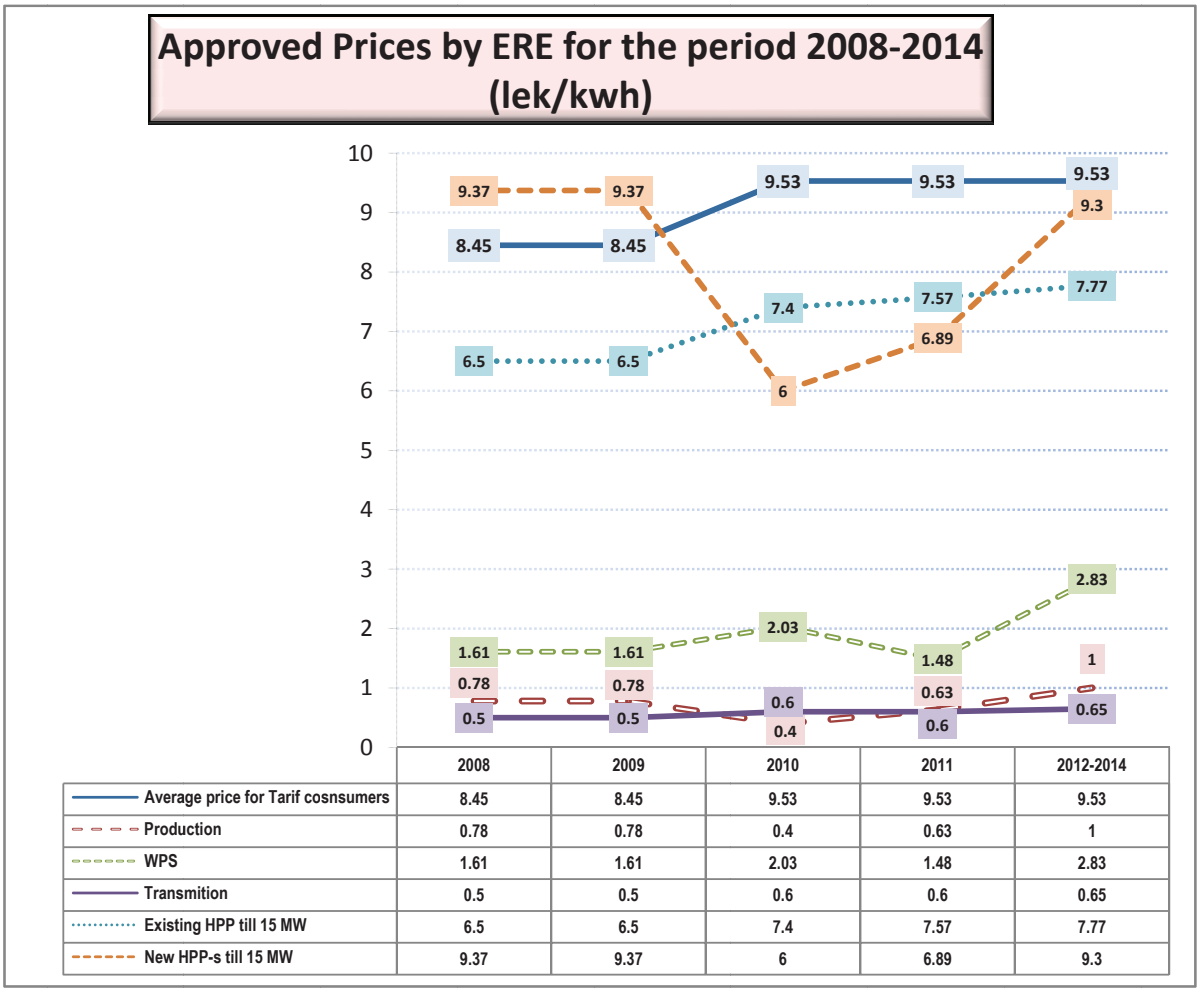
Retail electricity tariffs for the period 2012-2014

Voltage Level	Customer Categories	Approved tariffs (lek/kWh)	Peak energy prices (lek/kWh)
MEDIUM VOLTAGE	**35 KV customers**		
	Industry	8.50	9.78
	Commerce & Services	8.50	9.78
	Agriculture	8.50	9.78
	Others	8.50	9.78
	Customers supplied at 20/10/6 kV		
	Industry	9.10	10.47
	Commerce & Services	10.00	11.50
	Wheat industry& bakeries	7.10	8.17
	Agriculture	8.70	10.01
	Others	9.70	11.16
	Budgetary	11.50	13.23
LOW VOLTAGE	**Customers supplied at LV**		
	Industry	10.50	12.08
	Commerce & Services	12.20	14.03
	Wheat industry& bakeries	7.60	8.74
	Agriculture	10.50	12.08
	Others	12.00	13.80
	Budgetary	14.00	16.10
	Households		
	First Tier up to 300 kWh	7.70	
	Second Tier above 300 kWh	13.50	
	Fixed service tariff for customers with no energy consumption (lek/month)	200.00	
	Tariff for electricity consumption in common spaces (condominium) (lek/kWh)	8.00	
	Total average tariff	**9.53**	

Note: The price for reactive power will be 15% of the price for active energy
The peak tariff will be applied for the energy consumption during the following time period:
For period from 1 November to 31 March from 18:00 to 22:00
For period from 1 April to 31 October from 19:00 to 23:00

Considering the above table, it is preserved also for the period 2012-2014, two block bill of the tariff customers, with the same threashold of 300 kWh for the first block and above 300 kWh for the second block.

In the graph of figure -42- it is shown the price display for the electricity prices approved by ERE for the period 2008-2014.

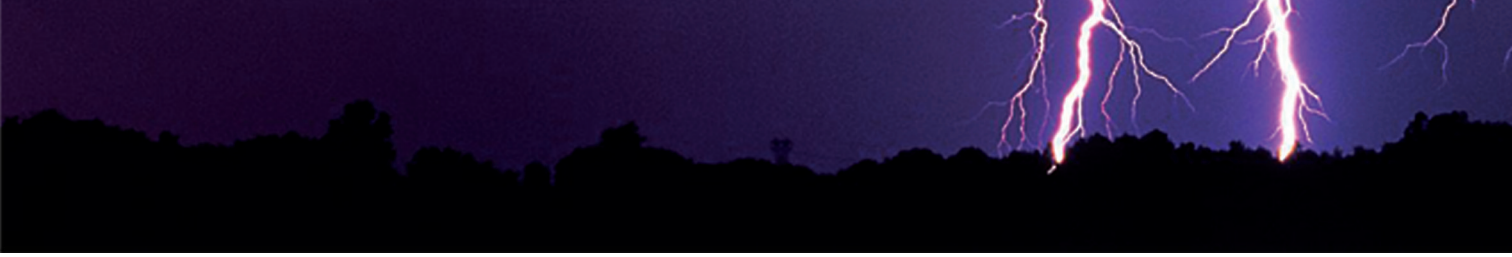


	2008	2009	2010	2011	2012-2014
Average price for Tarif cosnsumers	8.45	8.45	9.53	9.53	9.53
Production	0.78	0.78	0.4	0.63	1
WPS	1.61	1.61	2.03	1.48	2.83
Transmition	0.5	0.5	0.6	0.6	0.65
Existing HPP till 15 MW	6.5	6.5	7.4	7.57	7.77
New HPP-s till 15 MW	9.37	9.37	6	6.89	9.3

Figure 42 Approved tariffs from ERE for the period 2008-2014

1.2 Bad Debt Study in the collections of the electricity bills.

Bad debt is one of the important indicators that has an impact in the electricity prices for tariff customers. The Regulatory Statement, in point 5.2, has determined the method to calculate this indicator as a percentage



in terms of total revenues of Retail Supplier as well as the targets for its reduction for the regulatory periods with a starting point of 14% recognized (accepted) for 2008 as the year before Distribution System Operator was privatized.

After that for the regulatory periods staring from 2009, as the first year of privatization the levels for bad debt were set as below:

- 14% for 2009, so for a level equal to that of 2008
- 13% for 2010, 1 point in percentage reduction compared to 2009

For every year of the period 2011-2014 in the Regulatory Statement, a reduction of Bad Debt in 1% starting from the actual level for 2010 is foreseen.

According to the Regulatory Statement, DSO as retail supplier, shall carry out until July 31, 2011, a detailed study on Bad Debt to set (i)the methodology for calculation of Bad Debt and (ii) Actual Bad Debts levels for 2008, 2009 and 2010.

CEZ Distribution sh.a.submitted with the ERE the Bad Debt Study, that was prepared by Deloitte company - independent financial expert. According to this study the levels for the Bad Debt, for 2008, 2009, and 2010 were respectively 18.39%, 20.71% and 23.25%.

After reviewing this study, ERE decided to approve in principle the Bad Debt Study with the following corrections:

- Methodology for calculation of Bad Debt is an estimation of receivable accounts that considers also:
- Debt category as per customer categories (budgetary, non-budgetary, private etc.).
- Debt ageing of customers
- Supply period for debt customers
- Company performance for non-burdening the tariff with costs of non-paid obligations to third parties.

- Actual levels of Bad Debt for 2008, 2009, 2010 are respectively 14%, 14% and 13 %.

- Bad Debt shall be calculated in percentage above the amount of the revenues of Retail Supply according to point 5.2 of the Regulatory Statement.

In setting in this decision the respective levels of 14%, 14% and 13% for 2008, 2009 and 2010 was accepted the methodology used from the consultant company Deloitte while for the revenues presented in the study the following assumption:

- Budgetary customers shall not be considered debtors, because their debt is recognized and shall be paid by the Albanian Government.
- For households and private debtors was assumed that there should be still hope to have a percentage in the coming years.
- ERE, differently from what the study presented, calculated the bad debt as percentage on the amount of revenues of the retail Supplier as stated in point 5.2 of the Regulatory Statement.

CEZ Distribution has filed a complaint in the Court of Tirana, Decision no. 99 date 30.09.2011, of the ERE Board of Commissioners " On the approval of Bad Debt Study". Object of this complaint has made this decision null and void because ERE has no competence to change the conclusions of bad Debt Study, but just to approve it as it is or not.

In addition, CEZ Distribution company has complained to ERE the decisions no. 147 and 148 date 7.12.2011 of the ERE Board of Commissioners related to setting the distribution retail tariffs for tariff customers for the third regulatory period 2012-2014. This complaint consisted mainly in refusing the reduction of required revenues to cover the operative expenses (OPEX) of the company for the relevant regulatory period.

The ERE decision-making in treating this complaint was also subject of the Review Panel Opinion established with CEZ Distribution request based on the Government Support Agreement as part of the Law No. 10126, date 11.05.2009, "On the approval of the Government Support Agreement between the Albanian Government and the International Bank for Reconstruction and Development(IBRD), to guarantee the privatization project of DSO sh.a". Based on its analysis and as recommended from the Review Panel ERE decided not to change these decisions.

The actual tariff for distribution and retail as well as the Bad Debt, are part of the process related to Partial Risk Guarantee (PRG) and based on this CEZ Distribution started the procedures for PRG which guarantees to the company 60 million Euro for possible damage accepted in the process of privatization package.

1.3 Tariff and Prices of Electricity in the Countries of the Region for 2011

The tariff data base of the Energy Regional Regulators Association is the main source of official data for the electricity tariffs for Central, South East Europe and Eurasia countries. It included data for every three months since 2000 up to date for 28 countries (Albania, Bulgaria, Croatia, Estonia, Georgia, Hungary, Moldavia, Poland, Romania, Russia, Turkey , Ukraine, etc.).

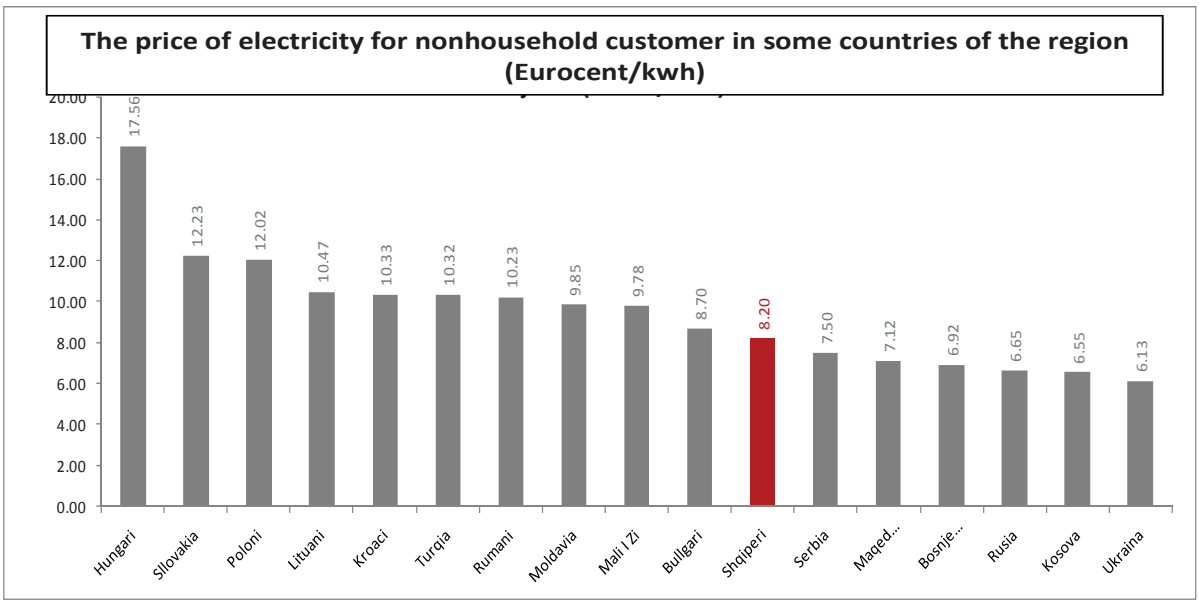
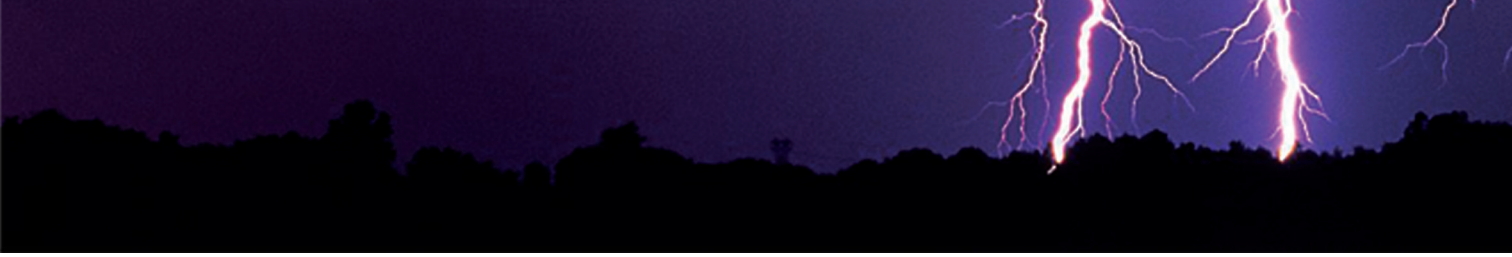


Figure 43 Electricity price for non-household customers in the region



In the graph of figure -43- are shown the electricity tariff data after (VAT) for non-household customers for all ERRA countries, in Euro cent/kWh. The average electricity price for non-household customers in the region is 9.44 Eurocent/KWh.

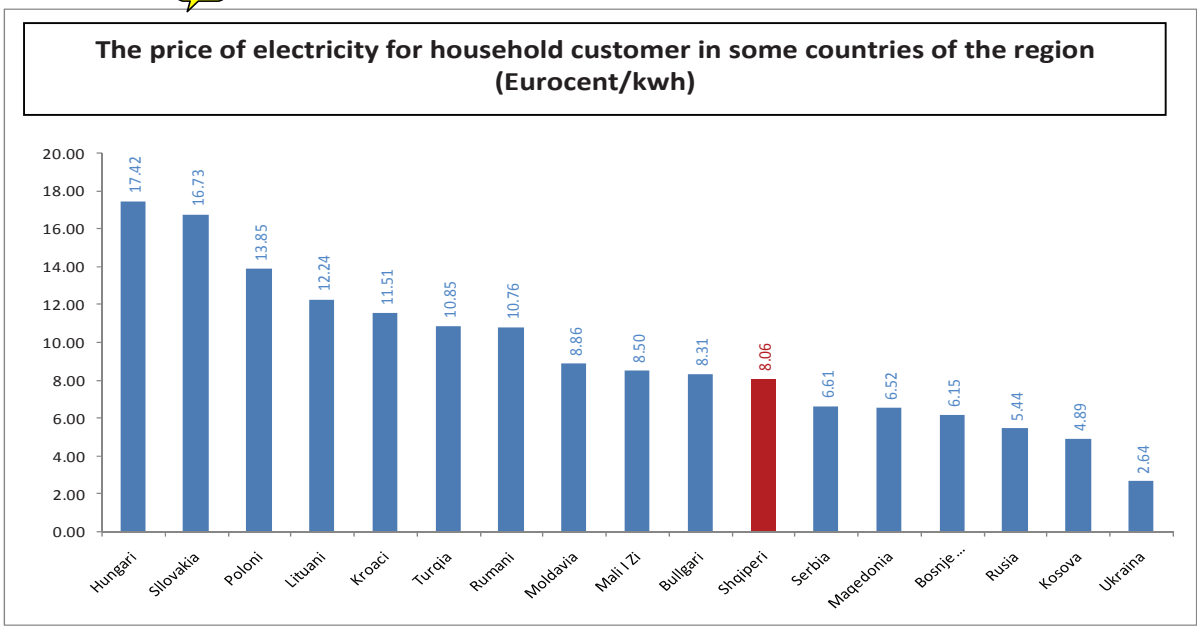


Figure 44 Electricity price for household customers in the region

PART III
CHAPTER II

3

Licensing and Monitoring of the Activities in the Electricity Market

Licensing and Monitoring of the Activities in the Electricity Market

In 2011, ERE has reviewed 49 applications on:

- Licensing of the activities in the electricity sector;
- Modification of existing licenses;
- Qualification of plants as renewable energy sources.

