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2ND INTERNATIONAL SYMPOSIUM K-FORCE 2019

Tirana, September 9, 2019

Current Developments of Albanian Energy Sector

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Main Topics:

1. Current situation of Albanian Energy Sector.
2. Energy in numbers 2014- 2018.
3. Diversifying energy sources.
4. The future: Market liberalization and ALPEX.
5. Conclusions.



Current situation of Albanian Energy Sector (1)

- 2001 started the restructuring of the electric power system.
- The division of activities started in 2002 and was completed with 2008 with the outcome of creating 3 new entities:
 - 1) KESH sha- producer of energy
 - 2) OST sha- trasmitor of energy
 - 3) OSHEE sha- distributor of energy.
- Energy Regulation Entity (ERE) is the market regulator.
- In 2002 were given also the first concessions of the HPP-s construction.



Current situation of Albanian Energy Sector (2)

- 2015 was introduced the new law on the energy sector the legal framework of the sector is being reformed with the aim of market liberalization and compliance with EU Directives on the Energy sector and Renewal Energy Source.
- 2017 was introduced the law for the “Production and usage of renewable energy” foresees the implementation of a set of investments to enhance production of wind and solar energy.
- In March 2018 was launched the new energy strategy by 2030 prepared in framework of USAID programme in support of long-term low emission development strategy.

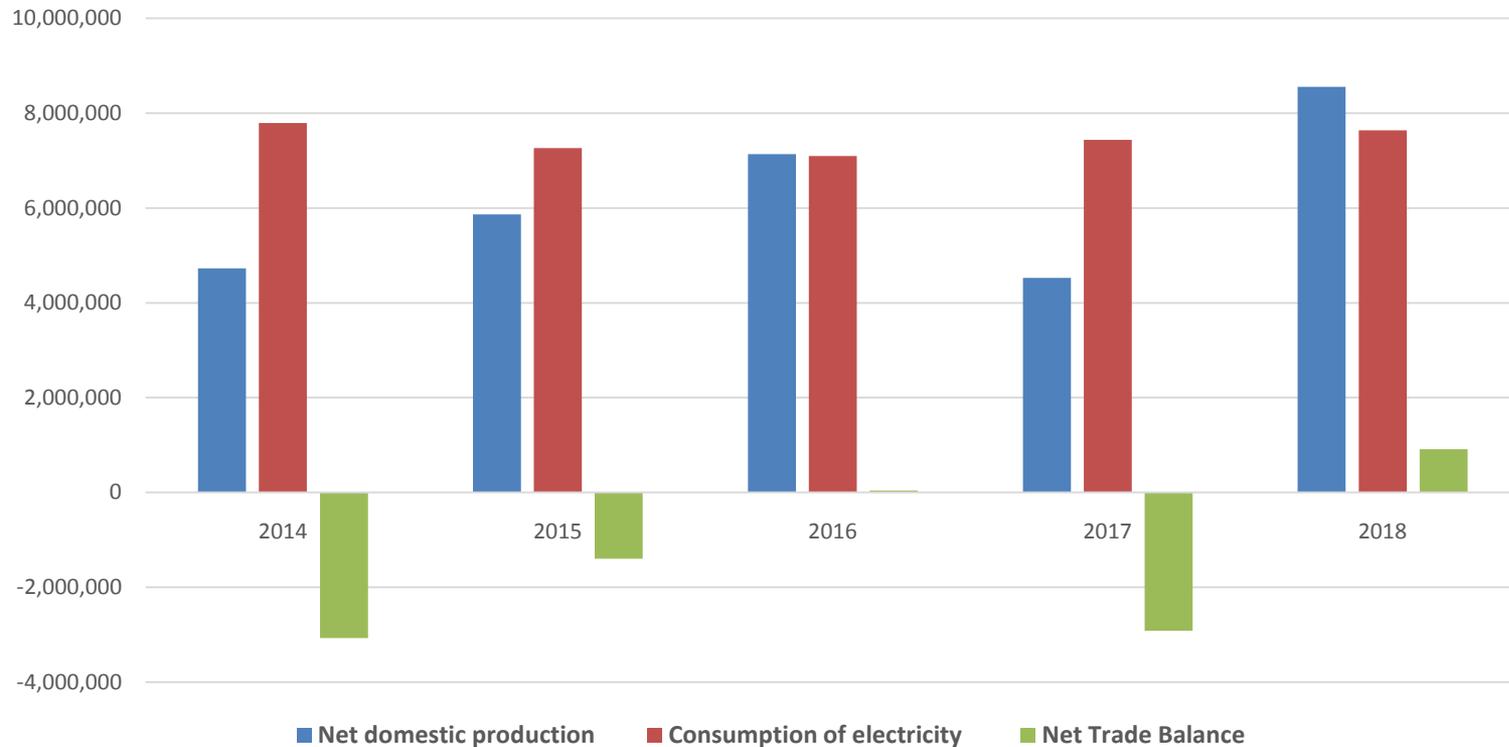


Energy Balance 2014–2018 (1)

