Introducing Albanian electricity market

AFEER 4th annual conference

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AAES Chairman

EDUCATED CUSTOMER = BEST CUSTOMER

The members are:

- Albanian Energy Supplier
- Alpiq
- Axpo
- Ayen
- GEN-I
- GSA

- The Albanian Association of Electricity Suppliers (AAES) is a non-for-profit organization with membership founded on June 10th, 2018.
- The members represent 85% of the wholesale trade and 100% of the retail supply shares of the local market.
- AAES serves as a *watch-dog* to the local public and private entities through close cooperation with the Energy Community Secretariat, the Competition Authority and the Parliamentary Committee of Production, Trade and Environment

General Overview

BUSINESS OPPORTUNITIES

Despite having a small size, Albania's emerging economy represents significant opportunities

YOUNG POPULATION

Median Age 36.6 years old

TECHNOLOGY TRENDS

Quick embrace of new technology

GREAT OPPORTUNITIES IN RES

Energy Overview

- A subject must be established locally and licensed by the Energy Regulatory Authority in order to participate on the PTR auctions and perform transits
- A subject must be established locally and licensed by the Energy Regulatory Authority in order to perform the supplier activity
- There are no import – export – transit fees in Albania (energy paradise)
- By 2019, Albania shall have its own operating power exchange

Market Overview

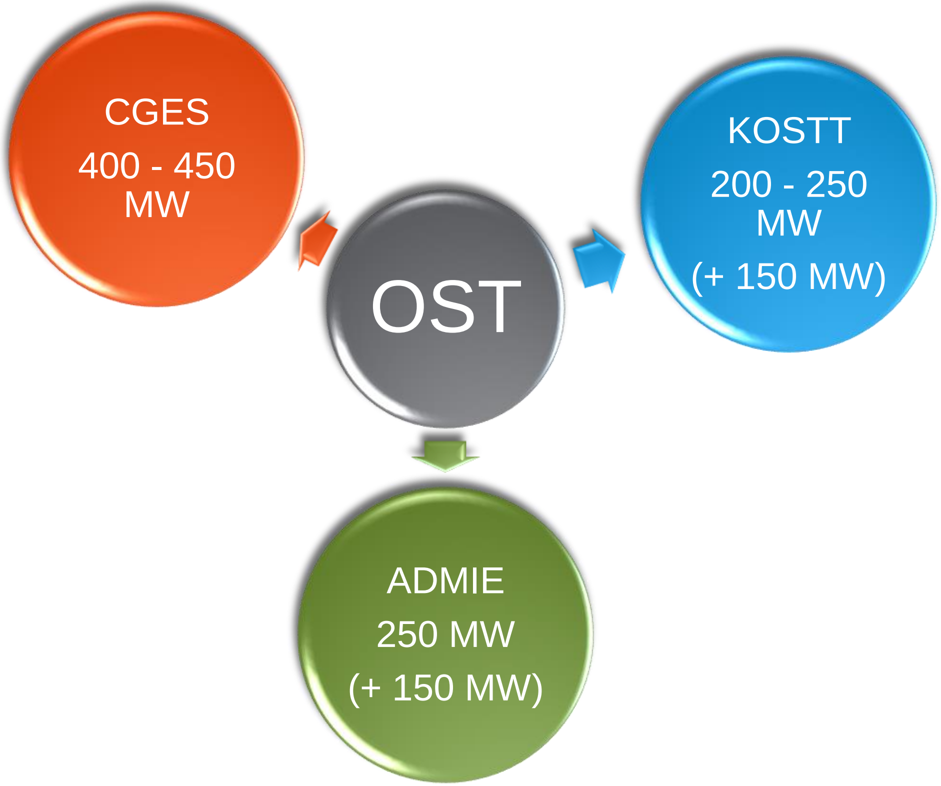
2017 Data:

Generation	***4,529 TWh (60%)***
Demand	***7,439 TWh***
Losses	***1,716 TWh (23%)***
Imports	***3,403 TWh (45%)***
Clients on HV	***0,781 TWh (11%)***

Trading in details

Contracts	Payment Terms	Flexibility	Prices
• Public entities adopt their own contract templates • Private producers adopt mainly EFET Agreement.	• KESH adopts standard EFET payment terms • OSHEE and OST apply up to 90 days after the month of delivery payment terms • Private entities adopt EFET payment terms or prepayment.	• Private producers apply flexibility to their contracted quantities • Publicly owned companies do not make use of their capabilities. • Consumers demand flexibility to their contracted quantities.	• **Albania is dominated by the reference to HUPX price.** • **On many occasions the reference price might be extremely attractive to the Greek market.**