The Board of Commissioners has licensed 39 subjects up to now, while 10 of them are still under process. One subject has been granted the status of Eligible Customer according to the ERE Board of Commissioners procedures.

In the table -12- are shown the licensees granted for the activities in the electricity sector for 2011.

LICENSED ACTIVITY	No. of APPROVED LICENSES
Electricity Generation	20
Qualified Suppliers	4
Traders	15
Modification of existing license	2

Table 12 Licenses according to activity

1.1 Licensing of electricity generation for 2011

Most of the licenses granted from ERE are for the generation of electricity.

There have been licensed for the generation activity 20 private companies for 58 electric plants.(HPP's). their installed capacity is 216 MW. From these 20 subjects as follows:

- 4 of them with total capacity until 1MW
- 6 of them with total capacity until 5 MW
- 4 of them with total capacity until 10 MW
- 2 of them with total capacity until 15 MW
- 4 of them with total capacity above 15 MW

There are in licensing process 6 other companies for electricity generation with 7 electric plants (HPPs), with an installed capacity 24.02 MW.

Licensees for generation of electricity from concessionary contracts for 2011

Nr	SUBJECT	LICENSE TYPE	DECISION	HPP AND CAPACITY
1	"HPP Vlushe" shpk	Generation	Decision Nr. 23, date 10.03.2011	HPP –Vlushe with capacity 14.2 MW
2	"Energy Partner –Al" shpk	Generation	Decision Nr. 7, date 02.02.2011	HPP – Shkalle with capacity 1.3 MW; HPP –Cerunje with capacity 2.3 MW; HPP –Plesha with capacity 2.8 MW; HPP – Bejni 1 dhe Bejni 2 with capacity 3.6 MW ; HPP –Klos with capacity 2.6 Mw
3	"HPP Dunice" shpk	Generation	Decision Nr. 27, date 10.03.2011	HPP – Trebinje 1 with capacity 0.39 MW; HPP – Treginje 2, with capacity 0.68 MW; HPP – Dunice with capacity 0.75 MW; HPP - Potgozhan with capacity 0.692 MW; HPP – Kalivac with capacity 0.73 MW
4	"Korkis -2009" shpk	Generation	Decision Nr.21, date 04.03.2011	HPP – Belesova 1 with capacity 0.150 MW HPP –Belasova 2 with capacity 0.280 MW
5	"Ferar Energy" shpk	Generation	Decision Nr. 4, date 25.01.2011	HPP –Benca with capacity 2.070 MW; HPP –Tepelena with capacity 3.420 MW
6	"HPP –Dragoshtunje" shpk	Generation	Decision Nr. 25, date 10.03.2011	HPP – Zanore with capacity 1.2MW; HPP – Dragoshtunje with capacity 3.1 MW HPP – Ura with capacity 0.8 MW; HPP – Sheja with capacity 1.6 MW;
7	"HP Ostrovica Energy" shpk	Generation	Decision Nr. 40, date 15.04.2011	HPP FAQE KUQ 1 with capacity 3 MW ; HPP FAQE KUQ 2 with capacity 3.4 MW
8	"Hidropower Elektrike" shpk	Generation	Decision Nr. 59, date 22.06.2011	HPP -Sllabinja 2A with capacity 2 MW; HPP -Sllabinja 2B with capacity 1.6 MW ; HPP -Sllabinja 2C with capacity 1.8 MW ; HPP -Sllabinja 2D with capacity 5 MW; HPP -Sllabinja 2E with capacity 3.4 MW
9	"DN&NAT Energy" shpk	Generation	Decision Nr. 58, date 22.06.2011	HPP - Kumbull Merkurth with capacity 0.63 MW
10	"Selisht " shpk	Generation	Decision Nr. 60, date 22.06.2011	HPP - Selishte with capacity 2 MW
11	"Idro Energjia Pulita" shpk	Generation	Decision Nr. 66, date 27.07.2011	Langarica 3 with capacity 2.2MW Gostivisht with capacity 1.3 MW Ura e Dashit with capacity 1.2 MW
12	"Bekim Energjitik" shpk	Generation	Decision Nr. 61,	Kryezi 1 with capacity 0.6 MW ;

			date 13.07.2011	Kryezi I Eperm with capacity 0.2 MW
13	"Euron Energy Group" shpk	Generation	Decision Nr. 87, date 26.09.2011	Hec- Orgjos i Ri with capacity 4.8 MW ; HPP -Bele 1 with capacity 5 MW ; Hec- Bele 2 with capacity 11 MW ; HPP - Topojan 1 with capacity 2.9 MW ; Hec- Topojan 2 with capacity 5.8 MW
14	"Erald Energjitik" shpk	Generation	Decision Nr. 91, date 26.09.2011	HPP -Shemri with capacity 1 MW ; HPP - Mgulle with capacity 0.28 MW
15	"Erma -MP" shpk	Generation	Decision Nr. 105, date 17.10.2011	HPP –Carshove with capacity 1.5MW
16	"Dosku Energy" shpk	Generation	Decision Nr. 67, date 27.07.2011	HPP –Gizavesh with capacity 0.5 MW
17	"DITEKO" shpk	Generation	Decision Nr. 114, date 16.11.2011	HPP -Borove with capacity 1.921 MW; Hec- Zabzun with capacity 0.301MW ; Hec- Sebisht with capacity 2.835 MW ; Hec- Prodan 1 with capacity 0.38MW ; HPP - Prodan 2 with capacity 0.801 MW; HPP - Okshtun Ekologjik with capacity 0.45 Mw; Hec- Ternove with capacity 0.921 Mw; HPP -Okshtun with capacity 10 MW ; Hec- Lubalesh 1 with capacity 4.6 Mw ; HPP Lubalesh 2 with capacity 5.1Mw; Hec- Gjorice with capacity 4.18Mw
18	"HPP –Lanabregas" sha	Generation	Decision Nr. 134, date 06.12.2011	HPP - Lanagregas with capacity 5 Mw
19	"HPP "Bistrica 1 dhe 2"sha	Generation	Decision Nr. 136, date 06.12.2011	Bistrica 1 with capacity 22.5 MW; Bistrica 2me fuqi 5 MW
20	"HPP –Ulez –Shkopet" sha	Generation	Decision Nr. 132, date 06.12.2011	Hec/ Ulez with capacity 24 MW ; HPP /Shkopet with capacity 24 MW
21	Snow Energy	Generation	In process	Hec/Koka 1 with capacity 3.2 MW
22	Stravaj Energy	Generation	In process	HPP / Stravaj with capacity 3.6 MW
23	Albanian Power "	Generation	In process	HPP / Martanesh with capacity 10.5 MW
24	Hydro Power Plant Korca"	Generation	In process	HPP /Verba 1 with capacity 2 Mw HPP / Verba 2 with capacity 3 Mw
25	Hydro Salillari	Generation	In process	Hec/Vertop with capacity 1.52 MW
26	Peshku Picar 1" shpk	Generation	In process	HPP /Picar with capacity 0.2MW

Table 13 Licensees from Electricity generation from Concessionary Contracts for 2011

1.2 Licensing of Electricity Trade

In 2011 there have been licensed 15 subjects from which 13 are licensed for 30 years because they have had a license also for electricity generation. while 2 other subjects have been licensed for 5 years.
The licensees for the Electricity Trade for 2011 are the following:

Nr.	Subject name	Licensed Activity	Date of License approval
1	"HPP Vlushe" shpk	Trade	Decision Nr. 24, date 10.03.2011
2.	"Energy Partner –Al" shpk	Trade	Decision Nr. 8, date 02.02.2011
3.	"HPP Dunice" shpk	Trade	Decision Nr. 28, date 10.03.2011
4.	"Energy Supply –Al" shpk	Trade	Decision Nr.6, date 02.02.2011
5.	"GSA" shpk	Trade	Decision Nr. 57, date 22.06.2011
6.	"HPP –Dragoshtunje" shpk	Trade	Decision Nr. 26, date 10.03.2011
7.	"HP Ostrovica Energy" shpk	Trade	Decision Nr. 48, date 24.05.2011
8.	"Euron Energy Group" shpk	Trade	Decision Nr. 88, date 26.09.2011
9.	"Erma-MP" shpk	Trade	Decision Nr.106, date 17.10.2011
10	"Diteko" shpk	Trade	Decision Nr. 115, date 16.11.2011
11	"Albanian Green Energy" shpk	Trade	Decision Nr. 121, date 18.11.2011
12	"Balkane Green Energy" shpk	Trade	Decision Nr. 127, date 02.12.2011
13	"HPP Lanabregas" sha	Trade	Decision Nr. 135, date 06.12.2011
14	"HPP Ulez-Shkopet" sha	Trade	Decision Nr. 133, date 06.12.2011
15	"HPP Bistrica 1 dhe Bistrica 2"sha	Trade	Decision Nr.137,d ate 06.12.2011
16	" Malido Energy" shpk	Trade	Decision Nr. 5, date 16.01.2012
17	Hydro Salillari " shpk	Trade	In process
18	Stravaj Energy" shpk	Trade	In process

Table 14 Licensees for the Electricity Trade for 2011

1.3 Licensing of the Qualified Suppliers

In 2011 there have been licensed a total number of 4 subjects as qualified suppliers of electricity with a license valid for 5 years.
The qualified suppliers licensed in 2011 are shown in the following table:

Table 15 Qualified Suppliers of electricity licensed in 2011

Nr.	Subject	Date of License Approval	Date of License Ending
1	"Energy Supply Al" shpk	Decision Nr. 05. date 02.02.2011	01.02.2016
2.	"Rudnap Energy Tirana" shpk	Decision Nr. 20, date 04.03.2011	03.03.2016
3.	"Albanian Green Energy" shpk	Decision Nr. 125, date 02.12.2011	02.12.2016
4.	"Ballkan Green Energy" shpk	Decision Nr. 126, date 02.12.2011	02.12.2016
5.	"Hydro Salillari " shpk	In process	

licensed in total as qualified suppliers there are 11 subjects.

Qualification of generation plants as renewable energy sources

In 2011 there have been qualified from ERE as renewable energy sources in total 6 subjects for 15 HPPs with a total capacity of 180 MWs.

Qualified Plants as Renewable Energy Sources in 2011

Nr.	Subject name	Decision of the Board of Commissioners	Assets qualified as renewable sources
1	"Energji ASHTA" shpk	Decision Nr. 56, date 22.06.2011	HPP -Ashta with capacity 48.2MW
2.	"Kalivac Green Energy" shpk	Decision Nr. 81, date 12.09.2011	HPP -Kalivac with capacity 93.9 MW
3.	"DITEKO" shpk	Decision Nr. 116, date 16.11.2011	HPP -Borove with capacity 1.921 MW ;Hec-Zabzun with capacity 0.301MW ; Hec- Sebisht with capacity 2.835 MW; Hec- Prodan 1 with capacity 0.38MW; HPP - Prodan 2 with capacity 0.801 MW ; HPP -Okshtun/Ekologjik with capacity 0.45 Mw; Oshtune with capacity 10 MW; Hec- Ternove with capacity 0.921 Mw; Hec- Lubalesh 1 with capacity 4.6 Mw; Hec-Lubalesh 2 with capacity 5.1Mw; Hec- Gjorice with capacity 4.18Mw
4.	"HP Ostrovica Energy" shpk	Decision Nr. 103, date 17.10.2011	HPP -Faqe Kuq 1 with capacity 3 Mw Hec-Faqe Kuq 2 with capacity 3.4 MW
5.	"Malido Energy" shpk	Decision 6, date 16.01.2012	HPP -Klos with capacity 1.95 Mw
6.	Hydro Salillari	In process	HPP – Vertop with capacity 1.52 MW

Table 16 Qualified plants as renewable energy sources in 2011

Modification of Licenses

ERE has treated 2 requests for license modification. The requests have been due to the increase in the installed capacities of the plants.

Table 17 License Modification

Subject	Plant	Installed capacity	
		Was	Is made
"Energo –Sas" shpk	HPP - Sasaj	7 MW	8.6 Mw
" Wenerg" sha	HPP – Dardha 1	4 Mw	5.8 MW

1. Monitoring of Electricity Market

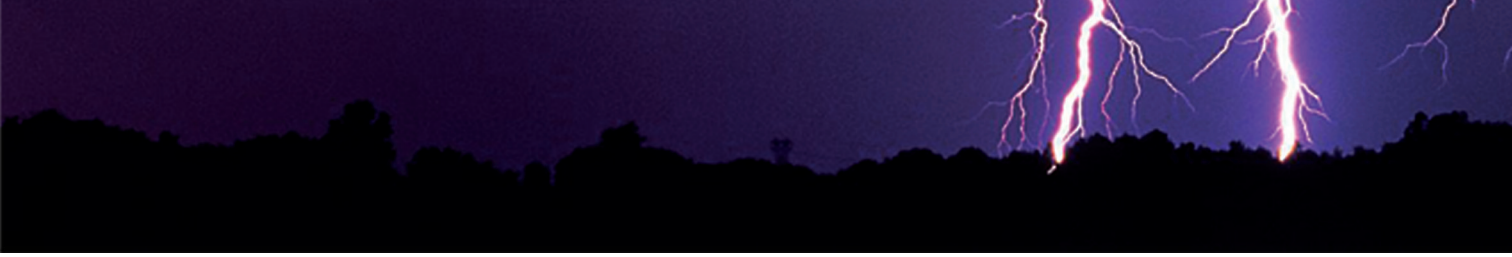
In compliance with Law No. 9072, date 22.5.2003 "On Power Sector" as amended, article 8, paragraph 2 letters f) and g) and article 63, ERE has the authority and obligation to monitor, control and inspect the operative services of the licensees in terms of respecting the legal obligations as well as implementation of ERE's rules, decisions and orders.

2.1 Monitoring principles for the Electricity Market

Monitoring have been carried out based on the Market Rules and the respective rules and procedures based on which market participants operate.
These monitoring have been carried out based on pre-determined specific monitoring so that the results of the electricity market participants are monitored in continuance.

The monitoring process have been carried out periodically following these steps :

- Collection and examination of the periodic (monthly) results and information.
- Examination of results and setting the performance indicators.
- Report of analysis of the performance indicators of the electricity market participants to the ERE Board of Commissioners.
- Broad discussion about the monitoring issues in the periodic meetings of the ERE Board of Commissioners.
- Decide the ERE position related to the operators performance as well preparing the ERE position and their recommendations.
- Identification of issues to be monitored on location.
- Carrying out monitoring on location and their analysis.
- Decide the ERE position and recommendations related to the monitoring results.



Order No.	MONITORING SUBJECT	Company
19	Imp/Exp of KESH for January 2011	KESH
20	Losses in OSSH	CEZ
53	Monitoring new S/st in Gjirokaster	CEZ
57	Mon HPP of Hydro Power Pulita	Small HPP
65	Mon on supply, metering, quality	CEZ
65/1	Verification (problematic)	CEZ
68	Mon EMIKEL HPP	Small HPP
70	Mon KESH Transactions of Imp/Exp June	KESH
73	Mon of AMAL HPP	Small HPP
77	Mon on supply, billing, interrupt, consumpt, quality	CEZ
89	Mon of performance and availability	Vlora TPP
96	Mon. interruption in South/West	CEZ
100	Verification of reactive energy billing in Elbasan	ItalDruri sha
111	Verification on investment plans	CEZ
115	Methodology for calculation of economic damage	CEZ
116	Mon of investment plans in regulation	CEZ
120	Verification of CEZ arrears to CEZ-Albpetrol	Albpetrol sha
123	Verification for non-supply in Stajke Bushat	CEZ
125	Mon.on supply/collections debtors private2008-2011	CEZ
126	Verification on supply Brigada Logjistike Vaqarr	CEZ
130	Verification for investment plans	KESH
132	Mon.of energy procurement procedures	CEZ
133	Verification of connection in MV of Xhelips Shkozet	CEZ
134	Mon of verification of TSO 2010-2011	OST
135	Monitoring of cash-flow 2010-2011ne CEZ-Distribut	CEZ
136	Mon on energy purchase from KESH Sep. 2011	KESH
137	Mon of KESH investments 2010-2011	KESH
138	Mon of loans and overdrafts of KESH	KESH
139	Mon. of allocation of interconnection capacities	OST
140	Functioning of market from OST	OST
143	Verification on-site of some customer complaints	CEZ
144	Verification for non-supply to Kastriot Diber	CEZ
145	Verification of 9 months balance plus unbilled energy	CEZ
146	Verification of 9-month balance of OST	OST
150	Verification of supply problems of Kuqan-Tropoj	CEZ
151	Verification of supply to Bajram Currit	CEZ
152	Verification for non-supply/ reading in Piraj	CEZ
158	Mon. of application of economic damage Sh,FR,EL,Ko	CEZ
159	Implementation of methodology for economic damage	CEZ
160	Verification on provisional contracts	CEZ
169	Verification on overbilling in Constitutional Court	CEZ
170	Implementation of recommendations on customer complaints	CEZ
171	Mon. on capacities auction and contracts	TSO
	43 total 24 CEZ, 6 KESH, 5 TSO,8 etc.	

2.2 Monitoring of KESH Sh.a.

In 2011, ERE has carried out 6 monitoring for generation activity and export-import of electricity.

From the monitoring have been evidenced that the process electricity purchase and sale have been based in compliance with the Rules and Procedures for the electricity purchase and sale approved by the ERE.

2.3 Monitoring of OST Sh.a.

In 2011 there have been carried out to OST Sh.a 5 monitoring in compliance with the obligations coming from the licensing process and the Market Rules.

From these monitoring have been evidenced that in OST Sh.a has been carried out the re-organization of the market operator structure.