Indicators		2014	2015	2016	2017	2018
A	Available electricity (A=1+2-3)	7,793,736	7,265,089	7,094,061	7,439,609	7,638,848
1	Net domestic production (a+b)	4,726,246	5,865,671	7,135,914	4,524,981	8,552,154
	<i>% change</i>		<i>24%</i>	<i>22%</i>	<i>-37%</i>	<i>89%</i>
a	<i>Hydro</i>	4,726,246	5,865,671	7,135,914	4,524,981	8,552,154
	KESH (net of losses)	3,408,556	4,451,975	5,091,616	2,916,990	5,850,934
	<i>% on overall production</i>	<i>72%</i>	<i>76%</i>	<i>71%</i>	<i>64%</i>	<i>68%</i>
	HPP-s	1,317,690	1,413,696	2,044,297	1,607,991	2,701,220
	<i>% on overall production</i>	<i>28%</i>	<i>24%</i>	<i>29%</i>	<i>36%</i>	<i>32%</i>
b	<i>Other sources</i>	0	0	0	0	0
2	Gross import (including exchanges)	3,355,987	2,355,358	1,826,753	3,403,043	1,771,740
3	Gross export (including exchanges)	288,497	955,941	1,868,605	488,415	2,685,045
	Net Trade Balance	-3,067,490	-1,399,418	41,853	-2,914,628	913,306
B	Consumption of electricity (B=1+2+3)	7,793,736	7,265,089	7,094,061	7,439,609	7,638,848
1	Electrical losses (c+d)	2,783,182	2,195,837	1,985,901	1,876,138	1,783,118
c	Losses in transmission	160,942	158,581	190,008	157,906	242,705
d	Losses in distribution	2,622,241	2,037,256	1,795,892	1,718,232	1,540,412
	<i>Technical losses in distribution</i>	<i>1,459,175</i>	<i>1,366,520</i>	<i>1,346,501</i>	<i>1,247,678</i>	<i>1,070,560</i>
	<i>Non technical losses in distribution*</i>	<i>1,163,065</i>	<i>670,736</i>	<i>449,391</i>	<i>470,555</i>	<i>469,852</i>
2	Consumption of electricity by domestic users (e+f)	5,010,553	5,069,252	5,108,160	5,563,471	5,841,106
e	Households	2,501,800	2,522,261	2,587,259	2,655,417	2,681,875
f	Non households	2,508,754	2,546,991	2,520,901	2,908,053	3,159,232
3	Consumption of electricity by non-customers	0	0	0	0	14,624
	Production/Consumption (1/B)	61%	81%	101%	61%	112%
	Losses level	36%	30%	28%	25%	23%

Energy Balance 2014- 2018 (2)

Energy in numbers 2014- 2018

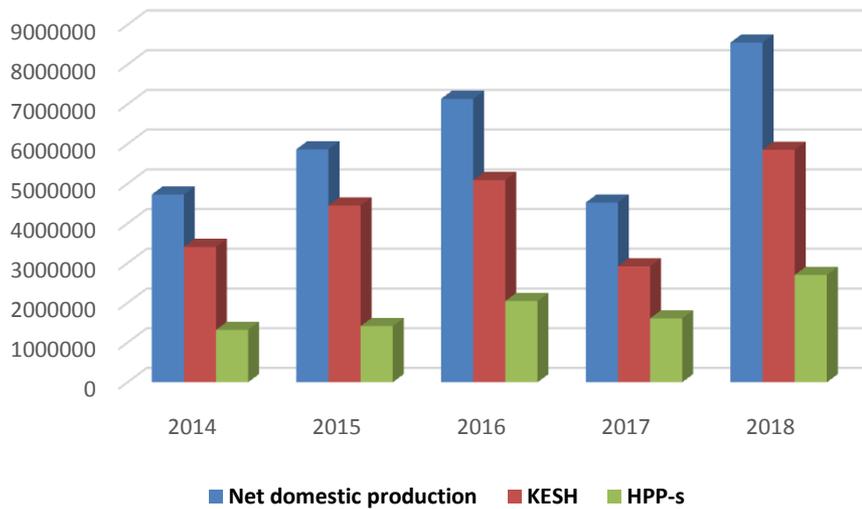


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Energy in Numbers 2014- 2018 (3)

