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CONSULTANT REPORT

ALBANIA ENERGY REGULATORY PARTNERSHIP

December 2015

This document was prepared by Thomas L. Welch for review by the United States Agency for International Development

CONSULTANT REPORT

ALBANIA ENERGY REGULATORY PARTNERSHIP

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This document includes all remaining deliverables under the contract, including:

(1) Report on how and which market indicators the ERE should develop and use and in compliance with ACER REMIT requirements.

(2) Organizational and Functional Structure of the MMO and recommendations on the suitable market monitoring software.

(3) Regulatory Guideline on electricity market monitoring and a roadmap for its implementation, including timelines for ERE and any other appropriate organizations.

(4) Templates for the collection of data that will be available for assessment and monitoring utility performance and market activities.

(5) Report on the meeting hosted by ERE with utility and market participants to support ERE in its messaging concerning data collection relating to market and performance monitoring.

(6) Final Report identifying key issues, considerations, recommended practices, timeline and action list of proposed next steps to be taken by ERE and optional follow-on technical work that ERE may need to achieve intended results.

Attachments and Appendices:

ERE annual report (transmitted separately)

Draft ERE request for comment on templates

Recommendation to ERE to issue templates for comment

Information request templates (transmitted separately)

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I. Report on Market Monitoring Indicators for Albania

A. Background

Traditional regulation in electricity markets seeks to replicate, through the imposition of investment and price controls, the outcomes in terms of pricing, efficiency and consumer surplus that would emerge from a competitive market. Where competition, typically in the form of multiple producers, sellers and buyers, is introduced into electricity systems, the idiosyncratic characteristics of those systems – principally the need to balance production with consumption but also the capital intensity of generation, transmission and delivery – have universally led to the need for the ongoing evaluation of whether the structural and rule changes that have accompanied the shift away from vertically integrated, cost of service regulated structures have, in fact, led to competitive results.

In mature markets, market monitors typically review and assess market behavior in a variety of aspects.¹ These include real time and day-ahead energy prices, on a variety of time scales and compared to prior periods; participant market shares and the performance of the market in periods of market concentration (e.g. identification of “pivotal suppliers”); ancillary service market participation and prices; the market for fuels and the relationship of fuel cost to electricity generation prices; performance of the capacity market in markets where such a market exists; discrimination in favor of non-affiliated entities; and financial transmission rights and available transmission capacity.² The market monitor also reports on occasions where the monitor has intervened in the market, for example by constraining the bid prices of sellers where a pivotal supplier situation exists.³

¹ In the ISO-NE and similar markets, there are usually both an “internal” market monitor (an employee of the market operator), and an “external” monitor (an independent individual or firm paid for by the market operator but not an employee). This use of two monitors is an attempt to be sure that regulators and the public can have confidence in the reports.

² See, e.g., 2014 Annual Markets Report of ISO-New England’s Internal Market Monitor; see also 2014 Assessment of the ISO New England Electricity Markets (prepared by the external market monitor, found at http://www.iso-ne.com/static-assets/documents/2015/06/isone_2014_emm_report_6_16_2015_final.pdf).

³ A “pivotal supplier” is a supplier that must be dispatched in order to preserve system reliability. This can occur, for example, in “load pockets” where the total load approaches the total available generation. In such situations, in an unconstrained market, suppliers would be able to bid virtually any price and still be dispatched. This is a classic situation of market power, and market monitors are generally empowered to intervene to prevent the exercise of such power, typically by requiring bids by such pivotal suppliers to bear a close relationship to their underlying variable costs.

Using these data and a variety of analytical tools, the market monitors in mature markets render opinions concerning the competitive state of the market, in particular whether the market is structurally competitive (i.e., are there enough buyers and sellers during all hours to ensure competitive behavior and avoid the exercise of market power), and whether the prices bid into the market bear an appropriate relationship to the underlying economic costs (especially fuel costs).⁴ Finally, market monitors in such markets will offer recommendations for changes to the rules governing the market to enhance the degree to which competition can be allowed to set price and reduce the degree of regulatory or market monitor intervention.

Many of the analytical tools used by these monitors have little immediate relevance to the Albanian market. For example, the use of the HHI⁵ to assess market concentration and the existence of pivotal suppliers will provide little new information in a market such as Albania, where a single owner controls more than 60% of all supply, and a single buyer makes an even higher percentage of energy purchases.⁶ Under these conditions, there is always both a pivotal supplier and a buyer with monopsony power, so any HHI analysis would be superfluous.