In 2011, are applied " Rules on Financial Guarantees for registration in the Electricity Market", "Agreement on Market Participation" as well as "Regulation on the procedure for registration in Electricity Market". These rules enable the development of a transparent and well-functioning market in compliance with EU Directives.

2.4 Monitoring of CEZ Distribution Sh.a.

CEZ Distribution sh.a. is an important participant in the Electricity Market that carries out the distribution and retail supply activity.

In 2011 there have been carried out 24 monitoring to verify the licensed activity of distribution and retail supply that consisted in:

- Verification of realization of investment programs;
- Procedures on losses procurement;
- Procedures on tracking the electricity losses and billing system;
- Verification of electricity balance;

From these monitoring it has been evidenced that:

- Realization of investments has been low around 20%, of the investment program approved by the ERE for 2011. this fact was evidenced by ERE in the tariff approved for the third regulatory period 2012-2014.
- Electricity procurement to cover the losses in distribution, has not reflected the real losses amounts in the system. For this purpose, ERE insisted that the parties are making actuality the respective reconciliations.
- During the monitoring there have been verified the differences in billing system, where the electricity sales billed include also economic damage and unbilled electricity. Clarification of these figures and the analyzed results are reflected in the electricity tariffs approved by the ERE.
- Implementation of rules and procedures realized by CEZ Distribution, which in compliance with the Market Model has the responsibility to import the electricity to cover the losses in the Distribution network, which have resulted in being in compliance with the rules and procedures stated in the regulatory Statement.

PART III
CHAPTER III

3

ERE activity in developing the Secondary Legislation and other legal changes and amendments during 2011

An important part of the ERE activity is the developing of the secondary legislation that is the regulatory framework in the energy sector. This framework has been almost completed by ERE and for 2011 there have been approved or are still under process some very important regulations for the energy market.

In each case ERE in exercising its authority to approve the secondary legislation as anticipated in the Law no. 9072, date 22.05.2003, has been based on the principles of public consulations, public information, market participants information for its decision-making processes that reflect the equilibrium of the Government, customers and investments interests in the energy sector.

In approving the secondary legislation ERE was supported also in the engagements that our country has under the Energy Community Treaty aiming to reflect in the ERE secondary legislation the recommendations and obligations under this Treaty for the integration of the country in EU. ERE has published in the Official Gazette, as well as in the official website all the secondary legislation except those that deals with its internal organization.

In more details for 2011, ERE has developed the secondary legislation in the two following groups:

- Secondary Legislation approved by the ERE,
- Amendments in the primary legislation in the Energy Sector.

1. Secondary legislation approved by ERE

In 2011 ERE has approved 11 by-laws. Each of these by-laws has been described below in more details.

1.1 Rules and procedures for Electricity Sale

By decision no. 1, date 10.01.2011, ERE reviewed " Rules and Procedures for Electricity Sale" pursuant to its competence as the responsible body to approve the rules and procedures based on which KESH sh.a. carries out the transactions for purchasing and selling the electricity (article 8, paragraph 2 letter "l", of the Law No. 9072, date 22.05.2003 "On Power Sector Law", as amended and DCM No. 338, date 19.03.2008 "On the approval of the electricity market model", as amended.

The review of these rules come as a request from KESH sh.a. and an analysis made from ERE of the issues raised during the implementation process for the electricity sale. In order to eliminate the possible restrictions in the procedures for the electricity sale from KESH sh.a. due an unstable hydric situation in the country that in most of the cases dictates KESH transactions only for the electricity sale and not purchase, ERE decided that the sale process is not conditioned to first purchase electricity. Through these amendments it is also clarified that KESH sh.a. is responsible in setting the quantity and capacity of the electricity that shall be sold based on the procedures of this regulation, as well as in setting the time and delivery program that is based on optimization of using the power sources according to the planning made by KESH sh.a. In addition the changes aim to establish more flexibility in the procedures for the electricity sale by allowing KESH sh.a to sale electricity by direct negotiation with the public supplying companies in the region and also based on these amendments it is in KESH sh.a discretion –the choice to sell electricity by contracts in regional stock exchanges, to have agreements with counterpart companies or contracts based on actual negotiations with bidding parties after the bid for sale is carried from KESH sh.a. based on the principle of profitability in choosing the form of elecricity sale.

From the other side the amendmendts in these Rules are not changed and in these rules are sanctioned the transparency and efficiency principles, that shall bring economic profit to KESH sh.a. without damaging the tariff customers interests. For this purpose it is set in these Rules it is not allowed to make the electricity sale for benefit purposes in the case when the Selling authority does not fulfill or risks not to fullfill the contractual obligations towards TSO sh.a. and DSO sh.a./Retail Public Supplier.

1.2 Guideline on application and tariffs on new connections or modification of existing electric grid of TSO.

By decision no. 2 date 10.01.2011 of the ERE Board of Commissioners, was approved the Guideline on application and tariffs on new connections or modification of existing connection in the electric grid of TSO. The approval of this regulation marks the finalization of the work started from ERE in 2010, for drafting and developing of this guideline. The approval has been made pursuant to the requirements of the "Power Sector Law" No. 9072, date 22.05.2003, as amended, Transmission Code, Methodology for setting the transmission tariff set by ERE, as well as secondary legislation related to the main functions of TSO sh.a, in compliance with the license granted by ERE. This guideline sets the elements that deal with the method, application form and respective tariffs that the subject shall pay to carry out new connections, modification or increase of capacitties in existing connections, in the electric grid of TSO sh.a. as well as cases of refusal or cancelation of connections. The payments are based on the expenses related to the connection made by TSO sh.a.

This guideline as well as others, sanction the equal treatment of applicants, confidentiality, preliminary discussions, publication. This guideline for application and new connection tariffs or modification of existing connection in the electric grid of TSO, sets the bases for fair and serious relations between the Transmission System Operator and the requesting subject and simultaneously that TSO carries the costs for this service.

1.3 Rules on Allocation of Interconnection Capacities

In 2011 ERE approved by decision no.13, date 22.02.2011, the Rules on Allocation of Interconnection Capacities pursuant to Law no. 9072, date 22.05.2003 "On Power Sector" as amended, to the Electricity Market Model approved by DCM No. 338, date 19.3.2008 and Electricity Market Rules. The approval of these rules and amendments made on 25 November 2011, mark an important step for the establishment of conditions for the market opening and further liberalization in compliance with the engagements of Albania under the Energy Community Treaty.

These rules specify issues of Available Transmission Capacity, the method of calculation of available transmission capacity, which shall be put available for the market participants through transparent auction procedures, methods for allocation of interconnection capacities (three types of auctions, annual, monthly and daily), the procedures how the respective auctions are carried out, method, form of request for participation in the auction, mechanisms of carrying out auctions including the evaluation method and auction results, marginal price that the winners shall pay, calculation for payment to reserve the interconnection capacity that has been won, making and issuing the relevant invoice. In these rules there have been sanctioned also penalties that are applied in cases when the rights that have been won or transferring of won rights to the other market participants has not been made based on the requirements of these rules, in such cases the " use it or lose it" principle is applied which means that the auction winners loose the right of use without being paid back for those capacities and for repetitive non-use from the market participant he can is suspended to participate in the allocation procedures for a six-month period. In the

rules for allocation of interconnection capacities are defined all the cases when TSO may reduce partly or totally the rights for using interconnection capacities won or secured according to these rules, in cases of Force Majoure as anticipated in point 40 of the article 3 of the Law no. 9072, date 22.05.2003 « On Power Sector », as amended, as well as in cases anticipated in chapter XIII of the Market Rules, in order to restrict or totally close the electricity market from TSO in emergency cases as abovementioned. In compliance with the best practices of European Union and relevant directives and regulations of European Commission, the allocation of interconnection capacities of TSO is based on transparency principle as well as on the TSO obligation to inform the market participants by publishing the requested information in TSO official website, together with the available transmission capacity, auction rules, auction specifications, application forms and relevant documents, auction results, allocated capacity etc.

1.4 Methodology for calculation and billing of Economic Damage

In the frame of all the amendments made in the Law no. 9072, date 22.05.2011 "On Power Sector, as amended, and Law no. 10 362, date 16.12.2010,respectively in the article 51, "Measurement of the supplied electricity", point 14 :"Calculation of economic damage cause to the company from each illegal intervention, is made in compliance with the relevant methodology approved by ERE", by decision no. 42, date 22.04.2011, ERE approved the "Methodology on Calculation of Economic Damage". This regulation aims to calculate the value of the economic damage caused to the distribution company from illegal interventions in the distribution grid. In the regulation is determined that the economic damage set according to the relevant table approved by ERE shall be applicable in cases when an entity is required by law to calculate the economic damage caused from illegal interventions in the distribution grid. In cases when it is impossible to certify how long the illegal connection has been in place the methodology is based on the value of average yearly consumption of the customer based on its category, multiplying the average annual consumption with 12 months of the year. The prices applied for the relevant quantities shall be higher prices in force, according to the category to which the customer caused this economic damage.

1.5 Approval of Standard Contract on verification, first and periodic control of the electricity meters

By decision no. 62, date 22.07.2011, of the ERE Board of Commissioners, ERE in compliance with the article 51 point 9, of the Law no.9072, date 22.05.2003 "On Power Sector, amended in 2011 by the Law no. 10362, date 16.12.2010, approved the Standard Contract proposed pursuant to the abovementioned law, from the General Directorate of Metrology. This contract regulates the relations between the authorized subject and distributor, which as stated in the provisions of the law no.9072. date 22.05.2003 "On Power Sector » as amended, consist in realizing one/some or all services such as verification electricity meters accuracy, meter testing and equipment with certificates for the electricity meters that are first put into use or before they are installed for the first time to the customers; inspection, control, periodic testing to verify the accuracy of the electricity metering system as stated in the Decision of Council of Ministers, Metering Code and/or technical requirements, control, testing of the electricity meters when requested from Distributor or customer. In the contract are set the rights and obligations of the parties for the contract's object, the method of notification and representation of parties in this contract, technical security conditions during the control service as set forth in the contract. In addition to this some specific provisions in the contract are payment and billing for the control service clarifying that in compliance with the article 51 point 9 of the Law no.9072, date 22.05.2003 "On Power Sector", as amended by Law no. 10362, date 16.12.2010,shall be carried out in compliance with the Common Order of the Minister of Finance and Minister of Economy. Other issues in the contract are on confidentiality, duration, contract resolution (reliability), authorized persons, technical issues, application forms for installation and written-notes of metering control.

1.6 Review of Supply Contract for Tariff Customers

In the end of 2010, ERE started work to review the Contract of Electricity Supply to Tariff Customers which was finalized in 2011 with the approval of the new contract of electricity supply to tariff customers. The approval of the new contract started as a necessity not only considering the conditions of post-privatization of the Distribution System Operator but also from the obligation of the Regulatory Statement on new conditions for the quality of supply to customers, and considering above all the requirements for a new contract of electricity supply to tariff customers, presented from several subjects in hearings organized by ERE. The approval of these two documents important for the customers and the public opinion, is carried through transparent and all inclusive procedures which consisted in publishing in the ERE official website in the written and visual media this document as well as the regulation on minimal standards of distribution service and electricity sale. These conditions are as follows:

1- The company's obligation to gurantee realiable supply with electricity for the Albanian customers.
2- Also it is guarnteed free access to meters, that means the right of the customer to read at any time the meter.
3- A new important elemnt is the decrease of penatlties for delay in payment from 0.5 % per each delayed day, it is made 0.1 % per day, which facilitates the customer obligations.
4- In the contract are anticipated in details the elements in the electricity consumption invoice, by setting the obligations for the company that have not been included before that assit the customer.
5- A detailed process on complaint handling process, by determining their handling based on the stadard rules approved by the ERE.
6- It was given a solution to the metering testing, which is now checked by a independet subject licensed from the General Directorate of Meterology and not from CEZ Company, including initial, periodic testing or testing based on the complaint of the customer.
7- There are described in details the cases of supply interruption, and are set standards scheduled interruptions (repairment works) and unscheduled interruptions (breakdowns). Based on the Regulation on Quality Standards, which is part of this contract, the supply contract shall register and document the interruptions.

1.7 Regulation on Minimum Quality Standards on Distribution service and electricity sale.

By decision no. 110 date 21.10.2011, ERE approved the Regulation on minimum quality standards for distribution and electricity sale. This regulation aims to:

- To ensure that the privatization and liberalization of the electricity market shall not damage the quality of electricity supply to customers.
- To establish the conditions for a guaranteed service for reliable supply (within the allowed limits) with electricity, to customers in the distribution system.
- To set the minimal quality standards for the electricity supply.
- To set the mutual rules and obligations in cases of non-respecting the obligations of the electricity supplier and benefitor of this service according to th erequirements of this regulation.

Also for the first time in this regulation are set the mutual rules and obligations in cases when the supplier obligations are not respected so hat based on this regulation the customers' interests are fully protected in their

relation with the company. In this regulation are anticipated the rules on continuance of supply, commertial quality service and rules on voltage quality.

1.8 Review of Electricity Market Rules.

In the frame of latest amendments in the Law no. 9072, date 22.05.2003, "On Power Sector" as amended, by Law no. 10485, date 26.11.2011, ERE decided the necessity to start the procedures on reviewing the Electricity Market Rules especially in terms of functioning of the electricity market regarding imbalances. It is considered very important that in the Market Rules are determined the aspects that deal with the payments for deviation above and below 5% for suppliers and generators. In addition to this, it is important to determine the cash flows also for the guarantor to cover the imbalances. ERE shall deal with this issue of the Electricity Market Rules by beginning of next year.

1.9 Reviewing the ERE Rules of Practice and Procedure approved by decision no. 21, date 18.03.2009, of the ERE Board of Commissioners

ERE by its initiative in 2011 has proceeded in analyzing in general terms the ERE Rules of Practice and Procedure as well as special articles that were ambiguous in terms of interpretation. By decision no. 107, date 17.10.2011, the Board of Commissioners approved some changes and amendments in "ERE Rules of Practice and Procedures " approved by decision no. 21, date 18.03.2009 of the ERE Board of Commissioners. The amendments in the regulation have consisted in giving a better clarification of ERE procedures and complaints or solving disputes of electricity customers. Further on there have been clarified the aspects of procedure deadlines in terms of presenting the issues in ERE from the interested parties and treating them in ERE. There have been clarified also issues such as Board meetings notification, processes of reviewing secondary acts in ERE and their complaints.

1.10 On some amendments on the Regulation for Organization and internal functioning of ERE

In order to continuously improve the relations and principles based on which is based the whole ERE's activity, as well to be able to secure an effective cooperation with the ERE decision making body for setting the main directions in its activity, ERE in 2011 reviewed the Regulation on organization and internal functioning of ERE, by approving some amendments to this regulation by Decision of the ERE Board of Commissioners no 80, date 24.08.2011. In the frame of these amendments are clarified aspects on functioning and organization of ERE's work from the Chairman of ERE as executive administrator of the institution, Board of Commissioners and other ERE structures, also on the relations that have to do with the professional ethic, duties and scope of work for the ERE structures as well as their mutual relations.

1.11 Regulation on procedures for Licensing, Modification, full and partial Transfer, Removal and Renewal of License for natural gas

In compliance with Law no.9946, date 30.06.2008 "On Natural Gas Sector", article 11 (responsibilities of ERE in Natural Gas Sector) and article 14, point 7, ERE developed the draft regulation on procedures for licensing, modification, full and partial transfer, removal and renewal of licenses in the natural gas sector and after consultations with the third parties approved the abovementioned regulation by decision no. 9, date 11.02.2011, of the Board of

Commissioners. In this regulation are set the licensing procedures for this activity as set forth in the Law No. 9946, date 30.06.2008 "On Natural Gas Sector" by specifying the conditions for granting, modification and renewal of this license and the ERE's authority in setting the payments for carrying out each license application, as well as the removal or ending of such a license in compliance with the article 14, point 6 of the Law No.9946, date 30.06.2008 "On Natural Gas Sector" and articles 16, 17, 18, 19 of the Law No. 9072, date 22.05.2003, "On Power Sector" as amended.

2. Regulatory Legislation on Electricity Market

The secondary legislation approved by ERE related to the Electricity Market for 2011 are 3. Meanwhile in 2011 we have worked also on the Regulation for Granting and Removing the status of Eligible Customers, but due to the latest amendments made to the primary law, this regulation was not necessary anymore to be approved by the ERE. Below there is more information on the secondary legislation.

2.1 Contract of Electricity Supply between KESH sh.a (Wholesale Public Supplier) and the company CEZ Distribution sh.a (Retail Public Supplier) for the period 01.01.2011 until 31.12.2011, by Decision no. 31, date 31.03.2011

By decision no. 31, date 31.03.2011 of the Board of Commissioners was approved the contract of electricity supply between KESH sh.a (wholesale public supplier) and the company CEZ Distribution sh.a (retail public supplier) for the period 01.01.2011 until 31.12.2011.

The approval of this contract is under the ERE authority referring to Law no. 9072, date 22.05.2003, "On Power Sector", as amended, Decision of Council of Ministers No. 338, date 19.03.2008 "On the approval of Albanian Electricity Market Model", as amended and Electricity Market Rules. This agreement aims to regulate the relations between KESH sh.a and CEZ Distribution sh.a for the year, on electricity supply as far as the setting of rights and obligations are concerned, electricity quantity that shall be delivered for purposes of this contract, delivery point, contractual guarantees, interest of delayed payment, delivery schedule, insufficiency for delivery, compensation of obligations for over delivery above planning, compensation of delivery losses etc.

2.2 Transmission Agreement between TSO sh.a and CEZ Distribution sh.a

This agreement was approved by the ERE by decision no. 03, date 11.02.2011, of the Board of Commissioners. For the approval of this agreement, ERE was based on Decision of Council of Ministers No. 338, date 19.03.2008, "On approval of the Albanian Electricity Market Model" and Electricity market Rules approved by decision no. 68, date 23.6.2008 of the ERE Board of Commissioners. Through this agreement "TSO sh.a" as the licensed subject to carry out the transmission of electricity by having available the transmission network from the accepting points to the delivery points for CEZ Distribution sh.a in a continuous and interruptible way, in quantities and time period specified this agreement. From the other side, CEZ Distribution sh.a. has the obligation to inform OST sh.a regarding the electricity quantities that shall be transmitted for its account. In the contract among others it is set the method for calculation of imbalances for which CEZ Distribution shall not pay sanctions at +/- 5% , but shall have the obligation to plan the deregulation of these imbalances as week/s in advance.