Cross border trade



Auctions:

OST – KOSTT (Split auctions in EMS and OST – near future SEE CAO

OST – CGES (Explicit auctions on SEE CAO)

OST – ADMIE (Explicit auctions on SEE CAO)

OST – MEPSO 400 kV line (on SEE CAO)

Trade Components

Generation

KESH – Public Producer

1350 MW

STATKRAFT

245 MW (75 + 170)

AYEN

210 MW (110 + 100)

KURUM

76 MW

Consumption

Public Distribution - Losses

HV Consumers – 9 consumers

140 MW

MV Consumers – 86 consumers

5 MW

MV/LV Consumers + households

Supply activity

- As of January 3rd, 2012, all customers connected to HV and/or with yearly consumption above 50 GWh, are considered as Eligible Customers. Actually 9 Eligible Customers are purchasing the energy from the market, with estimated annual consumption 781, 471 MWh (12 % of the overall consumption for 2017).

Steel Industry → Cement Industry → Chrome Refinery → Oil Refinery → Ferrochrome Refinery

- Law No. 43/2015 specifies that the MV and LV industrial customers shall be also liberalized but this has not been adapted yet.

Supply activity

The opening of the market in 2018, is expected to reach the level of 40%, i.e. 3.2 TWh

Customers connected to the 35 kV voltage are estimated to be 86 subjects with an estimated annual consumption ~ 40 GWh. They are expected to be fully liberalized until Q1, 2019.

In 2015, ERE approved for the first time the DSO tariff for accessing the customers connected to the 35 KV voltage level

ERE has established different access tariffs for different voltage levels based on the system losses

Consumer groups

TARIFF CLIENTS	CONSUMPTION IN MWh (2017)
Private	1 584 743
Budgetary	217 141
Non- Budgetary	324 698
Households	2 655 417

TSO system

DAMAS by Unicorn

All HV and MV (35 kV) consumers are connected to Scada.
Metering data is dispatched to suppliers on D+1

All consumers are obliged to pay a transmission fee of 5,65 EUR/MWh

Transitory balancing mechanism is hourly based on HUPX

Balancing Market is expected to go-live by June 2019

Private Balancing Groups are allowed

APEX

With the support of IFC, Nordpool and the EnC APEX is expected to *go –live by mid 2019*

Partially mandatory Day-Ahead with CfD

The Energy Sector Law is duly approved for the amendments to enable the establishment of APEX

Further unbundling of the TSO-MO is required to establish the APEX

The TSO has called on neighboring TSOs to become shareholders of the APEX (KOSTT, EPCG and MEPSO)

Coupling with Kosovo and possibly coupling with Montenegro, Italy and Serbia

Upon successful operation of APEX, a market-based balancing model shall be approved

Investing in Albania

Trade office on local processes;

Potential on supply activity;

Easier access to Kosovo market;

Transit SR/ME-AL-GR;

Back-up trade office for HQ;

Less risk on CBC monthly prices through SEECAO *use-it-or-sell-it principle;*

Payment terms of public operators surpass the standard EFET payment;

Short-timing announcements of tenders;

Due to the financial crisis of the regional markets during 2017, most traders would demand prepayment or full payment BG;

Further market opening on supply activity;

Soon to be operational power exchange;

Potential MC with Greek Pool;

Portfolio optimization for producers without feed-in premium;

Potential twinning AL-KS markets;

Long and exhausting procedures in reclaiming VAT from the Tax Authorities;

Intra-day operations would be a major weakness in case there is lack of support of the major trade floor;

Investing in Albania

Energy Production	
Hydropower plants	Small scale and big scale projects
Photovoltaic plants	Big scale projects up to 100 MW and small scale up to 2 MW installed capacity
Eolic plants	Big scale projects up to 30 MW installed capacity
Energy Efficiency	
Solar panels	Roof-top devices to be installed to the households or SME
EV charging stations	Charging stations to be installed throughout the whole country
Gas	
Construction of existing and new TPP	TPP Vlora (97 MW) to be restructured and privatized. New TPP Korca (500 MW) already assigned
Distribution infrastructure	Total lack of gas distribution infrastructure

Yesterday is gone. Tomorrow has not yet come. We have only today. Let us begin.

Mother Teresa

Thank you!