Nevertheless, as the market develops in Albania with the planned introduction of a wholesale mandatory pool structure and greater numbers of eligible customers participating directly in energy purchases, it will be increasingly valuable for the ERE to have the tools and capacity to evaluate the degree to which these structural changes are producing the expected (or at least posited) results. Moreover, as Albania works to increase its level of compliance with EU energy directives, ERE will benefit from creating the transparent information flows and internal resources that comprise a successful market monitor function.

B. Sources of the ERE obligation to monitor the market

Under the new Albania Law on Power Sector,⁷ the ERE has the specific responsibility – and authority – to monitor market participant behavior in, and performance of, the market. In particular, Article 22 of the Law provides that the ERE shall monitor, among other things:

⁴ Ibid.; see, also the market monitor reports of PJM Interconnection and MISO, available on the websites of those Regional Transmission Organizations.

⁵ Herfindahl-Hirschman Index (“HHI”) is a standard measure of market concentration calculated by summing the square of each participant’s market share. Antitrust agencies in the United States, and the U.S. Federal Energy Regulatory Commission, consider markets with HHI levels above 1800 as highly concentrated for purposes of evaluating the competitive effects of mergers.

⁶ With one producer (KESH) in Albania controlling more than 60% of the market, the HHI is never less than 3600, far above the threshold for considering a market to be highly concentrated and thus not competitive.

⁷ Law on Power Sector, No.43 /2015

the level market opening and effectiveness of market competition at wholesale and retail levels, including on exchanges, prices for customers including prepayment systems, switching rates, disconnection rates, charges for maintenance services, and complaints by customers, as well as any distortion or restriction of competition or related information, as well as bringing any relevant cases to the relevant competition authorities

The Law also gives the ERE broad powers to carry out its obligations. For example, under Article 20, ERE has the right to “require any information from electricity licensees in the course of performing its tasks,” as well as the right “of inspection, access to documentation and information on licensees.” ERE has the additional obligation of “maintaining the confidentiality of the received information.”⁸

ERE also seeks to become compliant with the EU and ACER market requirements. With respect to market monitoring, the EU has issued, in Article 8 of its *REGULATION (EU) No 1227/2011 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 25 October 2011 on wholesale energy market integrity and transparency*, the direction that

The Agency shall monitor trading activity in wholesale energy products to detect and prevent trading based on inside information and market manipulation. It shall collect the data for assessing and monitoring wholesale energy markets as provided for in Article 8.

Article 8 of that regulation provides, in turn, that:

Market participants ... shall provide the Agency with a record of wholesale energy market transactions, including orders to trade. The information reported shall include the precise identification of the wholesale energy products bought and sold, the price and quantity agreed, the dates and times of execution, the parties to the transaction and the beneficiaries of the transaction and any other relevant information.

The EU has supplemented these general provisions with specific direction concerning the information to be obtained about contracts in the wholesale market. *COMMISSION IMPLEMENTING REGULATION (EU) No 1348/2014 of 17 December 2014 on data reporting implementing Article 8(2) and Article 8(6) of Regulation (EU) No 1227/2011 of the European Parliament and of the Council on wholesale energy market integrity and transparency* contains the following provisions:

⁸ Law on Power Sector, Article 20.

Market participants should report to the Agency on a regular basis details of wholesale energy contracts both in relation to the supply of electricity and natural gas and for the transportation of those commodities. Contracts for balancing services, contracts between different members of the same group of companies and contracts for the sale of the output of small energy production facilities should be reported to the Agency only at its reasoned request on ad-hoc basis.