2.3 Negotiated Contract from CEZ Distribution sh.a. for Electricity Procurement to cover the Losses in Distribution in 2012.

By decision no. 127, date 02.12.2011, ERE approved the contract of CEZ Distribution with EFT AG for the electricity procurement to cover the losses in distribution for 2012, such as below:

Period 1.1.2012 – 31.12.2012
Capacity: 150 MW CBC 100 % from EFT
Quantity: 1,317,600 MWh
Price /unit: 62.40 Euro/MWh

For the approval of this contract ERE was based on the Standard Procedures for electricity procurement from OSSH, point 2.10, where it is stated that ERE approves the contract negotiated from OSSH, with the condition that the accepted price in the contract shall be lower than the bid presented in the cancelled tender, where the bid from EFT Ag was 65.99 Euro /MWh towards the price 62.40 Euro /MWh bided in the negotiation procedure.

2.4 On Granting the Status of Eligible Customer

ERE by decision no. 107, date 10.12.2010, approved the threshold of electricity annual consumption "On obtaining the Status of Eligible Customer for 2011." This approval was made pursuant to article 48, point 1, of the Law no. 9072, date 22.05.2003, "On Power Sector", as amended and Law no.9501 date 03.04.2006, "On ratification of the Energy Community Treaty". The setting of annual threshold, enables all the household and non-household customers to choose their suppliers and consequently have the right to obtain the status of eligible customers. In this way it is better fulfilled the harmonization of our legislation in the power sector in compliance with the engagements taken from the Republic of Albania in the frame of the Energy Community Treaty especially as stated in point 3, of the Appendix "A", where it is stated that: Each Contracting Party shall ensure that the eligible customers in compliance with European Community Directives 2003/54/EC and 2003/55/EC shall be:

i) From 1 January 2008, all non-household customers;
ii) From 1 January 2015 all customers.

2.5 Amendments to the Primary Legislation in the Power Sector

Law no. 10361 date 16.12.2010 " On some amendments on Law no.9072, date 22.05.2003 "On Power Sector"

On 25.11.2011, the Albanian Parliament has approved Law no.10485, date 26.11.2011, "On some amendments on Law. 9072, date 22.05.2003 "On Power Sector", as amended, where it is anticipated the amendment of article 48, and concretely in the view of these amendmends it is stated that:

"Eligible Customer" shall be considered automatically each customer of electricity, connected to the electricity grid at 110 kV and above, as well as every other customer that, independently from the voltage level it is connected, there is an annual consumption of electricity more than 50 million kWh."

This amendment marks a further step for the harmonization of the Albanian legislation with the European Union. Considering the engagements of our country in the Energy Community Treaty for South East Europe countries, and the amendment below fulfills one of the requests of the Treaty for the electricity market liberalization.

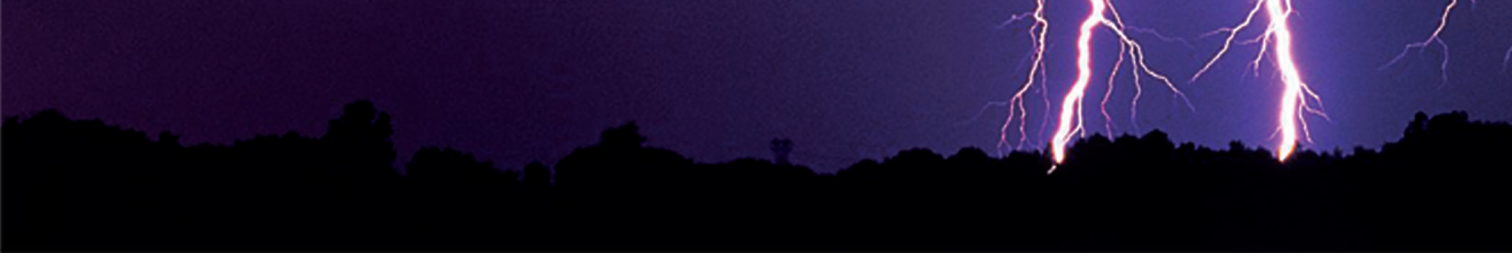
From the other side, one important amendment based on the Law no. 10485, date 26.11.2011, "On some amendments in the Law no. 9072, date 22.05.2003 "On Power Sector", as amended, is the change of the article 64 Administrative Penalties. From this change it is given a solution to very sharp issues in the ERE responsibilities in implementation in time and with correctness of its decisions from the licensees in the electricity market. It is to emphasize that before the entrance in force of the abovementioned law, ERE had the right to apply penalties for specific violations of Law no. 9072, date 22.05.2003 "On Power Sector", with highest value 350.000 lekë. Such penalties are considered from the associations of customer protection or other groups of interest, but also from our side are considered as non-efficient restriction measures and as such through the Ministry of Economy, Trade and Energy, ERE lacking the legal initiative, asked for its interference to enable changes in the article 64 of the Law no. 9072, date 22.05.2003 2003 " On Power Sector". The amendment in the article 64 of the abovementioned law reflects the EU Third Legislative Package on power sector and respectively EU Directive 2009/72, where it is underlined the need that the member countries take measures in strengthening the role of the regulator especially towards sanctions that are put to the companies. The amended provision leaves a bigger space for penalty application from the regulator and secondly the maximum value of the penalties are higher than in actual article of the law (article 64) where the maximum penalty is 350.000 leke. By the amendment in the law, first it is determined a maximum penalty of 3 % of the annual turnover of a licensee and a minimum of 0,01%. In addition to this, in the amended article, it is stated also the setting of daily penalties for cases such as delays in the regulation fee to ERE or non-implementation of ERE rules, adjustment of violations within the deadline set by ERE. These amendments sanction not to have penalties in a fixed amount considering that the violation can be made from small licensees with low turnover compared to other licensees with high annual turnover, which can be a burden for the small subjects and should bring about a disproportional treatment between these two licensees if there should be a fixed amount in the law. This amendment gives more possibilities to ERE not only to make a more detailed categorization of different penalties for violations from the licensees, but at the same time shall serve as an effective mechanism for the implementation of all legal provisions for the regulation of power sector.

2.6 Court Cases

In 2011, there have been followed several court cases in the Tirana District Court. Making a simple statistic comparing to the previous years there is an increase in court cases that ERE has had. ERE has been appealed party in a court case is 5 (five) and they are all under process.

The disputes treated in these court cases have been mainly complaints from licensees and customers on overbillling of electricity.
Mainly ERE has been as a third party in these cases and in 5 cases ERE has been appealed party, respectively with the following companies:

- CEZ Distribution sh.a. – on the complaint of the decision of the ERE Board of Commissioners no. 31, date 31.03.2011, "On the approval of the electricity supply contract between KESH sh.a (Wholesale Public Supplier) and the company CEZ Distribution sh.a (Retail Public Supplier) for the period 01.01.2011



– 31.12.2011".

- CEZ Distribution sh.a. - on the complaint for ERE decision no. 62, date 22.07.2011, "On the approval of the Standard contract for the verification, starting and periodic control of the electricity meters", as well as the decision no. 73, date 09.08.2011, " On CEZ Distribution sh.a complaint to the ERE's Board of Commissioners decision, no. 62, date 22.07.2011 "On the approval of the standard contract for verification, starting and periodic control of the electricity meters."
- KESH sh.a. - on the complaint of this company to the ERE's Board Commissioners decision no. 118, date 28.12.2010 "On non-acceptance of the complaint from KESH sh.a to review the ERE's Board of Commissioners decision no. 97, date 07.12.2010, "On setting the electricity tariff for the wholesale public supplie for the period 1 January – 31 December 2011."
- GEN – I Tirana sh.p.k. –on the complaint of decision no. 78, date 22.10.2010 of the ERE's Board of Commissioners - on the approval of the electricity sale-purchase contracts for the period 01.01.2011 – 31.12.2011, between CEZ Distribution sh.a and companies CEZ AS and EFT AG.
- Other cases – on complaint of some electricity bills where ERE has been acting as a third party in court.

PART III
CHAPTER IV

3

ERE's Activity on Customer Protection

In compliance with the legal and regulatory framework on which is based the Albanian Energy Regulator's activity, special attention is paid to guarantee the tariff customer rights and continuous protection of their interests and the interests of all the electricity market participants.

Strengthening of customers' role in the market, well-informing and protection of their interests, especially for households, is one of the main challenges and priorities for ERE. After the privatization process it becomes more and more important the representation of all those customers that do not have the possibility to be familiar and have access to the legal framework and technical functioning of the electricity market, being so exposed to possible violations of their rights due to the monopolies in the electricity market.
Based on the above, the strengthening of the customer's role consists in:

1. Handling and Solving Customer Complaints

Handling customer complaints is considered from ERE as one of the main and crucial activities, which serves to identify concrete problems in the electricity supply of customers and contributes to the monitoring of the quality offered from the customers' point of view. Handling with the right attention, transparency, impartiality and within the legal deadlines the customer complaints remains on important aspect in the work of ERE.

In 2011,there has been a considerable increase in the number of customers that come directly to the regulator to solve their complaints towards the supplier. So for this year there have been registered around 1200 complaints, compared to 350 we had registered for last year. In this figure are not included information and orientations given by phone or e-mail (around 100 complaints by e-mail) as well many consultations with different customers that come personally to the ERE offices.

This increase demonstrates the strengthening of the ERE's authority as well the consciousness of the customers for the role of ERE as an independent authority to protect the interests of the customers.
Main issues handled in 2011 have consisted in:

- One of the main issues treated in the first three months of the year has been the customer complaints on illegal application from CEZ Distribution sh.a. of the "economic damage" or "unbilled energy" for violators. This issue has been monitored and followed from ERE very closely. All the registered complaints have been send to CEZ and asked to be cancelled in compliance with decision no. 90, date 15.11.2010, of the ERE Board of Commissioners "For non-implementation of the license conditions and concretely point 3.1, of the License on the retail supply activity". After some official requests filed by ERE, CEZ Distribution sh.a. cancelled these invoices and published in their website all the number of contracts under the name " unbilled energy. ERE has made may communications in the media upon this and the process is being monitored by ERE.

- Another issue handled by the ERE for 2011 has been the billing of customers according to the first block. Analysing very responsively this issue and the arguments presented by CEZ Distribution, ERE has estimated that the adjustment formula for the application of the first block in the tariff for the readings made for more or less than 30 days that was applied by CEZ Distribution, was not in compliance with the acts approved by the ERE. After the monitoring carried for this based on the Supply Contract for Households, article 5 and 6, ERE decided to stop the application of the formula for adjustment of the tariff of the first block for readings made more or less than 30 days and to respect the

contractual monthly reading for the consumption of electricity. For this purpose was asked that all relevant corrections were made for all customers that were improperly billed.

A concerning issue remain to be problems in billing. Here are to be mentioned issues related to:

- Overbilling of electricity;
- Violation of meter reading deadlines;
- Non-compliance of the billed and real reading of the meter;
- Evident mistakes in the bills;
- Mistakes or delays in the data coming from the billing system.

These complaints have been treated especially from ERE, verifying on site the situation and after that giving relevant orders to CEZ Distribution and setting deadlines for their solutions. According to the information sent from the Company and verifications made from ERE, for many of them has been accepted the mistake and has been made their reconciliation with the real figures in the meter reading. The verification process has been followed until a final answer is given for the complaint solvent of the customers.

However, there is an improvement in replies respecting the time deadlines for complaints filed in ERE, although there are some delays to reflect the corrections in the Billing System, which creates concerns to the customers. CEZ has informed that these issues have been caused from the installment of the new Billing System.

- A problematic issue is also the quality of service to the customers. It is seen their concern for electricity outages due to voltage quality. Most of the complaints come mainly from Communes and several private subjects. A considerable part of these complaints have been forwarded from METE and Ombudsman Office.

From our side, these complaints have been handled by organizing hearings, in which we have requested from CEZ the relevant and detailed information related to the causes of this outages and their duration. CEZ Distribution has accepted these problems and has engaged to respect their contractual obligations and notification in time for customers and repairing everything in a shirt time. Also from ERE immediate intervention to carry out the proper services was requested and also investments within the planned funds where the situation is urgent.
Problems with the voltage quality are known and accepted from CEZ Distribution. The adjustment and improvement of the situation to ensure the quality standards shall require new investments, part of which are foreseen in the third regulatory period, in compliance with the investment plan approved by the ERE.

- A new phenomenon for this period to be mentioned are the complaints of customers that although have paid all their energy consumption, still are debtors. From the reviewed documentation it is seen that in cases when customers have paid mainly in banks or post offices there is non-reconciliation of invoices with the paid one, also there are cases when payment is made in CEZ sale offices and still there is a lack of information for these invoices. The procedure followed for these customers has been on site verification of the original documents or payments made in the bank or post office with the CEZ Distribution Billing System and after that the relevant reconciliations were made.

- Problems with metering of electricity – the equipment with meters, checking of the meter, putting data in the system for the new meters, non-reconciliation of the flat rate with the actual figures in the meters have been some of the issues for 2011. Also for these complaints we have requested from CEZ the relevant information and fulfillment

of the proper documentation. In some cases delays were evidenced in the database for the new meters. For these cases, ERE has monitored carefully the data fulfillment for the new meters asking also to consider the first block of 300 kWh for each month of delay.

- Problems with connection and transfer of contracts – for these cases delays have been evidenced for contracts and non-transfer for contracts that are debtors. We have advised to have a contract for all the connections for all those debtors that are not debtors. ERE is still following this problem.

- It does worth mentioning that we have seen problems in handling and solving complaints from the Customer Care offices of CEZ Distribution. Although this is a good achievement in having 42 Customer Care offices, there have been some negations and delays in dealing with customer complaints through the departments within the Company. Problems registered from these offices are delayed, are not finalized but are dragged going from one department to the other within the Company. So these customers that do not get a reply within one month as stated in the CEZ Internal Regulation, they come to ERE to follow this complaint.

For this purpose, ERE shall continue to monitor the activity of Customer care offices in order to respect their deadlines in dealing with customer complaints, their method of solving the complaint and reflecting the proper corrections in their invoices etc.

Nr. of compalints received during 2011 and the way of handling them

.	January	February	March	April	May	June	July	August	September	October	November	December	Total
Nr. of complaints handled	150	86	85	76	51	58	58	37	77	69	88	184	1019
Specific handling	89	66	74	70	51	58	58	37	77	69	70	135	860
Cancellation	61	20	11	6	-	-	-	-	-	-	18	49	165
Handled in public hearings		19	27	18	17	10	7	8	26	18	20	14	184
On sight verifications	3	5	6	9	6	5	3	4	8	7	6	9	71

Table 18 Number of complaints received during 2011 and the way of handling them.

2. Approving process of the Supply Contract for Tariff Customers and Quality Standards for Distribution and electricity supply.

One of the main duties where ERE was focused during this year was the approval process of the Supply Contract for Tariff Customers and Quality Standards for distribution and electricity supply.

After the publication of the draft-contract and regulation these two documents were of great interest to the interested parties and the public.

In order to have a transparent and all inclusive process ERE has several meetings with the interested parties that has filed their comments with the ERE. In this process was involved also the Ombudsman and the Customer Protection Commission. ERE made several presentations and meetings including some national televisions.

Before the decision making process from the ERE Board of Commissioners, hearings were held with the interested parties in main cities such as Fier, Shkoder and a public hearing in Tirana.

This process was concluded on 21st October 2011 with the approval from the ERE Board of Commissioners of the Supply Contract for Households and Non-households and Regulation on Minimum Standards of Quality of Supply for distribution and electricity supply.

3. Dispute resolution between the Licensees

Another important aspect of ERE's work is the dispute resolution between licensees that operate in the electricity market. Here it is to be mentioned dealing with different issues between the market participants KESH, OST, and CEZ Distribution. Concretely the main issues have been:

a. Discussion of the purchase-sale contract on covering losses in transmission and disputes for the years 2008 -2010.
b. Method of calculation and treating imbalances in the power system
c. Claims for non-payment of obligations coming out implementation of contracts in the electricity market and the reconciliation of the mutual obligations these companies have towards each-other
d. Reconciliation of the import quantity to cover the losses in Distribution system that has to be reconciled between the parties
e. Implementation of standard contract approved by the ERE on verification and periodic control of the electricity meters.

For all these issues there have been held technical hearings between the parties, where the problematic have been discussed. From our side have been given the necessary recommendations to solve these disputes based on contractual obligations of the regulatory framework.

4. Hearings

An important part of the ERE activity, pursuant to the transparency and consultation principles with the interested parties and the public, based on the ERE Rules of Practice and Procedure have been organized around 30 hearings to treat and solve the complaints by grouping the issues, in the hearings have been discussed the customer complaints with the company and were given instructions from ERE, that are obligatory for the company to solve the problems with the company.

About 30 hearings has as their object of discussion the regulatory rules or dealing with different problematic with the licensees, interested parties as well as the trade association or customer associations. Their opinions and remarks expressed in the hearings are analyzed through a transparent procedure it is made known to the parties the ERE position. During these hearings here is a broad participation such as METE, Competition Authority, representatives from the public companies, customer associations and interested parties.

5. On site monitoring

Another aspect of the ERE's work is the on-site monitoring of the different problematic coming from the customer complaints or the media. Here it does worth mentioning the following on site problematic:

- Lack of electricity supply in some areas in Shkoder;
- Lack of electricity supply in some areas in Dibra;
- Un-billed electricity in some areas in Lezha;
- Quality standards and lack of supply in Tropoja and Bajram Curri area.
- Billings in Korca areas.

