

ENERGY GOVERNANCE FACT SHEET: ALBANIA

Last updated: 20 December 2015

KEY ISSUES:

- Challenges in security of supply, infrastructure reliability, and energy market functioning.
- Energy tenders are implemented outside the general public procurement procedures increasing corruption risks.
- CEOs of state-owned energy companies change when governments change, indicating political rather than professional appointments.
- Despite bad performance of some state-owned enterprises (SOEs), executives do not bear responsibility because of political ties, which is another indication of corruption risks.
- The electricity sector is suffering from high deficits, indicating political meddling in the system, corruption risks, and poor governance.
- Little diversification of energy sources.
- Frequent changes in the legal framework demonstrate volatile decision-making, and need for political intervention.
- Market liberalisation is still distant, despite progress on the legislative level. Missing secondary legislation and lack of market experience in the public administration and within SOEs threaten a rise in corruption and fraud in the system during transition.

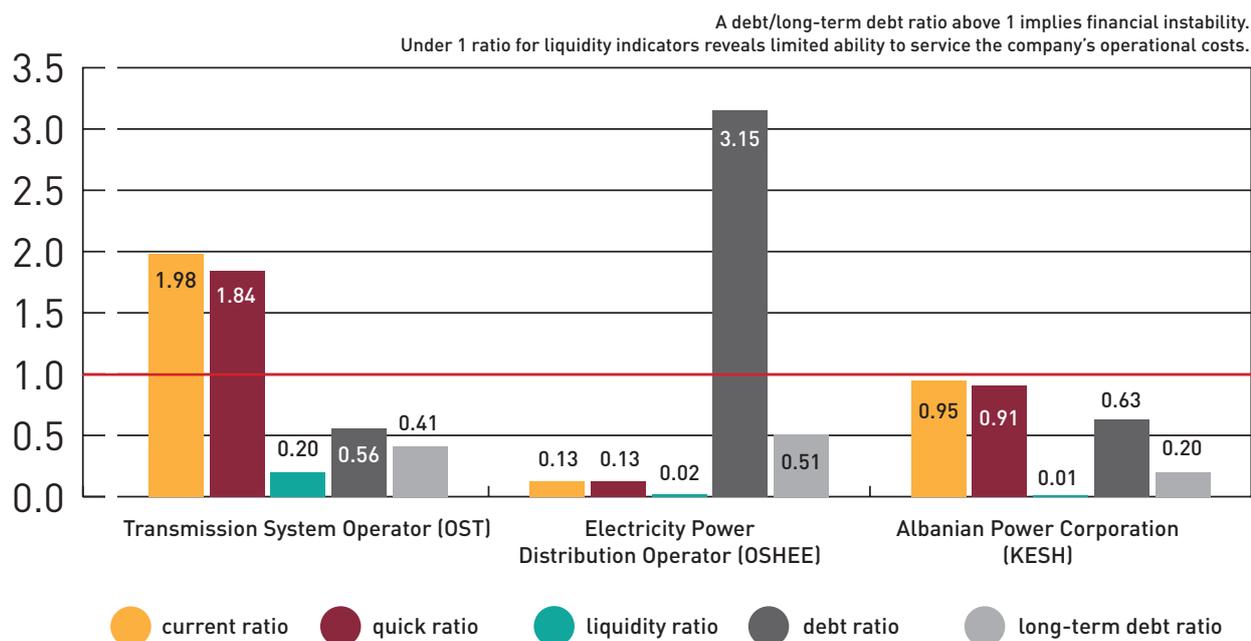
SOURCE: Regional Energy Governance and State Capture Assessment Report, SELDI, 2016.

**TABLE 1: State of electricity sector liberalisation
(eligibility, market opening, price regulation and unbundling)**

Price regulation	The new Power Sector Law (2015) deregulated the prices of generation and supply for all customers connected to 110 kV power lines and above and for those with an annual consumption of over 50 GWh. Power tariffs for households and most businesses remain administratively regulated.
Eligibility	The eligibility status is formally granted to all customers, including households, but in practice switching of a supplier is yet to come as the new Power Sector Law is not implemented in practice due to its missing secondary legislation which is to be adopted in a transitional period of 1 year.
Market opening	Currently only a small number of large customers get their electricity supply outside the regulated system of the public supplier OSHEE. For the remaining customers, the market is practically foreclosed during the transitional period. In practice, KESH dominates wholesale, while OSHEE controls the retail.
Unbundling	OST (Albanian Transmission System Operator) is legally unbundled, which is not the case with the distribution system operator OSHEE. OST will be ownership-unbundled before the end of 2017, in breach of the Directive as unbundling was supposed to be accomplished by 1 January 2015.

SOURCE: Progress Report on the Implementation of the Energy Acquis of the European Energy Community, 2015.

CHART 1: Financial Ratios (2014)



SOURCE: Author's calculations based on the Annual Financial Reports of the SOEs

TABLE 2: Energy Acquis Implementation by Measure

Primary Laws	Accomplished
Complementary Legal Acts	Progress on Track
Organised Day-Ahead Market	Progress on Track
National Balancing Market	Progress on Track
Price Deregulation	Progress on Track
DSO Unbundling	No Progress
TSO Unbundling	No Progress
NRA Independence	Progress on Track

SOURCE: European Energy Community Progress Report, 2015.

POLICY RECOMMENDATIONS:

- Underpin quickly the Power Sector Law with proper secondary legislation, training and awareness raising.
- Complete the full transposition of the EU energy law by removing the remaining legal obstacles (through secondary legislation) before the start of operation of TAP.
- Work towards diversification of energy sources.
- Create a mechanism that produces independent executives and professionals who can manage public companies independently.
- Streamline the procurement process in energy, including availability of open data on all stages.
- Responsible institutions (NRA) should have a special focus on eligibility of operator/clients as a form of ensuring the market opening.

SOURCE: Regional Energy Governance and State Capture Assessment Report, SELDI, 2016.

PUBLIC PROCUREMENT:

While legally there are enough prerequisites for the transparency of the public procurement process, in practice this is not the case, in particular in the energy sector in Albania. Since 2009 Albania introduced an e-procurement system, which should allow for substantial reduction in public procurement corruption risks if proper analysis and implementation of the system functioning is allowed. So far though the Public Procurement Agency (PPA) has not released data for open public use, which hampers efforts to diagnose efficiency and propose effective performance monitoring. The bulk of the information available publicly is legalistic, and not performance or governance-based in nature. The Public Procurement Bulletin is available online since 2008 but it does not allow for a database analysis, although they contain a lot of data, which is prepared weekly and updated in due time. The annual reports of the PPA provide every year data on the overall procurement procedures done from the agency. In 2009 a Public Procurement Commission (PPC) was established, which ensured a separation of policymaking and implementation from remedies functions, both for public contracts and for concessions, bringing the system more into line with the EU standards. Overall, while the institutional system for better governance of public procurement in Albania is in place, there is need for much more work for it to deliver the needed results. Energy remains a particular concern, as it is often exempt from general rules.

SOURCE: Regional Energy Governance and State Capture Assessment Report, SELDI, 2016.



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