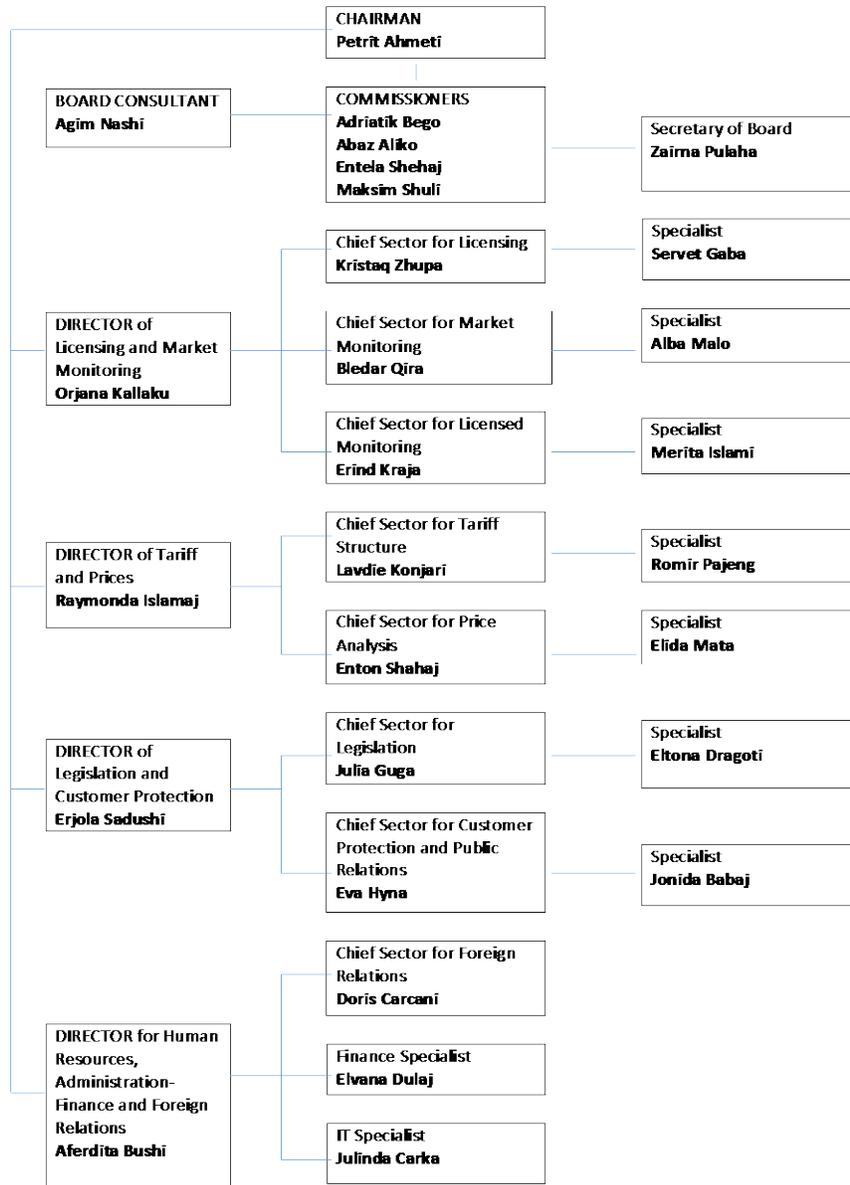
In general, both parties to the contract should report the required details of the concluded contract. To facilitate reporting, parties should be able to report on each other's behalf or use the services of third parties for this purpose. Notwithstanding this and to facilitate data collection, the details of transportation contracts acquired through primary capacity allocation of a transmission system operator (TSO) should be reported by the respective TSO only. The reported data should also include filled and unfilled capacity requests.⁹

Taken together, the Albania Law on Power Sector and the EU directives give the ERE both the obligation and authority to collect information about, and assess the performance of, the electricity market in Albania. As described below, however, while ERE is already collecting, in summary form, some of the information required to perform this task, the ERE MMO has not to this point implemented either the data collection or analytical approaches that will, as the Albanian market develops, become necessary for effective market monitoring. As also described below, the recent discussions at ERE, together with the recommendation to ERE concerning data to be required from market participants, provide an important first step towards satisfying the ERE's market monitoring obligations. As these data are received, analyzed and reported to the commissioners and the public, ERE will be in a position to determine the most useful kinds of analyses to perform in the context of the Albanian market as it evolves.

II. Current ERE MMO Structure and Activities

The Market Monitoring Organization within ERE currently resides within the Licensing and Monitoring Group. The following table shows the overall organization of the ERE including the MMO, and also shows the names of the commissioners and staff members who currently hold the identified posts.

⁹ Implementing Regulation 1348/2014 at "Whereas," sections 3 & 4.



As reflected in this chart, the ERE MMO comprises two positions – Chief of Sector for Market Monitoring and a specialist. In addition, it is clear from conversations with ERE staff that the Director of Licensing and Market Monitoring, as well as the Director of Tariff and Prices, also participate to some extent in the market monitoring effort.