6. Customer protection under the Energy Community Treaty

An important role in getting to know the European legislation and best practices in the region regarding the customer protection, is the ERE active participation in the Customer Working Group of ECRB (Energy Community Regulatory Board in Vienna), where based on the issues are analyzed and compared the experiences of the member countries and presented from ERE the initiative taken to improve the regulatory framework in compliance with the Third Regulatory package.

As important duty for the CWG (Customer Working Group) of ECRB, it does worth mentioning the participation and fulfillment for the first time of the fifth Benchmarking of CEER (Council of European Energy Regulators) "5th CEER Benchmarking Report on the Quality of Electricity Supply".
In addition to this, for ECRB, CWG and GWG (Gas Working Group), there have been completed the questionnaires on electricity and natural gas in terms of customer protection.

7. Public Relations

7.1 Public Information Procedures

In order to guarantee for the public and media a closer look on the ERE acitity and to better evaluate the efficiency of its messages dissemination, one of the main tasks of the ERE is the publication of information on the service conditions of the licensed companies in the energy sector with the objective of guaranteeing the maximal transparency and the improvement of services provided to electricity network users and final customers.

To achieve this objective and to assure an important support in communication strategy, the ERE has multiplied the efforts for informing customers by new communication initiatives.

The activity of internal and external communication aims at guaranteeing a wide publication of the activities carried out by the ERE and creation of its immage in the regulatory activities.

7.2 Communication through events and activities

It is to be evidenced here the fact that ERE considers especially effective the organization and participation in the events and activities organized to asure customer protection by different organizations on customer protection

inside and outside the country. These meetings serve to promote furthermore the institutional functions of the ERE, its duties and actions regarding the protection of customers.

Here it does worthwhile mentioning the ERE participation in CPO (Customer Protection Office) (ZMK) in Tirana and setting institutional relations with Konfindustria, by actively participating in their Forums and meetings.

7.3 Communication with Market Participants

ERE has strengthened the communication with market participants in the electricity sector, by organizing periodic meetings with the publicly owned company KESH, OST, CEZ Distribution. It is to be mentioned here also the other licensees on electricity generation particularly with small power generations licensees, new and existing, with Energy Trades Associations etc. In these meetings market participants are informed and it is discussed with them on the regulatory framework approved by the ERE on problems encountered by them during their performance in the market operations.

In addition to this an important focus is given to dissemination of informative materials and different communications with the investors and interested persons mainly on the regulatory framework related to the renewables, efficiency and energy savings.

7.4 Web Communications

One of the strategic activitties that develop an effective action of public information, is the web communication through the website. This activity consists in expanding the information content and providing new services. ERE's official webpage is enriched with new information including the approved regulatory framework, the decisions of the ERE Board of Commissioners. New options were introduced such as publications and consultations with the public, etc.

This fact it is seen also with the increase of the ERE correspondence on-line also with answers of questions and many requests from customers that are directed to ERE.

7.5 Relations with Written and Audiovisual media

Regarding the activity with written and audiovisual media in addition to increase level of communication, during this period has been consolidated the dialogue through press interviews and statements with written and audiovisual media regarding issues sensitive to the public, frequent press releases and direct contacts with the media and journalists covering the energy sector.

Frequent contacts with the media are realized during the period that was approved the Supply Contract of Electricity for Households and Non-Households and Regulation on Minimal Quality Standards for Distribution and Supply of electricity.

ERE for three years now has institutional relations with ATSH(Albanian Telegraphic Agency), and carries out an important exchange of information with this prestigious news agency.

PART III
CHAPTER V

3

ERE's Inter-Institutional and International Activity

PART III CHAPTER V 3

1. Inter-institutional and international relations in the country

For 2011, the Regulatory Authority has evaluated as very important the development of inter-institutional relations within the country and the international relations multilateral and bilateral.
In the ERE inter-governmental relations have to be mentioned the relations with the Albanian Parliament, Ministry of Economy, Trade and Energy (METE), Ministry of Integration, Competition Authority, Ombudsman and other domestic institution.

2. Relations with the Albanian Parliament

ERE in 2011 has further consolidated the cooperation and periodic information by reflecting step by step the institutional activity in compliance with Decision of the Parliament's Bureau No 29 date 09.20.2008 " On establishment of Monitoring service for institutions reporting and informing to Parliament". In frame of this, the advisor of Parliament responsible for performing this service, has followed closely and in detail the ERE activities attending several meetings of the Board of Commissioners.

ERE has informed the Parliament on the current developments in the sector, in addition to the presentation of ERE annual report has presented information on important issues such as Energy Market, by developing the secondary legislation, in the post-privatization process and for the electricity tariff and prices.

3. Relations with METE

ERE has cooperated with METE in 2011 regarding the solution of issues and challenges in regulation process of energy sector in Albania also due to the latest amendments in the end of 2010 in the Power Sector Law. In addition to this ERE has requested the support of METE on the proposal made for the amendments in the article 64 of the Law No 9072 date 22.05.2003 " On Power Sector", because to the ERE lack of competence to propose this amended, METE has finalized this proposal to make the abovementioned changes. For 2011 ERE has had continuous communications with METE on facing the issues encountered in the sector, such as market of interconnection capacities and reports to the Vienna Secretariat on the court case towards Albania. Also in 2011 ERE has had communications with METE on disputes between the market operators, especially between KESH sh.a. and CEZ Distribution sh.a. mainly on the non-payments and quantities of electricity imported to cover the losses from CEZ Distribution sh.a. ERE has played an important role in the minimization of mutual debts between these companies.

ERE has contributed through proposals or opinions on amendments and also active participation in inter-governmental working groups on reviewing Power Sector Law, Draft- Law on Renewables, has actively participated in other issues in the electricity and gas sectors, with the licensees and all the market participants. On the natural gas sector these relations have been focused on direct cooperation on TAP project.

In the frame of electronic register for businesses ERE participated in the workshops organized by METE and has given her contribution in registering the secondary legislation approved by ERE in this register. ERE has been an active member in METE working group for preparing the answers of EU questionnaire on energy chapter.

4. Relations with Ministry for Integration

For 2011 ERE has communicated and collaborated with the Ministry for Integration in updating information in the frame of Stabilization-Association Agreement for the period 2010-2014. In this view ERE has reviewed the secondary legislation foreseen in the National Plan for implementation of the Agreement and had given her contribution in fulfilling the requests coming from EU Directives. Concretely in compliance with Directive 54/2003, in the frame of Energy Community Treaty.

5. Relations with the Competition Authority

Following the cooperation between ERE and Competition Authority established in the Memorandum of Understanding signed between the ERE and the Albanian Competition Authority on 17.01.2007 the institutional relationship between two institutions, during 2011, both institutions have collaborated to avoid the anti-competitive behaviours by the sector participants establishing competitive rules for protection of customers interest. ERE has requested regularly the Competition Authority opinion for the secondary legislation related to the development of energy market before they are approved by the ERE, in the process of elelctricity tariff and price setting, in the analysis of loss level determination etc. ERE has provided to the Competition Authority all necessary information administered by the ERE enabling the Authority to carry out its duty in investigating the power sector. Communication and the exchange of data and information between two institutions shall continue in the future based on mutual will and avaiability.

6. Relations with the Ombudsman Office

These two institutions have a reciprocal engagement that is protection of electricity customers.
In this respect, the ERE has maintained close institutional relations with the Ombudsman Office organizing shared meetings, exchanging opinions and providing necessary explanations regarding the quality of electricity supply service for customers and for the tariff-making process for 2012 electricity tariffs, and the supply contracts to customers.

Besides the Ombudsman Office, shall be engaged in all procedures and hearings on electricity tariffs and supply contracts.

7. International multilateral relations

Considering the ERE enegagments in the international activitites in the focus ofr 2011 has been:

- institutional capacity bulding,
- increase of staff expertise
- representing the country in the international events and actitivities,
- following the best experiences from the EU countries and establishing fruitful cooperation in the interest of the domestic energy sector.

Having in consideration those objectives the ERE has continued its multilateral relations with the international organizations such as USAID, World Bank, IFC, EBRD, KfW etc

Based on a memorandum of understanding between ERE and USAID, also during this year the Regulator has been assisted with counsultants in many issues such as on tariffs, market, customer protection, natural gas legislation etc. also ERE has requested assistance from other international organizations by presenting concrete requests in this direction that are expected to be finalized successfully by next year.

In 2011 ERE has participated in the Forums of energy and natural gas as observer, these are activities organized by EU and its organisms such as ACER (Agency for Cooperation of European Regulators), CEER (Council of European Energy Regulators etc. in order to get information and meet the EU requirements. Having in mind these considerations ERE has continued to have relations with international organizations such as IERN (International Energy Regulators Network), ERRA, MEDREG, NARUC, Vienna Secretariat, Florence School of Regulation etc, and has stablished billateral relations with other regulators and has attended many conferences and international activities on energy and natural gas.

8. Application of ERE-s in the IPA Project:

With the focus to strengthen the institutional capacities for the regulator in tariff and prices, licensing and monitoring of the licensees and market, developing the secondary legislation, ERE in the second half of 2011 in cooperation with the Regulators of Italy and Montenegro has applied for the IPA -CBC Adriatic project that is a cross border cooperation between the three countries for a three years period (2012-2015) with EU funds at the amount 2.113.870 Euro. This project aims to strengthen the institutional capacities offering the right regulatory tools to implement the second and the third regulatory package by increasing the generation capacities towards successful models on RES development.

9. ERE's multilateral relations

ERE is a full member of the Energy Regulators Regional Association (ERRA) and attends regularly the meetings of the General Assembly of ERRA, meeting of permanent Committees of ERRA, licensing and tariff committees, and the legal working group. ERE has participating in a number of tarinings organized by ERRA on monitoring of licensees, tariff issues, renewable energy sources, natural gas sector and its regulation, and in the training of the new technical staff of regulators.

ERE is a member of the Association of Regulatory Authorities for electricity and gas of the Mediterranean countries (MEDREG) and attends regularly the meetings of wortking groups on reneewable energies and gas issues, as well as the meetings of the General Assembly of this Mediterrnaean organization. This organization is a tool for coordination of the activities and for knowing the energy potentials and developments in the Mediterranean countries as well as for establishing a spirit of common understanding and cooperation among the regulators from these countries on issues of mutual interest.

During 2011, the ERE has actively participated in the Athens forum meetings and in the activities organized by Vienna Secretariat in frame of the Energy Community Treaty. ERE has attended the regular Working Group meetings on customer issues, energy, regional market, and natural gas.

Also ERE has attended workshops and trainings on security of supply, third legislative package of EU,

market models on electricity and natural gas.

ERE has had also meetings on specific topics with the Secretariat for the harmonization of the secondary legislation in compliance with the Energy Community Treaty and EU Directives.

Benefiting from these activities and from the experienced European regulators it is aimed for harmonization of legislation, practices and procedures to create a transparent, competitive, non-discriminatory energy market.

10. ERE bilateral relations

ERE bilateral relations in 2011 have been focused to strengthen the institutional capacitties and to set fruitful cooperations for the energy sector in the country. In this frame ERE has established bilateral cooperation based on bilateral agreements, where it does worth mentioning the agreement with the Italian Regulator, and in 2011 there have been organized two exchange workshops focused on experience exchange on tariffs, legislation and market.
There have been established cooperation bilateral cooperation with the Austrian Regulator and there have been organized two meetings on experience exchange with this regulator.

There have been organized activities on post-privatization and workshops with Bulgarian Regulator, and close relations and correspondence with the Regulators of Macedonia, Kosovo, Montenegro etc.

In addition to this, ERE has worked to establish first contacts and relations with other regulators such as Canadian, French, German, etc. Regulator and these relations are to be finalized in the coming years.

11. Participation in conferences and international activities

ERE, in 2011 has attended conferences and international activities to gain from European experiences and global experiences by an active participation in Energy and Gas European Forums, European Conferences on Renewables, Investment Conferences in SouthEastern Europe, Crans Montana Forum, Mediterranean Forum, European Conferences on Market, natural gas and also workshops and other events on regulators' role on energy effieciency and security of supply.

PART III
CHAPTER VI

3

Administration of Financial and Human Resources in ERE

In 2011 for human resources the requirements of the law no.9367, date 07.04.2005 “On prevention of conflicts of interest in performing public functions” and the law n0.9049, date 10.04.2003 “On declaration and control of the property and financial obligations of elected persons and some public servants” were implemented.

The periodic/annual statements on the private interests were completed by 9 officiers (subjects to this obligation) within the time schedule, and no infrigement of the law requierements as to the deadline established by the law. ERE have also regularly attended the trainings organized by ILDKP.

During February a control was conducted by ILDKP inspectors and not any legal infrigement was found.

In compliance with the decision no.181, date 05.05.2008 of the Albanian Parliament for the approval of the organization chart and the number of personnel, the requirements of the law no.9584, date 11.07.2006 “On salaries, compensations and the organization chart of the constitutional institutions and other independent institutions established by the law” and the decision no. 545 date 11.08.2011 “On approval of the organization chart and the level of salaries for civil servants, deputy Minister, and employees in the cabinet, in Prime Ministers administration, in the Ministries of line, administration of the President, Parliament, Central electrions commission, General Prosecution, other independent institutions, institutions depending from the Council of Ministers, Prime-minister, institutions depending from the ministries of line and prefecture administration” as well as decision on. 717 date 23.06.2009 of the council of ministers “ On salaries of the supporting staff of budgetory institutions and employees of some budgetory institutions” as amended.

According to the law no.9072, date 22.5.2003 “On power sector” as amended, the selection, appointment and promotion of the technical staff has been made in compliance with the provisions of the law no.8549, date 11.11.1999 “On the status of civil servant”.

1. Administration of ERE financial resources

In the area of administration and finance of the ERE, the provisions of the respective legislation such as the law no.9072, date 02.05.2003 “On power sector” as amended, the law no.9643, date 20.11.2006 “On public procurement” as amended, the law no.9228, date 29.4.2004 “On accounting and financial statements”, and other secondary legislations are implemented correctly.

The delivery and notification of the register of the public procurement have been made according to the deadlines complying with the public procurement law supporting all related procedures with the legal assistance.

The ERE has made the inventory of the properties in its administration. As to the financial funds, they are provided from the regulatory fees imposed by the ERE to licensees. In 2011, the planned revenues were collected at 89%.

The incurred expenses of the ERE were made for performing the legal obligations providing normal working conditions for the institution and have covered the most necessary need of the ERE during the year, where it can be mentioned:

- Salaries of personnel, social and health security payments, income tax, which have been paid all with not any outstanding payment.
- Payments for consultancy services
- Publications for information of the public opinion
- Payment of payable services such as water, electricity and telephon and payments for other necessary services for the instiutution activity, and the deppreciation of the fixed tangible assets, etc.
- Premium rate for the mandatory insurance of vehicles and their annual registration tax.

Procurement of the small purchases (as an activity of the commission of small procurements) was made according to the procurement procedures established by the public procurement law.

During 2010 was nmade the riconstruction of additional ERE offices for the expansion of ERE premises based on the increasing needs for a well going activity in the institution. This was made in the existing bulding.

The ERE financial activity during 2011 was audited by a licensed accounting expert according to the law no.10091, date 5.3.2009 "On legal auditing, organization of the professions of registered accounting experts and accredited accountants". Following to this chapter the report of the accounting expert is provided.

PART IV
CAPTER I

4

Audit Report from the Accounting Expert for 2011

To: Chairman of ERE

Mr. Sokol Ramadani

Based on the order no.20, date 02.02.2012 of the ERE's Chairman and the contract signed by parties, I'm appointed to audit the Financial Statements of the Energy Regulatory Authority for 2011 exercise year.

ERE is a public legal person and the sole regulatory authority in in the sectors of electricity and natural gas of Albania. ERE is a public institution with non profit objectives, but at the same time it is not a budgetary institution financed by the state budget.

ERE functions according to law no.9072, date 22.05.2003 "On power sector" and law no.9046, date 30.06.2008 "On natural gas sector", which govern the overall activity of the ERE.

In accordance with the provisions of the above-mentioned laws, the books of accounts of the ERE reflect well-administration of funds received from electricity and gas sector operators according to fees established according to the law.
Use of these funds is made through preparation, execution and accurate reporting of the budget approved by the Board of Commissioners.

ERE's management is responsible for a sincere preparation and presentation of these Financial Statements in compliance with the National Accounting Standards.

This responsibility includes: **Preparation, execution and keeping of a proper internal control for a sincere preparation and presentation of the Financial Statements that do not contain any material anomaly either due to deceptions or errors, selection and implementation of proper accounting methods as well as for making accounting judgments that are reasonable under given circumstances.**

My responsibility is to express an opinion in my auditing report on these Financial Statements.

I have carried out the auditing in compliance with the National Accounting Standards. These standards require the application of the ethical requirements and plan the auditing with the goal that this assignment to be carry out to get a reasonable certainty whether the financial statements have not any material anomaly.

Auditing process included the execution of procedures for getting the information regarding the financial statements. Selected procedures depend on the auditor's judgment. Auditing included also financial and historical information, evaluation of the appropriateness of the used accounting methods and the logic of the accounting judgments made by the management as well as the evaluation of the general overview of the Financial Statement.

According to my opinion, the Financial Statements of ERE provide a true and sincere overview in all material aspects of the financial situation, the sources of funds and their administration, for the exercising year closed on December 31, 2011, according to the National Standards.