Domestic Production



	No	Installed power	Max Annual production
HPP in operation	117	322 MW	1`428 GW
HPP in construction	43	454 MW	1`571 GW
HPP not yet started	364	1`389 MW	6`342 GW
	524	2`165 MW	9`342 GW



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Diversifying energy sources:

1. TEC.

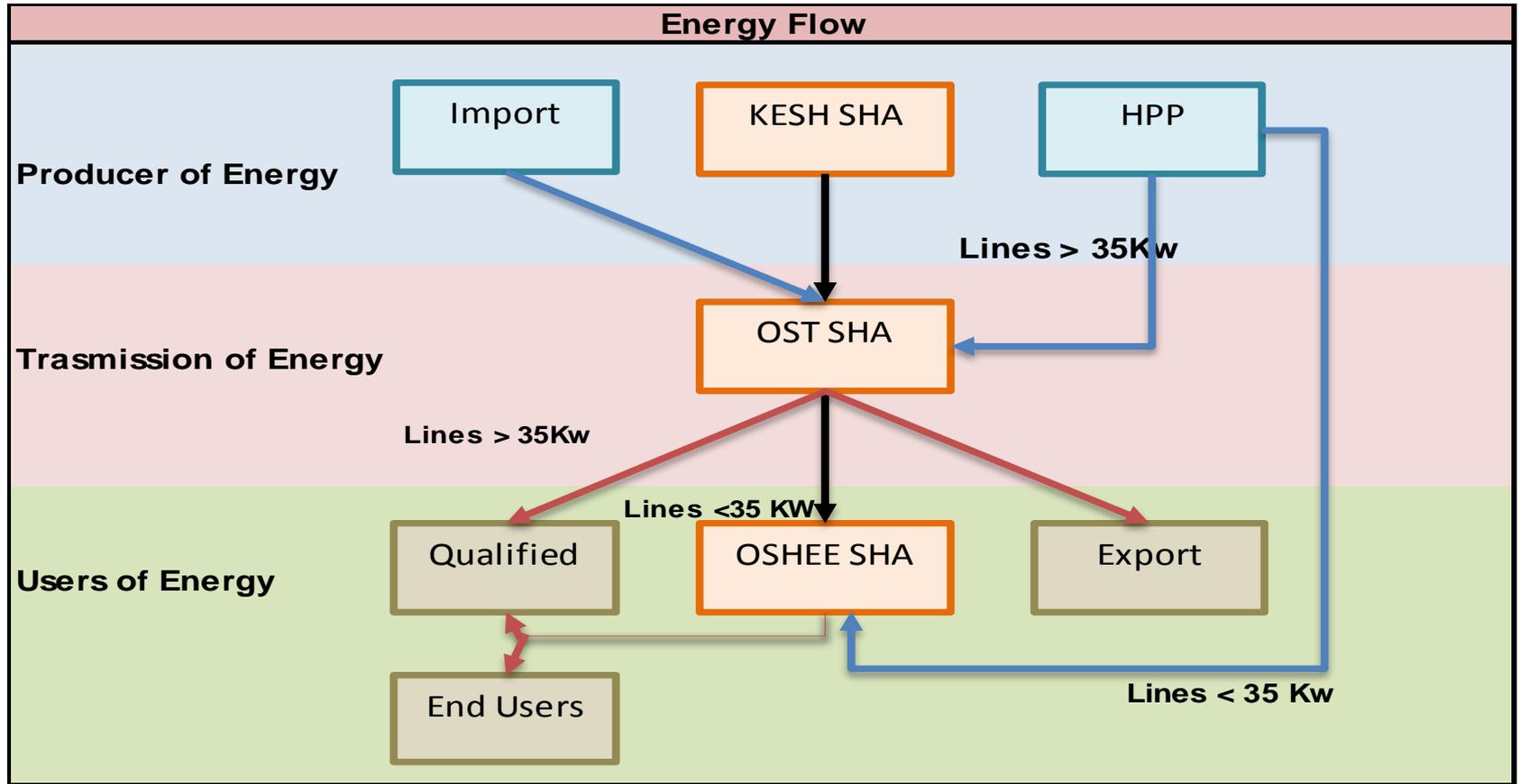
- Reactivation of former plants.
- New plant in Vlora financed by World Bank not yet active.
- TAP project.