That effort, however, is currently very limited in scope. ERE collects, on a monthly basis in hard copy, some of the information that is relevant to the market monitoring effort. These data include the monthly and yearly auction results for transmission rights (from the Albanian Transmission System Operator, referred to as “OST”). In addition, ERE collects a significant amount of data concerning production and price (again typically on a monthly basis), and reports that information in its annual report.¹⁰

III. Gap assessment

The data currently collected by ERE, however, does not provide a comprehensive picture of market activity, and also fails to collect the data envisioned in the EU directives concerning market monitoring.

The ERE has not, moreover, as yet developed a clear process or protocols for the collection and evaluation of market data, nor any clear policies and protocols for taking action in the event that data show a gap between expected and actual market outcomes.

Thus, as a practical matter, the “gap” for the Albanian market monitoring effort, relative to the requirements of the Power Sector Law and EU directives, comprises virtually the entire scope of market monitoring activities. In particular, in order to fulfill its obligations, the ERE MMO will need to develop and implement the processes, and the capacity, to accomplish at least the following additional tasks:

- Collection of granular (hourly, daily, monthly) data concerning contract and physical flows in the system
- Collection of information about contract terms
- Collection of data on production, sales and purchases by all market participants
- Collection of data on offers/bids that are not accepted in addition to accepted offers/bids
- Collection of data on fuel and other variable costs of production
- Periodic reporting to the commissioners and public showing market data and an assessment of market performance

¹⁰ An English version of the ERE report for 2014 accompanies this report.

- Development of electronic means of acquiring data (some in real time) from market participants, including ultimately a web portal access approach
- Development and implementation of internal protocols for the protection of commercially sensitive information that warrants confidential treatment.
- Development of techniques and capacity to identify areas where the market is not competitive, and where market data show anomalous or corrupt behavior

Significantly, the analysis of that requisite data concerning the market, once obtained, will be at least as much qualitative as quantitative. Quantitative measures will include HHI calculation (which, as noted above, will produce little useful information in the current Albania market), and calculation of the relationship between price offers and variable costs (which, again, for the moment would have limited value in light of the overwhelming proportion of hydro – with virtually zero fuel cost – in Albania). On the other hand, even before the emergence of genuine competition, the data once collected will allow the ERE MMO to assess, qualitatively, whether there is discriminatory behavior, whether rules concerning the purchases and sales are being followed, and whether the auctions for transmission capacity and energy products are transparent and properly conducted.

IV. Regulatory Guidelines and Roadmap

There are important preliminary steps that should be taken by ERE in general and the MMO in particular to lay the foundation for the kind of market monitoring that will be useful as the market develops, and which will also provide a basis for near term monitoring of licensee activities (to ensure, for example, the absence of corruption/self-dealing, and increased transparency). These steps include ensuring that information flows are electronic (rather than just paper copies), that the information is sufficiently granular to allow for the discovery of anomalous behavior, and, once the data gathering process has been put in place, the development of web portals at ERE (and also some of the regulated entities) to provide real time access and assessment of data concerning the functioning of the market.

For the present, the most effective approach for the ERE MMO will be to collect, summarize and report the data available to it in the Excel format reports, and review the contracts submitted by the market participants. No special computer programs are required for this effort.¹¹

¹¹ There would be no point, at this juncture of the ERE MMO's activities, to acquire or implement market monitoring software programs. For one thing, as noted above, the state of the Albanian market is such that the results of any such software are pre-ordained: the market is clearly now, and will be for some time, so completely

A. Data Collection Templates

The consultant and ERE staff, with the participation from time to time of one or more of the commissioners, developed a set of seven Excel spreadsheets, three for OST and one for each other market segment, to be sent to market participants for reporting data.¹² Those segments are the transmission owner/operator (OST) and market operator (currently within OST); producer/generators; suppliers; DSO/Distribution Company; and Traders.

The information sought in each of the spreadsheets is summarized below:

- OST (Energy Flows)
 - Hourly, daily and monthly data concerning flows into and out of the transmission system; transmission losses; own consumption; and parallel flows
 - This information will provide ERE with a baseline of energy data, and will allow a cross check with data to be received from generators/producers, DSO and traders
- OST (Transmission capacity auction data)
 - Bid and result information concerning the auctions for transmission capacity, for both the OST and CAO¹³ auctions; planned transmission system outages
 - The information concerning the auctions, and in particular the information concerning bids that did not “win,” will enable ERE to evaluate the auction process and determine whether additional measures are required to ensure transparency and fairness. Planned outage data, which would be made public, would enable market participants to plan their own operations more effectively.
- Market Operator
 - Hourly and daily data concerning all transactions in the wholesale market, including for imbalance energy, and including both plan and actual.
 - This information will permit an accurate assessment by the ERE MMO of market shares and generator/producer performance. It will also allow tracking, and assessment, of energy prices.
- Producers/Generators (including KESH)

dominated by one seller and one buyer that no computer program is required to show that the market concentration figures preclude genuine competition.