Respectfully,

Registered Accounting Expert

Date: 8.03.2012

Shpresa BREÇANI

REPUBLIC OF ALBANIA
ASSEMBLY

APPROVED

SPEAKER

Jozefina TOPALLI (ÇOBA)

RESOLUTION

ON EVALUATION OF THE ACTIVITY OF THE ENERGY REGULATORY AUTHORITY (ERE) FOR 2011

The Parliament of Albania,

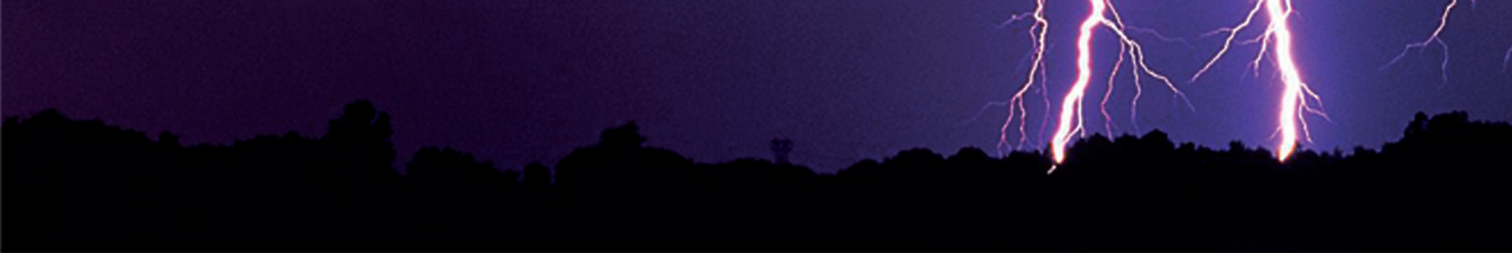
- Considering the active role of the Energy Regulatory Authority as the sole and independent regulatory authority in the country for overseeing the functioning of electricity and natural gas sectors;
- Appraising multiyear achievements of the Government for the reliable supply of customers with electricity;
- Recognizing the importance of optimal exploitation of hydroenergy resources and that 2011 was a year with low water flows;
- Recognizing the importance of improving the energy efficiency and the financial stability of the power sector;
- Considering the importance of the liberalization of the electricity retail supply market;
- Taking into account that 2011 was an important year in view of the country's commitment under the Treaty establishing the Energy Community in the countries of South East Europe regarding the liberalization of power capacities;
- Considering as very important the work for enabling the supply of the country with natural gas through the most favorable alternatives and the development of regulatory framework in this field;
- Taking into account the considerable increase of the number of customers requesting to the ERE for handling their complaints;

Confirms that ERE in 2011:

- Has continued to fulfill the energy regulatory framework reflecting the commitment taken by our country under the Energy Community Treaty and the European Integration, and basing on the principles of public consultation with the interested groups in its decision-making process with the goal that these decisions balance the interest of the government, customers and investors in energy sector.
- Has approved through transparent and publicly participation process of the new contract for electricity supply of residential and non-residential customers and the Regulation of the Quality of Service of Electricity Distribution and Supply complying with the obligation under the Regulatory Statement for approval of the new standards of the quality of service of electricity supply of customers ensuring the need of tariff customers for protection of their interests from the monopoly nature of this service.
- Has exercised continuously its authority for monitoring of all operators licensed in the electricity sector regarding the well-functioning of the electricity market, efficiency and the quality of service they provide to customers.
- Has guaranteed constant protection of tariff customers' interests and rights by handling with diligence, transparency, impartiality and within the legal deadlines of their complaints.
- Has worked in strengthening its institutional capacities for establishing the necessary regulatory framework in the natural gas sector harmonized with EU Directives and other countries in the region, focusing mainly on providing overall support of the efforts for realization of TAP project and for creating the necessary opportunities for the Albania's interest with respect to this project.
- Has established, through a transparent and professional process, and in accordance with the respective methodologies, the tariffs and prices for the activities of generation, wholesale public supply, transmission, distribution and electricity supply of tariff customers, as well as the selling prices of electricity produced from small power producers.
- With the goal to increase the security of supply in the country and in the frame of a promoting environment for new investment, has licensed 39 companies for production of electricity, electricity traders, electricity qualified suppliers and has approved various modifications of the existing licenses.
- Is engaged in transparent manner in providing recommendations for resolution of the disputes among licensees in electricity market.
- In view of the increase of the transparency and improvement of services provided in the energy sector is engaged in publishing information and conditions of services carried out by the licensees in energy sector.
- Has consolidated furthermore the relations with the Parliament of Albania and other government institutions and has continued to cooperate and inform periodically for the solution of challenges in the process of power sector regulation.

Requires from ERE for 2012:

- To continue the monitoring of electricity market with the objective to increase the transparency and secure non-discrimination through a rule-making process that



would promote the competition in this market and its orientation towards further liberalization.

- To work on preparing the regulations for new connections in all segments of power system aiming the reduction of deadlines and application of transparent procedures for supplying with electricity of businesses and residential customers.
- To review electricity transmission, distribution and metering codes under the process of approximation of legislation with the Third Legislative Package of the EU.
- To intensify furthermore the work for monitoring of licensees in the power sector especially of CEZ Shperndarje company for meeting its main targets for reduction of network losses and increase of collections.
- To be committed with priority in completing the regulatory framework and execution of necessary procedures for supporting the projects of national interest for country's gasification.
- To continue guaranteeing the protection of electricity customers by handling with diligence of customers' complaints, and prepare the standards of handling and settlement of customers' complaints by the licensees.
- To monitor the quality of service provided to customers with the goal to guarantee a reliable electricity supply by the power distribution system in compliance with the minimal standards of quality of service approved by the ERE.
- To develop the regulation on procedures for setting fines for licensees in cases of administrative offences committed by them, where the specific aspects and procedures that should be followed by the ERE and the detailed offences representing a cause for punishment should be defined.
- To review the electricity market model taking in consideration the latest modifications of the legislation and new conditions of market opening and its integration with the regional market.
- To develop rules and procedures for addressing the ancillary services in power sector.

May 17, 2012

ANNEX 1

Annex 1 Register of ERE Decisions for 2011

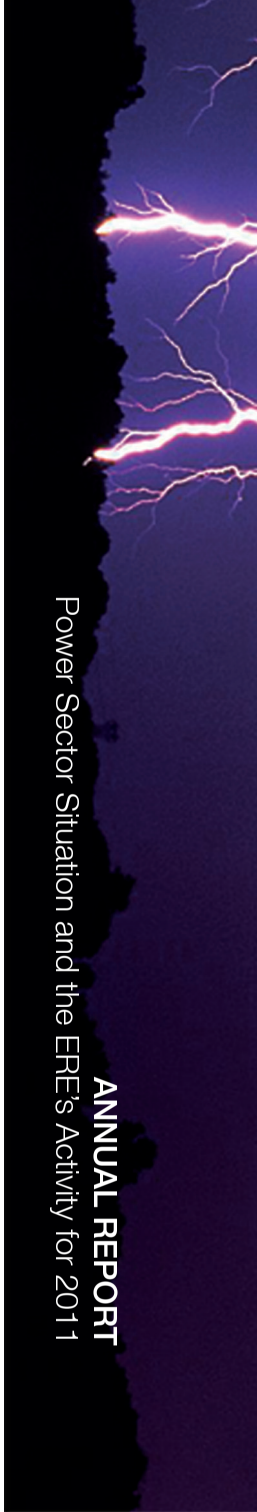


Table 19 Register of ERE Decisions for 2011

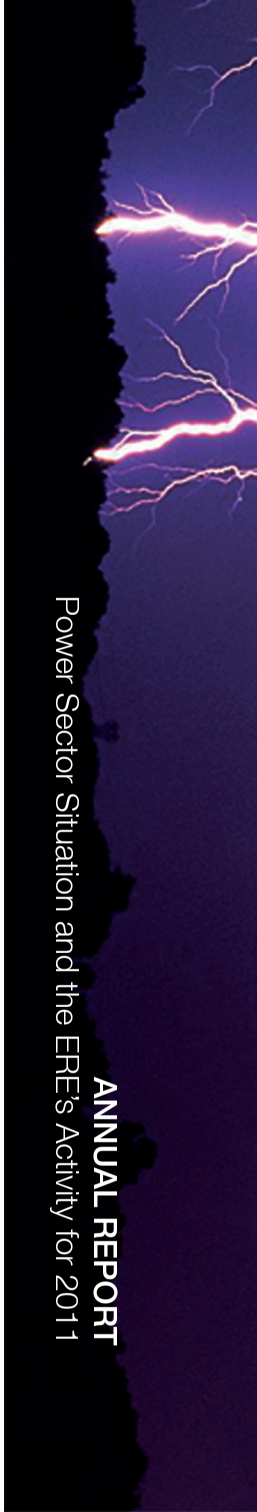
No. 1	Date 10.01.2011	On Approval of Regulations and Procedures of the Electricity Sale.	Official Gazette No. 6 Date 31.01.2011
No. 2	Date 10.01.2011	On Approval of the Guide on application and tariffs of new connection or modification of the existing connection in the electricity network of OST sh.a	Official Gazette No. 6 Date 31.01.2011
No. 3	Date 11.01.2011	On Approval of transsmition agreement of electricity between OST sh,a dhe CEZ Distribution sh.a	Official Gazette No. 6 Date 31.01.2011
No. 4	Date 25.01.2011	On Licensing of Ferrar Energy l.t.d. for the activity of electricity generation.	Official Gazette No. 8 Date 9.02.2011
No. 5	Date 02.02.2011	On Licensing of company "ENERGY SUPPLY-AL" l.t.d. for the activity of Qualified Supplier of Electricity.	Official Gazette No. 11 Date 18.02.2011
No. 6	Date 02.02.2011	On Licensing of the company "ENERGY SUPPLY-AL" l.t.d. for the activity of Electricity Trade	Official Gazette No. 11 Date 18.02.2011
No. 7	Date 02.02.2011	On licensing of the company "ENERGY PARTNERS AL" l.t.d. in the activity of Electricity Generation	Official Gazette No. 11 Date 18.02.2011
No. 8	Date 02.02.2011	On Licensing of the company "ENERGY PARTNERS AL" l.t.d. in the activity of Electricity Trade	Official Gazette No. 11 Date 18.02.2011
No. 9	Date 11.02.2011	On approval of the regulation on the procedures of licensing, modification, partial or full transferring, removal and renewal of the licenses for the natural gas sector.	Official Gazette No. 35 Date 09.04.2011
No. 10	Date 18.02.2011	On request denial of the company Albanian Chrome for status of tariff customer	Official Gazette No. 35 Date 09.04.2011
No. 12	Date 21.02.2011	On approval of the ERE annual report "Situation of the Energy Sector and ERE activity during 2011"	Official Gazette No. 35 Date 09.04.2011
No. 13	Date 22.02.2011	On approval of the regulations for the Allocation of the Inter-Connection Capacities.	Official Gazette No. 35 Date 09.04.2011
No. 14	Date 28.02.2011	On start of procedures for the licensing of company "HP OSTROVICA ENERGY" l.t.d with activity electricity generation	Official Gazette No. 23 Date 23.03.2011
No. 15	Date 28.02.2011	On start of procedures for the licensing of company "OSTROVICA ENERGY" l.t.d. in the activity of the electricity trade	Official Gazette No. 23 Date 23.03.2011

No. 16	Date 28.02.2011	For closing the administrative proceeding for the company "Ballkan Finance Investment Group" l.t.d., regarding the status request as qualified customer of electricity	Official Gazette No. 23 Date 23.03.2011
No. 17	Date 04.03.2011	On an addition on the Regulation for the organization and internal functioning of ERE.	It is not published in the Official Gazette
No. 18	Date 04.03.2011	On the election of the environment specialist	It is not published in the Official Gazette
No. 19	Date 04.03.2011	On acceptance of the request for reprocessing of the ERE decision No. 10, date 18.02.2011	Official Gazette No. 35 Date 09.04.2011
No. 20	Date 04.03.2011	On licensing of the company "Rudnap Energy Tirana"l.t.d. in the activity of the electricity qualified supplier	Official Gazette No. 35 Date 09.04.2011
No. 21	Date 04.03.2011	On licensing of the company "KORKIS – 2009" l.t.d. in the activity of electricity generation	Official Gazette No. 35 Date 09.04.2011
No. 22	Date 10.03.2011	On acceptance of the request for reprocessing of the ERE decision No. 10, date 18.02.2011.(approval of the status of ACR with additional costs)	Official Gazette No. 40 Date 17.04.2011
No. 23	Date 10.03.2011	On licensing of the company "HPP - VLUSHE" l.t.d. in the activity of electricity generation	Official Gazette No. 40 Date 17.04.2011
No. 24	Date 10.03.2011	On licensing of the company "HPP - VLUSHE" l.t.d. in the activity of electricity trade	Official Gazette No. 40 Date 17.04.2011
No. 25	Date 10.03.2011	On licensing of the company "HPP - DRAGOSHTUNJE" l.t.d. in the activity of the electricity generation.	Official Gazette No. 40 Date 17.04.2011
No. 26	Date 10.03.2011	On licensing of the company "HPP - DRAGOSHTUNJE" l.t.d. in the activity of the electricity trade	Official Gazette No. 40 Date 17.04.2011
No. 27	Date 10.03.2011	On licensing of the company "HPP - DUNICE" l.t.d. in the activity of electricity generation.	Official Gazette No. 40 Date 17.04.2011
No. 28	Date 10.03.2011	On licensing of the company "HPP - DUNICE" l.t.d. in the activity of the electricity trade.	Official Gazette No. 40 Date 17.04.2011
No. 29	Date 18.03.2011	On approval of the Financial Balance of ERE for 2010.	It is not published in the Official Gazette
No. 30	Date 23.03.2011	On approval of the Regulation on Purchase Procedures for KESH sh.al. of Electricity from the domestic and foreign traders.	Official Gazette No. 51, Date 03.05.2011

No. 31	Date 31.03.2011	On the contract for electricity supply between company KESH sh.al (public wholesaler) and company CEZ Distribution sh.a. (public supplier) for the period 01.01.2011 till 31.12.2011	Official Gazette No. 69, Date 06.06.2011
No. 32	Date 31.03.2011	On non-start of the procedures for the License Renewal of the company "GSA" l.t.d. in the activity of the electricity trade	Official Gazette No. 51, Date 03.05.2011
No. 33	Date 06.04.2011	On start of procedures for licensing of the company "Idro Energjia Pulita" l.t.d. in the activity of electricity generation	Official Gazette No. 51, Date 03.05.2011
No. 34	Date 06.04.2011	On start of procedures for the licensing of the company "BEKIM ENERGJITIK" l.t.d. in the activity of the electricity generation	Official Gazette No. 51, Date 03.05.2011
No. 35	Date 06.04.2011	On non-start of the procedures for the License Renewal of the company "ERALD ENERGJITIK" l.t.d. in the activity of the electricity trade	Official Gazette No. 51, Date 03.05.2011
No. 36	Date 15.04.2011	On the appeal of CEZ Distribution sh.a. on the decision of the Commissioners Board of ERE No 31, date 31.03.2011 for the approval of the contract of electricity supply through KESH sh.a. (public wholesale supplier) and company CEZ Distribution sh.a. (public supplier) for period 01.01.2011 – 31.12.2011.	Official Gazette No. 59, Date 15.05.2011
No. 37	Date 15.04.2011	On start of procedures for licensing of company "DN & NAT ENERGJI" l.t.d. in the activity of the electricity generation	Official Gazette No. 59, Date 15.05.2011
No. 38	Date 15.04.2011	On start of procedures for licensing of company "GSA" l.t.d. in the activity of electricity trade	Official Gazette No. 59, Date 15.05.2011
No. 39	Date 15.04.2011	On start of procedures for licensing of company "SELISHTE" l.t.d.	Official Gazette No. 59, Date 15.05.2011
No. 40	Date 15.04.2011	On licensing of company "HP OSTROVICA ENERGY"l.t.d. in the activity of electricity generation	Official Gazette No. 59, Date 15.05.2011
No. 41	Date 15.04.2011	On start of procedures for the processing of appeal of company "ENERGJI ASHTA" l.t.d. for the qualification of the generating plant HPP Ashta as renewable source of energy.	Official Gazette No. 59, Date 15.05.2011

No. 42	Date 22.04.2011	On the approval of the methodology and billing of the Economical Damage	Official Gazette No. 59, Date 15.05.2011
No. 43	Date 22.04.2011	On the start of procedures for the licensing of the company "HIDROPOEER ELEKTRIK" l.t.d. in the activity of the electricity generation	Official Gazette No. 59, Date 15.05.2011
No. 44	Date 22.04.2011	On the start of procedures for the processing of the appeal of the company "OST" sh.a. for assets transferring precisely sub-station 110/20kv of " Kalimashit" to the company "CEZ Distribution" sh.a.	Official Gazette No. 59, Date 15.05.2011
No. 45	Date 10.05.2011	On the start of procedures for the modification of the license for electricity generation of company "Favina 1" l.t.d.	Official Gazette No. 66, Date 28.05.2011
No. 47	Date 24.05.2011	On the setting of the payments of regulation for the year 2011 for the licensed in the electricity sector.	Official Gazette No. 69, Date 06.06.2011
No. 48	Date 24.05.2011	On the licensing of the company "HP Ostrovica Energy" l.t.d. in the activity of the Electricity Trade	Official Gazette No. 69, Date 06.06.2011
No. 49	Date 24.05.2011	On start of the procedures for the reprocessing of the regulation for the criteria of giving or removing the status of the qualified customer.	Official Gazette No. 69, Date 06.06.2011
No. 50	Date 07.06.2011	On the start of procedures for the processing of application of the company "Kalivac Green Energy" l.t.d. for the qualification of the generation plant (HPP Kalivac) as source of renewable energy.	Official Gazette No. 92, Date 10.07.2011
No. 51	Date 07.06.2011	On start of procedures for licensing of company "Erald Energjitik" l.t.d. in the activity of electricity generation.	Official Gazette No. 92, Date 10.07.2011
No. 52	Date 07.06.2011	ERE consulence on the Draft DCM "On some additions and changes in the DCM NO. 512 date 13.05.2009 "on the approval of some additions and changes in the authorization given to company ENPOWER ALBANIA l.t.d. for the construction of the electricity central with E.R.E. to be approved by DCM No 512 date 13.05.2009" amended.	Official Gazette No. 92, Date 10.07.2011
No. 53	Date 22.06.2011	On start of procedures for review of regulations of practice and procedures of ERE	Official Gazette No. 92, Date 10.07.2011
No. 54	Date 22.06.2011	On start of procedures for licensing of company "EURON ENERGY GROUP" l.t.d. in the activity of electricity generation	Official Gazette No. 92, Date 10.07.2011