2. Renewable energy:

- a) Wind and Solar Energy
- b) Biomass Energy



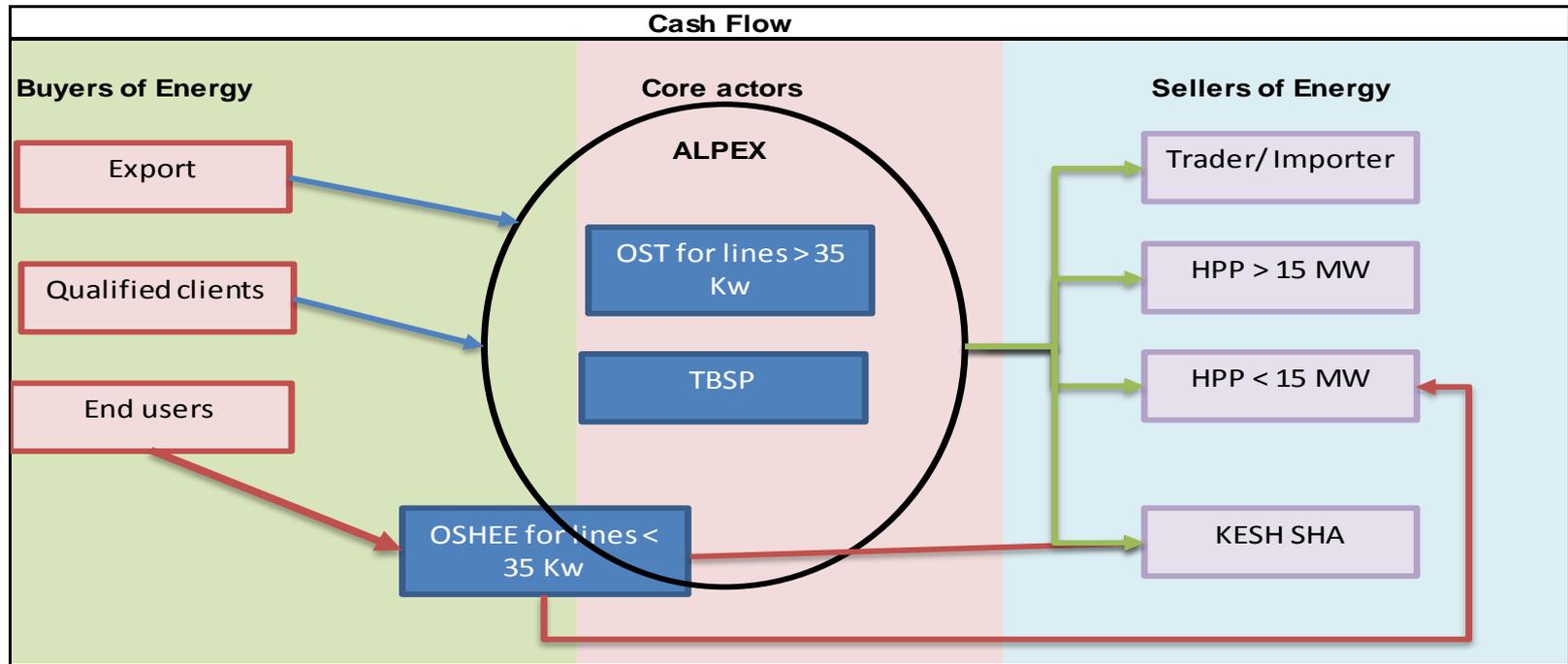
The future: Market liberalization and Alpex (1)



The future: Market liberalization and Alpex (2)

ALPEX- Albanian Power Exchange.

TBSP- Technical Balancing Service Provider provide market technical balancing services to the Albanian Power Exchange



The future: Market liberalization and Alpex (3)

Implications for the main actors:

KESH

1. Decrease of the turnover as a result of the fact that the HPPs directly sell their energy to OSHEE;
2. Improve of the margin as a result of the fact that the HPPs directly sell their energy to OSHEE.

Constructed HPPs:

1. As long as they have an off take agreement with OSHEE, no much changes are expected in their turnover (price will not go down to EUR 54 MWh / OSHEE will still be obliged to buy the energy produced by the HPPs for the remaining time of the off take agreement);
2. Not later than 31.12.2022 the HPP will be responsible of the settlement of the imbalances in the energy market. Remains unclear how this might influence the profitability of the companies.

Unconstructed HPPs:

1. If they are commissioned before 31.12.2020 the implication are the same as above.



CONCLUSIONS:

1. Promote the increase of domestic production by diversifying the energy sources beside hydropower, mainly by utilizing the potential of the renewable energy sources.
2. Establishing an organized day ahead electricity market, which will increase the efficiency of energy management, by setting transparent and competitive prices. The establishing of the Albanian Exchange Power might possible incentivize also the trade of financial instruments such as futures and hedging.
3. The 2 above points will contribute in creating a sector with favorable environment for attracting new investments and financings, improving energy quality and increase value to all the actors in the market and final consumers.





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Thank you
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