¹² See Appendix A

¹³ CAO is the Coordinated Auction Office established by contract among several transmission operators in Southeastern Europe. See <http://seecao.com/>. CAO is responsible for the auction for transmission capacity between Albania and Montenegro.

- Hourly and daily data concerning production (gross and net) and injection into the system; information about performance on contracts for purchase and sale, as well as submission of copies of all such contracts; information about fuel and other variable costs; and information about interconnections requests and the results of those requests.
- The information about contracts is consistent with the EU directives concerning information to be gathered by the market monitor. These data will also provide a cross check on data reported by OST. The information about fuel costs will enable ERE MMO to observe and evaluate the relationship between cost and price, ultimately one of the important identifiers of competitiveness in any market. The information concerning interconnection requests is important to detect discriminatory behavior by OST or DSO.
- Suppliers
 - Hourly and daily data concerning performance on all contracts for purchase and sale, as well as submission of copies of all such contracts.
 - The information about contracts is consistent with the EU directives concerning information to be gathered by the market monitor. These data will also provide data permitting the calculation of market share and energy price performance, and serve as a cross check against data provided by other participants (e.g. KESH in its purchases and sales).
- DSO and Distribution Company
 - Hourly and daily data concerning flows into and out of (per meters) the distribution system; information about outages; and information about requests for interconnection and the treatment of such requests.
 - This information will serve as a cross check against data from other market participants, including OST; also provide ERE (including licensing and tariff groups) with information about system performance, which will assist in evaluating Distribution Company investment plans concerning loss reduction; and help identify situations where discrimination in interconnection might be present.
- Traders
 - Hourly and daily data concerning transactions, and also submission of all contracts.
 - The information about contracts is consistent with the EU directives concerning information to be gathered by the market monitor. This information will also allow cross check on data submitted by other market participants and the assessment of overall market activity and participant shares.

Taken together, the data collected in these spreadsheets will give the ERE a comprehensive picture of energy flows and contract paths in the electricity market.

In addition, the data will provide clues concerning improper behavior with respect to auctions and interconnection. Finally, the information, taken together, will ultimately allow the market monitor to assess whether the Albanian market (in whatever state it is) is replicating competitive results, i.e. whether the prices are reflecting cost, supply and demand fundamentals.

In some respects, the requests encompassed in the spreadsheets go beyond what the EU directives indicate. In particular, the EU directives, while seeking a great deal of detail about certain contracts, suggest that some contracts be reported only on an “ad hoc” basis where particular circumstances warrant. In the case of the Albanian market, however, at its current stage of development, there are so few contracts, and each of the participants represents a sufficiently large share of the market that, for now at least, obtaining all contracts should not impose a burden on either the participants or ERE. As the market matures, this issue (like all other monitoring issues) can be re-evaluated.

B. Implementation of Data Collection

ERE and the consultant agreed that in order to increase transparency, and also improve the likelihood of compliance, it is important to obtain, through relatively formal process, the comments of the market participants on the information to be requested. For that reason, the consultant recommended that ERE seek comment, using a request in the substantive form of the attached letter to market participants (see Appendix B), before finalizing the Excel spreadsheet requests and requiring the submission of the data. As of December 10, 2015, ERE staff had translated the letter and templates into Albanian, and expected the ERE commissioners to act on the recommendation at the next meeting of the Board. The members of the staff involved in preparing the forms strongly support moving forward, and, while the timing and outcome of commissioner action cannot be predicted with certainty, the participation of some of the commissioners in the preparation of the templates suggests that the commissioners will move forward promptly and favorably. Assuming Board action in December, and comments received in January, it is reasonable to expect that, if the Board issues the information requests formally in January or February of 2016, ERE will begin to receive data in the first quarter of 2016.