No. 55	Date 22.06.2011	On start of procedures for the licensing of company "EURON ENERGY GROUP" l.t.d. in the activity of electricity trade	Official Gazette No. 92, Date 10.07.2011
No. 56	Date 22.06.2011	On the qualification of the generating plant from HPP ASHTA as renewable energy source	Official Gazette No. 92, Date 10.07.2011
No. 57	Date 22.06.2011	On licensing of the company GSA l.t.d. in the activity of electricity trade.	Official Gazette No. 92, Date 10.07.2011
No. 58	Date 22.06.2011	On licensing of the company DN & NAT ENERGJI l.t.d. in the activity of electricity generation	Official Gazette No. 92, Date 10.07.2011
No. 59	Date 22.06.2011	On licensing of the company HIDROPOEER ELEKTRIK l.t.d. in the activity of electricity generation	Official Gazette No. 92, Date 10.07.2011
No. 60	Date 22.06.2011	On licensing of the company SELISHTA l.t.d. in the activity of electricity generation	Official Gazette No. 92, Date 10.07.2011
No. 61	Date 13.07.2011	On licensing of the company BEKIM ENERGJITIK l.t.d. in the activity of electricity generation	Official Gazette No. 113, Date 13.07.2011
No. 62	Date 22.07.2011	On approval of the TIP contract for verification service, initial and periodic control of the electricity counters.	Official Gazette No. 120, Date 22.07.2011
No. 63	Date 27.07.2011	On start of procedures for licensing of the company "ERMA" l.t.d. in the activity of electricity generation	Official Gazette No. 125, Date 02.09.2011
No. 64	Date 27.07.2011	On start of procedures for licensing of the company "ERMA" l.t.d. in the activity of electricity trade	Official Gazette No. 125, Date 02.09.2011
No. 65	Date 27.07.2011	On modification of the electricity generation license of the company "Favina 1" l.t.d. with serial PV05), No. 29, released by decision of commissioner board of ERE, No. 85, date 27.12.2005.	Official Gazette No. 125, Date 02.09.2011
No. 66	Date 27.07.2011	On licensing of company "IDRO ENERGIA PULITA"l.t.d. in the activity of electricity generation	Official Gazette No. 125, Date 02.09.2011
No. 67	Date 27.07.2011	On licensing of company "DOSKU-ENERGY"l.t.d. in the activity of electricity generation.	Official Gazette No. 125, Date 02.09.2011
No. 68	Date 09.08.2011	On start of procedures of review of application of company "HP OSTROVICA ENERGY" l.t.d. on the qualification of the generating plant HPP FAQEKUQ 1 and HPP FAQEKUQ 2 as renewable energy source	Official Gazette No. 125, Date 02.09.2011
No. 69	Date 09.08.2011	On start of procedures for the licensing of company "Diteko" l.t.d. in the activity of electricity generation from the HPP in the river "Zalli i Okshtunit", "Borove", "Zabzun", "Sebisht", "Prodan 1", "Prodan 2", "Okshtun Ekologjik", "Ternove", "Okshtun", "Lubalesh 1", "Lubalesh 2" and "Gjorice".	Official Gazette No. 125, Date 02.09.2011
No. 70	Date 09.08.2011	On start of procedures for licensing of company "diteko" l.t.d. in the activity of electricity trade.	Official Gazette No. 125,



			Date 02.09.2011
No. 71	Date 09.08.2011	On the start of procedures for the review of application of the company "DITEKO" l.t.d. on the qualification of the generating plant for HPP in river Zalli i Okshtunit", HPP "Borove", "Zabzun", "Sebisht", "Prodan 1", "Prodan 2", "Okshtun Ekologjik", "Ternove", "Okshtun", "Lubalesh 1", "Lubalesh 2" and "Gjorice" as renewable energy source.	Official Gazette No. 125, Date 02.09.2011
No. 72	Date 09.08.2011	On approval of asset transferring, precisely in the sub-station 110/20KV of "Kalimashit" from OST sh.a to the Company CEZ Distribution sh.a.	Official Gazette No. 125, Date 02.09.2011
No. 73	Date 09.08.2011	On appeal of CEZ Distribution sh.a. on the decision of the commissioner board of ERE, No. 62 date 22.07.2011 "On the approval of the TIP contract for verification service and initial and periodic verification of the electricity counters.	Official Gazette No. 130, Date 14.09.2011
No. 74	Date 09.08.2011	On appointment in duty of the external expert..	Not published in the Official Gazette
No. 75	Date 24.08.2011	On start of procedures for licensing of the company "Albanian Green Energy" l.t.d. on the activity of qualified electricity supplier	Official Gazette No. 133, Date 28.09.2011
No. 76	Date 24.08.2011	On start of procedures for the licensing of company "Albanian Green Energy" l.t.d. on the activity of electricity trade.	Official Gazette No. 133, Date 28.09.2011
No. 77	Date 24.08.2011	On start of procedures for the licensing of company "Ballkan Green Energy" l.t.d. in the activity of qualified supplier of electricity	Official Gazette No. 133, Date 28.09.2011
No. 78	Date 24.08.2011	On starting procedures for licensing of the company "Ballkan Green Energy" sh.p.k for the trade of electricity	Official Gazette No. 133, Date 28.09.2011
No. 79	Date 24.08.2011	On start of the procedures for the review of the request from the company "Selca Energy" l.t.d. on mortgage as collateral of the HPP Selca	Official Gazette No. 133, Date 28.09.2011
No. 80	Date 24.08.2011	On some changes in the Regulation of the Organization and Internal Functioning of ERE	Not published in the Official Gazette
No. 81	Date 12.09.2011	On review of the application of company "Kalivaç Green Energy" l.t.d. for the qualification of the generating plant (HPP Kalivac) as renewable energy source	Official Gazette No. 139, Date 12.09.2011
No. 82	Date 13.09.2011	On start of procedures for setting of electricity generation tariff from KESH sh.a for the third regulatory period	Official Gazette No. 141, Date 17.10.2011
No. 83	Date 13.09.2011	On start of procedures for setting the electricity tariff for the public wholesale supplier for the third regulatory period.	Official Gazette No. 141, Date 17.10.2011

No. 84	Date 13.09.2011	On start of procedures for setting the tariff for trassmition of electricity from OST sh.a. for the third regulatory period.	Official Gazette No. 141, Date 17.10.2011
No. 85	Date 13.09.2011	On the start of procedures for the setting of electricity distribution tariff for the third regulatory period	Official Gazette No. 141, Date 17.10.2011
No. 86	Date 13.09.2011	On start of procedures for the setting of the tariff of public supply of the electricity from CEZ Distribution for the tariffs consumers for the third regulatory period.	Official Gazette No. 141, Date 17.10.2011
No. 87	Date 26.09.2011	On licensing of company "Euron Energy Group" l.t.d. for the activity of Electricity generation.	Official Gazette No. 146, Date 01.11.2011
No. 88	Date 26.09.2011	On licensing of the company "Euron Energy Group" l.t.d. on the activity of electricity trade	Official Gazette No. 146, Date 01.11.2011
No. 89	Date 26.09.2011	On start of procedures for review of the application of company "Malido Energji" l.t.d. for qualification of generating plant "HPP Klos" as renewable energy source	Official Gazette No. 146, Date 01.11.2011
No. 90	Date 26.09.2011	On start of procedures for licensing of the company "Malido Energji" l.t.d. in the activity of electricity trade.	Official Gazette No. 146, Date 01.11.2011
No. 91	Date 26.09.2011	On licensing of company "Erald Energjitik" l.t.d. in the activity of electricity generation from HPP "Shemri" and "Mgulle"	Official Gazette No. 146, Date 01.11.2011
No. 92	Date 26.09.2011	On postponing the deadline of license No. 63 given by decision of Commissioners Board No. 89 date 06.08.2008, changed by decision of the Commissioners Board No. 19, date 08.03.2010 on "Albanian Green Energy"	Official Gazette No. 146, Date 01.11.2011
No. 93	Date 26.09.2011	On postponing the deadline of license No. 64 given by decision of the Commissioners Board No. 90 date 06.08.2008, amended by decision of Commissioners Board No. 2 date 08.03.2010 on "Biopower Green Energy"	Official Gazette No. 146, Date 01.11.2011
No. 94	Date 26.09.2011	On start of procedures for the review of application of the company KESH sh.a for transferring of assets, precisely sub-stations "Lanabregas", Bogove", "Gjanç", "Bushat 110/20 KV", network 20 KV Koplik, " sub-station "Shkoder 110/20 KV", sub-station"Fier 110/20 KV", sub-station"Gjirokaster".	Official Gazette No. 146, Date 01.11.2011
No. 95	Date 30.09.2011	On start of procedures for licensing of company "HPP – ULEZ SHKOPET" sh.a, in the activity of electricity generation from HPP Ulez and HPP Shkopet	Official Gazette No. 150, Date 10.11.2011
No. 96	Date 30.09.2011	On start of procedures of company "HPP – ULEZ SHKOPET" sh.a, in the activity of electricity trade.	Official Gazette No. 150, Date 10.11.2011
No. 97	Date30.09.2011	On start of procedures for the licensing of the company "HPP BISTRICA 1 DHE BISTRICA 2" sh.a, in the activity of electricity generation from HPP Bistrica 1 and HPP Bistrica 1 and HPP Bistrica 2.	Official Gazette No. 150, Date 10.11.2011
No. 98	Date30.09.2011	On the start of procedures for the licensing of the company "HPP BISTRICA 1 & BISTRICA 2" sh.a, in the activity of electricity trade	Official Gazette No. 150, Date 10.11.2011

No. 99	Date 30.09.2011	Approval of the Bed Debt Study.	Official Gazette No. 151, Date 14.11.2011
Nr.100	Date 30.09.2011	On start of procedures for the licensing of the company "HPP LANABREGAS" sh.a, in the activity of the electricity generation.	Official Gazette No. 151, Date 14.11.2011
Nr.101	Date 30.09.2011	On the start of the procedures for the licensing of the company "HPP LANABREGAS" sh.a, in the activity of electricity trade.	Official Gazette No. 151, Date 14.11.2011
Nr.102	Date 30.09.2011	On the start of procedures for the modification of the license of electricity generation of KESH sh.a.	Official Gazette No. 151, Date 14.11.2011
Nr.103	Date 17.10.2011	On qualification of the generation plants as renewable energy sources of "HP OSTROVICA ENERGY".	Official Gazette No. 151, Date 14.11.2011
Nr.104	Date 17.10.2011	On asset transferring of "SELCA ENERGY" precisely "HPP Selca" (mortgage as collateral in Credins bank).	Official Gazette No. 151, Date 14.11.2011
Nr.105	Date 17.10.2011	On licensing of the company "ERMA MP" l.t.d. in the activity of electricity generation	Official Gazette No. 151, Date 14.11.2011
Nr.106	Date 17.10.2011	On licensing of company "ERMA MP" l.t.d. in activity of electricity trade	Official Gazette No. 151, Date 14.11.2011
Nr.107	Date 17.10.2011	On some additions and changes in the "Regulations of Practice and Procedures of ERE, approved by ERE by decision No. 21, date 18.03.2009 of the Commissioners Board of ERE.	Official Gazette No. 156, Date 27.11.2011
Nr.108	Date 21.10.2011	On approval of the electricity supply contract of family costumer.	Official Gazette No. 165, Date 21.10.2011
Nr.109	Date 21.10.2011	On the approval of the electricity supply contract of the non-household costumers	Official Gazette No. 165, Date 21.10.2011
Nr.110	Date 21.10.2011	On approval of the regulation on quality service of electricity supply and sale.	Official Gazette No. 165, Date 21.10.2011
Nr.111	Date 04.11.2011	On start of procedures for the modification of the license of company for construction, installment and use of the electrical central as well as the electricity generation with serial npm06k, No. 41, released with ERE Board of Commissioners No. 83, dt 27.11.2006 for the company Energo – SAS sh.p.k.	Official Gazette No. 157, Date 01.12.2011
Nr.112	Date 04.11.2011	On granting the status of eligible customers to subject "Autoriteti Portual Durres"	Official Gazette No. 157, Date 01.12.2011
Nr.114	Date 16.11.2011	On licensing of company "DITEKO" l.t.d. in the activity of electricity generation from the HPP in the river "zalli i Okshtunit": "Borove", "Zabzun", "Sebisht", "Prodan 1", "Prodan 2", "Okshtun Ekologjik", "Ternove",	Official Gazette No. 160, Date 09.12.2011

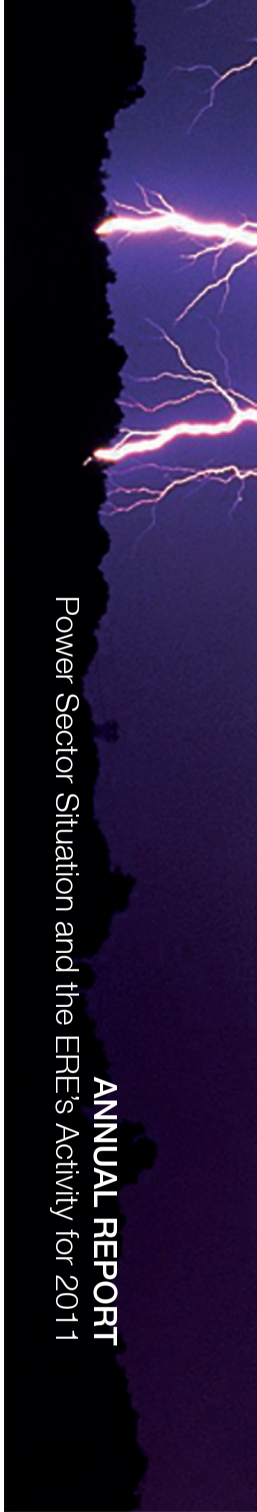
		"Okshtun", "Lubalesh 1", "Lubalesh 2" and "Gjorice".	
Nr.115	Date 16.11.2011	On licensing of company "DITEKO"l.t.d. in activity of electricity trade.	Official Gazette No. 160, Date 09.12.2011
Nr.116	Date 16.11.2011	On qualification of the generating plant for HPP in the river "Zalli i Okshtunit" : HPP "Borove", "Zabzun" "Sebisht", "Prodan 1", "Prodan 2", "Okshtun Ekologjik", "Ternove", "Okshtun", "Lubalesh 1", "Lubalesh 2" Dhe "Gjorice" as renewable energy sources	Official Gazette No. 160, Date 09.12.2011
Nr.117	Date 16.11.2011	On monthly Biding of Inter-connection Capacity Allocation for December 2011	Official Gazette No. 160, Date 09.12.2011
No. 118	Date 18.11.2011	On start of procedures for the review of application of CEZ Distribution sh.a. for the approval of the Investment Plan for the third regulatory period 2012-2014.	Official Gazette No. 165, Date 18.11.2011
No. 119	Date 18.11.2011	On start of the procedures for the review of the application of company KESH sh.a. for the approval of the investment plan for the third regulatory period 2012 – 2014.	Official Gazette No. 165, Date 18.11.2011
No. 120	Date 18.11.2011	On start of the procedures for the review of application of OST sh.a. for the approval of the investment plan for the thirhd regulatory period 2012 – 2014.	Official Gazette No. 165, Date 18.11.2011
No. 121	Date 18.11.2011	On Licensing of Company "ALBANIAN GREEN ENERGY" l.t.d. in activity of electricity trade.	Official Gazette No. 165, Date 18.11.2011
No. 122	Date 21.11.2011	On administrative appeal of CEZ Distribution sh.a. regarding the Decision No. 99, date 30.09.2011 "On Approval of the Study on Bad Debt".	Official Gazette No. 169, date 29.12.2011
No. 123	Date 25.11.2011	On some additions and changes in the regulations of the Inter-Connection Capacities Allocation.	Official Gazette No. 177, December 2011
No. 124	Date 02.12.2011	On positive opinion regarding the Draft DCM "On some additions and changes in DCM No. 8 date 03.01.2008 "On approal of permit for the construction and use of the Inter-connection Trade Line with continuos power, between Vlora (Albania) and Brindisi South (Italy)	Not published in the Official Gazette

No. 125	Date 02.12.2011	On licensing of company “Albanian Green Energy” l.t.d. on the activity of qualified electricity supplier.	Official Gazette No. 170, date 30.12.2011
No. 126	Date 02.12.2011	On licensing of company “Balkan Green Energy” l.t.d. in the activity of the qualified electricity supplier.	Official Gazette No. 170, date 30.12.2011
No. 127	Date 02.12.2011	On the licensing of company “Ballkan Green Energy”l.t.d. in the activity of electricity trade.	Official Gazette No. 170, date 30.12.2011
No. 128	Date 02.12.2011	On signing of the contract negotiated by company CEZ Distribution sh.a. for electricity procurement for coverage of the loses in the distribution system for 2012.	Official Gazette No. 173, December 2011
No. 129	Date 06.12.2011	On electing the expert that will represent ERE in the review panel requested by CEZ Distribution sh.a.	Official Gazette No. 173, December 2011
No. 130	Date 06.12.2011	On start of the licensing procedures of company “Snow Energy” l.t.d. i the activity of electricity generation from HPP “Koka 1”.	Official Gazette No. 173, December 2011
No. 131	Date 06.12.2011	On start of the procedures for licensing of company “Snow Energy” l.t.d. in the activity of electricity Trade.	Official Gazette No. 173, December 2011
No. 132	Date 06.12.2011	On licensing of company “HPP Ulez Shkopet” sh.a in the activity of electricity generation from HPP Ulez and HPP Shkopet.	Official Gazette No. 173, December 2011
No. 133	Date 06.12.2011	On licensing of the company “HPP - Ulez Shkopet” sh.a. in the activity of electricity trade	Official Gazette No. 173, December 2011
No. 134	Date 06.12.2011	On licensing of company “HPP Lanabregas” sh.a in the activity of electricity generation from HPP Lanabregas.	Official Gazette No. 173, December 2011
No.	Date 06.12.2011	On licensing of company “HPP Lanabregas” sh.a in the activity of electricity trade	Official Gazette No. 173, December 2011

135			
No. 136	Date 06.12.2011	On licensing of company "HPP Bistrica 1 and Bistrica 2" sh.a in the activity of electricity generation from HPP Bistrica 1 and HPP Bistrica 2.	Official Gazette No. 173, December 2011
No. 137	Date 06.12.2011	On licensing of company "HPP Bistrica 1end Bistrica 2" sh.a in the activity of electricity trade.	Official Gazette No. 173, date __.12.2011
No. 138	Date 07.12.2011	On review of the appeal of the company KESH sh.a. on the approval of the investment plan for the third regulatory period 2012 – 2014.	Official Gazette No. 182, December 2011
No. 139	Date 07.12.2011	On the review of the application of OST sh.a. for the approval of investment plan for third regulatory period 2012 – 2014.	Official Gazette No. 182, December 2011
No. 140	Date 07.12.2011	On the review of the application of company HPP Bistrica 1 & 2 sh.a on the approval of the investment plan for 2012.	Official Gazette No. 182, December 2011
No. 141	Date 07.12.2011	On the review of the application of the company HPP Lanabregas sh.a for the approval of the investment plan for 2012	Official Gazette No. 182, December 2011
No. 142	Date 07.12.2011	On review of application of company HPP Ulez - Shkopet sh.a on the approval of investment plan for 2012	Official Gazette No. 182, December 2011
No. 143	Date 07.12.2011	On the review of application of CEZ Distribution sh.a. for approval of the investment plan for the third regulatory period	Official Gazette No. 182, December 2011
No. 144	Date 07.12.2011	On setting the tariff for electricity generation from KESH sh.a. for the third regulatory period	Official Gazette No. 182, December 2011
No. 145	Date 07.12.2011	On setting the tariff of electricity for public wholesale supplier for the third regulatory period.	Official Gazette No. 182, December 2011

No. 146	Date 07.12.2011	On setting the tariff of electricity transmition from OST sh.a. for the third regulatory period.	Official Gazette No. 182, December 2011
No. 147	Date 07.12.2011	On setting the tariff for electricity distribution for the third regulatory period.	Official Gazette No. 182, December 2011
No. 148	Date 07.12.2011	On setting the retail prices of electricity for tariffs costumers for the third regulatory period.	Official Gazette No. 182, December 2011
No. 149	Date 07.12.2011	On setting the unic price of electricity sale for the licenced for electricity generation from new HPP with installed capacity up to 15 MW for 2012.	Official Gazette No. 182, December 2011
No. 150	Date 07.12.2011	On setting the unic price of electricity sale for the licenced for the electricity generation from existing HPP with installed capacity up to 10 MW for 2012.	Official Gazette No. 182, December 2011
No. 151	Date 07.12.2011	On setting the sale price of electricity generated by TEC Vlore sh.a. to the public wholesale supplier for the third regulatory period.	Official Gazette No. 182, December 2011
No. 155	Date 19.12.2011	On start of procedures for the review of request for exception from the third party access presented by the company TAP.	Official Gazette No. 177, December 2011
No. 156	Date 19.12.2011	On start of procedures for the licensing of company “Stravaj Energy” l.t.d. on the activity of electricity generation from HPP Stravaj.	Official Gazette No. 177, December 2011
No. 157	Date 19.12.2011	On start of procedures of licensing of company “HPP Stravaj Energy” l.t.d. in the activity of electricity trade	Official Gazette No. 177, December 2011
No. 158	Date 19.12.2011	On start of procedures for the licensing of company “Hydro Salillari” l.t.d. in the activity of electricity generation from “HPP Vertop”.	Official Gazette No. 177, December 2011
No.	Date19.12.2011	On start of procedures for the licensing of company “Hydro Salillari” l.t.d. in the activity of electricity trade	Official Gazette No. 177, December 2011

159			
No. 160	Date19.12.2011	On start of procedures for the modification of the license for electricity generation with serial PV10K, No. 104, given by decision of the ERE Board of Commissioners No. 51, dt. 05.07.2010 for company EENERG sh.a.	Official Gazette No. 177, December 2011
No. 161	Date19.12.2011	On start of procedures for review of Electricity Market Rules	Official Gazette No. 177, December 2011
No. 162	Date 30.12.2011	On the setting of the retail price of electricity for Tariffs Customers connected to high voltage.	Official Gazette No. 181, December 2011

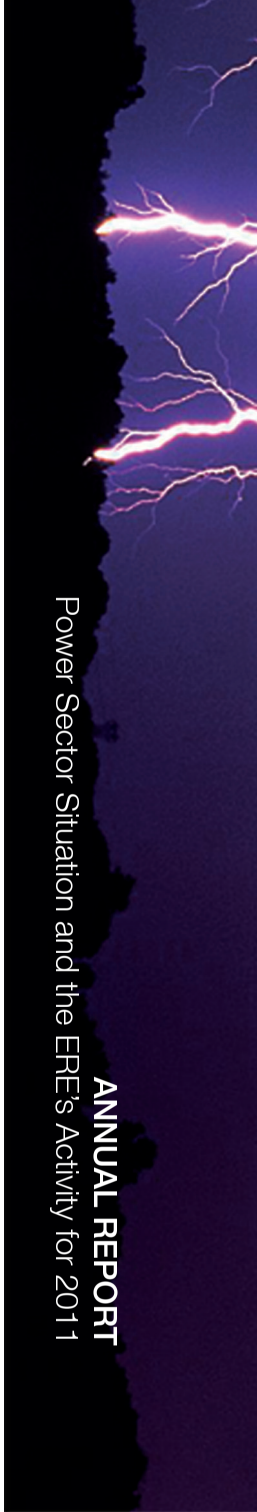


ANNEX 2

Annex 2 License Register

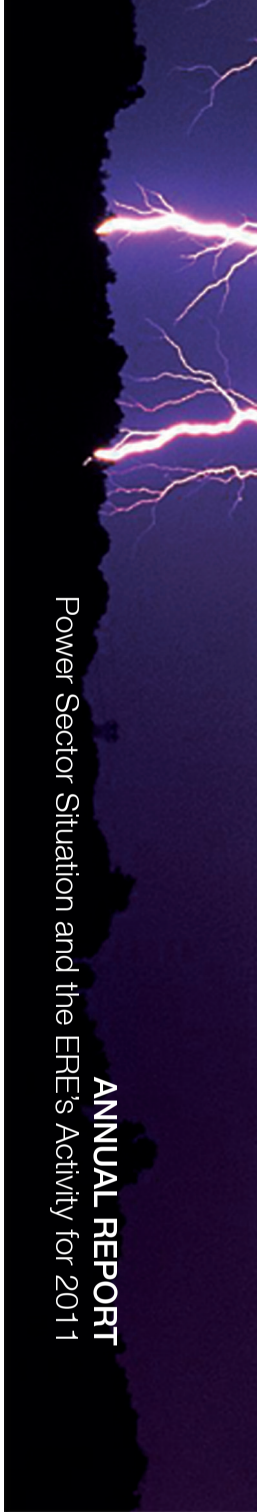
Table 20 License Log

Nr.	SUBJECT	Licencenced activity	DT. OF LICENCING	END DATE	ASSETS IN USE	NOTE	
Generation							
01	KESH sha	Generation	Decision No. 23 dt. 25/03/2009	25/03/2039	HC Fierze 500 MW HC Koman 600 MW HC V. Dejes 200 MW HC Ulez 24 MW HC Shkopet 25 MW HC Lanabregas 5 MW TC Fier 159 MW HPP Bistrica 1 capacity 24 Mw HPP Bistrica 2 Capacity 2.4 MW		
02	TC VLORE sha	Generation	Decision No.11 dt.02/03/2009	02/03/2039	TEC Vlora		
Concession Generation							
01	EMIKEL 2003 l.t.d.	Generation	Decision No. 6 dt. 16/02/2006	16/02/2034	HPP Lenie 400 kW HPP Çorovode 400 kW HPP Tuçep 200 kW		
02	Albania Green Energy l.t.d.	Generation	Decision No. 15 dt. 27/08/2003	27/08/2025	HPP Smokthine 9 MW		



03	Balcan Green Energy l.t.d.	Generation	Decision No. 20 dt.19/12/2003 Decision Nr.79 dt.23/10/2009	19/12/2033	25 HPP 22155 kW	Installed capacity is given as total Addition of the capacity of HPP Decision Nr.79 dt.23/10/2009	
04	SPAHIU GJANÇ l.t.d.	Generation	Decision No. 20 dt.19/12/2003	19/12/2033	HPP Gjanç 3700 kW		
05	WONDER POWER sha	Generation	Generation No. 20 dt.19/12/2003	19/12/2033	HPP Bogove 2500 kW		
06	AMAL l.t.d.	Generation	Decision No. 18 dt.17/10/2003	17/10/2033	HPP Xhyre 250 kW		
07	HIDROINVEST 1 LTD	Generation	Decision nr.113 dt. 24/09/2008	24/09/2038	HPP Stranik 1.6 MW HPP Zall Tore 2.6 MW		
08	PURE ENERGY STEBLEVA l.t.d.	Generation	Decision nr.61 dt 18/08/2009	17/08/2039	HPP Stebleva	Conditions of Decision	
09	MALIDO-ENERGJI l.t.d.	Generation	Decision nr.78 dt.23/10/2009	22/10/2039	HPP Klos	Conditions of Decision	
10	TEODORI 2003 l.t.d.	Generation	Decision Nr.83	03/11/2039	HPP Zall i Bulqizes 5.35 MW		

			dt.04/11/2009		HPP Ternove 8.385 MW		
11	Energji Ashta l.d.t.	Generation	Decision Nr.106 dt.29/12/2009	28/12/2039	HPP Ashta 45 MW		
12	HIDROALBANIA Energji l.t.d.	Generation	Decision nr.11 dt.08.02.2010	07/02/2040	HPP Borje 1.5 MW HPP Oreshke 5.6 MW HPP Cernaleve 2.95 MW HPP Cernaleve 13.27 MW	Decision Conditions	
13	POWER ELEKTRIK SLABINJE l.t.d.	Generation	Decision nr.10 dt.08.02.2010	07/02/2040	HPP Sllabinje 9.3 MW		
14	HPP Bishnica 1,2 l.t.d.	Generation	Decision Nr.23 dt.23.03.2010	22/03/2040	HPP Bishnica II 2.5 MW	Decision Conditions	
15	C & S Construction Energy l.t.d.	Generation	Decision Nr.34 dt.21.04.2010	20/04/2040	HPP Rapuni I 4 MW HPP Rapuni II 4.1 MW		
16	HydroEnergy l.t.d.	Generation	Decision Nr.25 dt.29.03.2010	28/03/2040	HPP Murdhar I 2.68 MW HPP Murdhar II 1 MW		
17	"Wenerg " l.t.d.	Generation	Decision No. 51, date 05.07.2010	04.07.2040	HPP Dardhe 4 MW		
18	"Dishnica Energy" l.t.d.	Generation	Decision 53, date	18.08.2040	Dishnice 0.2 MW		



			19.08.2010				
19	Elektro Lubonje" l.t.d.	Generation	Decision Nr.54, date 25.08.2010	24.08.2040	Lubonje 0.3 Mw		
20	"Koka & Ergi Energy Peshk" l.t.d.	Generation	Decision No. 73, date 11.10.2010	10.10.2040	HPP Peshke 3.43 MW		
21	"Ansara Koncension" l.t.d.	Generation	Decision No. 89, date 15.11.2010	14.11.2040	HPP Labinot –Mal –Elbasan 0.25 MW		
22	"Energy Plus" l.t.d.	Generation	Decision No. 110, date 22.12.2010	21.12.2040	HPP Pobreg 9 MW		
23	HPP Vlushe	Generation	Decision No. 23, date 10.03.2011	10.03.2041	HPP –Vlushe with capacity 14.2 MW		
24	Energy partners Al	Generation	No. 7, date 02.02.2011	01.02.2041	HPP – Shkalle with capacity 1.3 MW; HPP –Cerunje with capacity 2.3 MW; HPP –Plesha with capacity 2.8 MW; HPP – Bejni 1 dhe Bejni 2 with capacity 3.6 MW HPP –Klos with capacity 2.6 Mw		
25	HPP Dunice	Generation	Decision Nr.27, date 10.03.2011	09.03.2041	HPP – Trebinje 1 with capacity 0.39 MW; HPP – Treginje 2, with capacity 0.68 MW;		

					HPP – Dunice with capacity 0.75 MW; HPP - Potgozhan with capacity 0.692 MW; HPP – Kalivac with capacity 0.73 MW		
26	"Korkis 2009" l.t.d.	Generation	Decision No. 21, date 04.03.2011	04.03.2041	HPP – Belesova 1 with capacity 0.150 MW HPP –Belasova 2 with capacity 0.280 MW		
27	"Ferar Energy " l.t.d.	Generationi	No. 4, date 25.01.2011	25.01.2041	HPP –Benca with capacity 2.070 MW; HPP –Tepelena with capacity 3.420 MW		
28	"HPP Dragoshtunje" l.t.d.	Generation	Decisionn No. 25, date 10.03.2011	09.03.2041	HPP – Zanore with capacity 1.2MW; HPP – Dragoshtunje with capacity 3.1 MW; HPP – Sheja with capacity 1.6 MW; HPP – Ura with capacity 0.8 MW		
29	"HP OSTROVICA Energy" l.t.d.	Generation	Decision Nr.40, date15.04.2011	15.04.2041	HPP FAQE KUQ 1 dhe 2 with capacity 3.4 MW		
30	Euron Energy Group	Generation	Decision No. 87, date 26.09.2011	26.09.2041	HPP- Orgjos i Ri with capacity 4.8 Mw HPP –Bele 1 with capacity 5Mw HPP – Bele 2 with capacity 11 MW HPP – Topojan 1 with capacity 2.9MW		

					HPP – Topojan 2 with capacity 5.8 MW		
31	"Hidropower Elektrik" l.t.d.	Generation	Decision No. 59, date 22.06.2011	22.06.2041	HPP –Sllabinje2A with capacity 2MW HPP –Sllabinje 2B with capacity 1.6 MW HPP –Sllabinje 2C with capacity 1.8 MW HPP –Sllabinje 2D with capacity 5MW HPP –Sllabinje 2E with capacity 3.4 MW		
32	"Erald Energjitik" l.t.d.	Generation	Decision No. 91, date 26.09.2011	26.09.2041	HPP- Shemri with capacity 1MW HPP-Mgulle with capacity 0.28 MW		
33	"Bekim Energjitik" l.t.d.	Generation	Decision No. 61, date 13.07.2011	13.07.2041	HPP- Kryezi 1 with capacity 0.6 Mw HPP- Kryezi i eperm with capacity 0.2Mw		
34	" Selisht" l.t.d.	Generation	Decision No. 60, date 22.06.2011	22.06.2041	HPP- Selisht with capacity 2 MW		
35	"Diteko " l.t.d.	Generation	Decision No. 114, date 16.11.2011	16.11.2041	HPP -Borove with capacity 1.921 MW; HPP- Zabzun with capacity 0.301MW ; HPP- Sebisht with capacity 2.835 MW ; HPP- Prodan 1 with capacity 0.38MW ; HPP - Prodan 2 with capacity 0.801 MW; HPP - Okshtun Ekologjik with capacity 0.45		

					Mw; HPP- Ternove with capacity 0.921 Mw; HPP -Okshtun with capacity 10 MW ; HPP- Lubalesh 1 with capacity 4.6 Mw ; HPP Lubalesh 2 with capacity 5.1Mw; HPP- Gjorice with capacity 4.18Mw		
36	"Idro Energjia Pulita" l.t.d.	Generation	Decision No. 66, date 27.07.2011	**27.07.2041**	Langarica 3 with capacity 2.2MW Gostivisht with capacity 1.3 MW Ura e Dashit with capacity 1.2 MW		
37	"Erma -MP" l.t.d.	Generation	Decision No. 105, date 17.10.2011	17.10.2041	HPP –Carshove with capacity 1.5MW		
38	"Dosku Energy" l.t.d.	Generation	Decision No. 67, date 27.07.2011	27.07.2041	HPP –Gizavesh with capacity 0.5 MW		
39	"HPP –Lanabregas" sha	Generation	No. 134, date 06.12.2011	05.12.2041	HPP - Lanagregas with capacity 5 Mw		
40	"HPP "Bistrica 1 dhe 2"sha	Generation	No. 136, date 06.12.2011	05.12.2041	Bistrica 1 with capacity 22.5 MW; Bistrica 2 with capacity 5 MW		
41	"HPP –Ulez –Shkopet" sha	Generation	No. 132, date 06.12.2011	05.12.2041	HPP/ Ulez with capacity 24 MW ;		

					HPP /Shkopet with capacity 24 MW		
42	Snow Energy" l.t.d.	Generation	No. 12, date 06.02.2012	06.02.2042	HPP / Koka 1 with capacity 3.2 MW		
43	Hydro Salillari" l.t.d.	Generation	In process		HPP Vertop with capacity 1.52 MW		
44	Stravaj Energy "	Generation	No. 19, date 20.02.2012	20.02.2042	HPP /Stravaj with capacity 3.6 MW		
45	Albanian Power	Generation	In process		HPP Martanesh with capacity 10.5 MW		
46	Hydro Power Plant Korca	Generation	In process		HPP /Verba 1 with capacity 2MW HPP/Verba 2 with capacity 3 Mw		
47	'Peshku Picar 1" l.t.d.	Generation	No. 24, date 02.03.2012	02.03.2042	HPP /Picar 1 with capacity 0.2 MW		