As an additional item for immediate attention, the ERE legal staff will advance within ERE a more formal and systematic approach to the treatment of commercially sensitive information. ERE currently has the obligation protect such information from public disclosure, but in light of the extensive additional confidential information that will be sought from the market participants (in particular some of the terms of contracts, and the prices in unsuccessful bids), ERE legal staff agreed that a well defined and understood process for protecting that data within ERE should be developed and implemented.

The requirement that the data described above be submitted in electronic format is a substantial improvement over the current “hard copy” submissions. ERE will be able to collate and evaluate the data without any cumbersome (and error-inducing) transcription. ERE and the consultant agree, however, that within a year or two it will be useful to migrate the data collection effort into a web portal format. It would be beneficial to all parties if data could be made available in “real time,” with appropriate password protection for confidential data, to ERE and to other market participants. Thus ERE should be encouraged to develop an appropriate portal, and further to work with other market participants – in particular OST – so that they too will have web portals with all relevant operational and market data. To assist ERE in approaching this issue, the consultant directed ERE staff to some of the web portals for U.S. based Regional Transmission Organizations (“RTOs,” e.g. ISO-NE)¹⁴ and commissions (e.g. Maine Public Utilities Commission).¹⁵

Taking these elements together, the development of the ERE MMO would track the following schedule:

- December 2015/January 2016
 - Issue request for comments on Excel spreadsheets; collect and evaluate comments; issue order requiring submission of information
 - Develop and approve internal protocols for treatment of confidential information.
 - Develop secondary legislation to extent required for data collection and protocols for treatment of confidential information
- January or February 2016
 - Market participants begin to collect data to fill in spreadsheets
- February or March 2016
 - First monthly submissions of data to ERE MMO
 - Take any actions required to ensure compliance and completeness of data
 - ERE MMO begins collating, summarizing, cross-checking and identifying data anomalies. Monthly analysis should include
 - HHI calculations for energy sellers (generators, producers, suppliers, traders); entry and exit of market participants, and reasons for exit
 - Identification of cases in which low bid was rejected in favor of higher bid

¹⁴ <http://www.iso-ne.com/isoexpress/>. RTOs are entities designated by the U.S. Federal Energy Regulatory Commission (FERC) with responsibilities to operate the transmission system within their geographic area. These entities may also operate energy and capacity markets.

¹⁵ <http://www.maine.gov/mpuc/electricity/index.shtml>

- Identification of cases in which interconnection request was denied or delayed without clear and proper reason
 - Comparison of prices and bids to variable costs
 - Identification of situations that should be brought to the attention of competition authority and/or ministry and/or other prosecuting (e.g. anti-monopoly) authority
 - E.g. evidence of corrupt behavior relating to contracting or bidding
- April 2016
 - Presentation by ERE MMO of data summaries and analyses to commissioners (essentially a compilation and summary of monthly MMO analyses)
 - Publication of public data
- August 2016
 - Presentation by ERE MMO of data summaries and analyses to commissioners
 - Publication of public data
- January 2017
 - Preparation of ERE MMO section of ERE annual report plus additional material relating to confidential data for presentation to commissioners. Should include
 - quantitative and qualitative commentary on market performance
 - recommendations for market rule improvements
 - recommendations for additional secondary legislation
 - recommendations concerning additional (or different) data to be collected
 - recommendations concerning information transfer formats (e.g. web portals)

V. Final Report and Recommendations

In general, the on-site work involved extensive discussions with ERE staff concerning what they are currently doing by way of market monitoring, and how best to develop the information flows that will form the foundation for more robust monitoring activity.

A. Key Issues

In light of the current (essentially non-existent) state of competition and competitive behavior in the electricity market in Albania, the proper focus for the ERE MMO at this point in time is data collection and analysis. ERE expects, and consultant agrees, that many of the market participants will resist (or even ignore)

the ERE requests, so it is likely to take some time – and perhaps even assistance from the Ministry (as owner of some of the key market participants) – to regularize the required data flows.

The ERE MMO already has the necessary software and expertise to perform the compilation, summaries, and first level analyses of the data necessary to inform its decisions and recommendations at this stage of its activities. Most if not all these first level analyses can be done using Excel or similar computational programs. The HHI calculations likewise require only rudimentary calculations. As the market in Albania matures, and as the ERE MMO capacity grows with the market, it will be useful to examine whether additional computational or analytical computer software is required. Even in fully mature markets (such as ISO-NE and PJM), market monitor activity focuses on qualitative, rather than complex quantitative, analysis.

One area in which additional software and IT expertise is likely to be useful, however, is with respect to data collection, transfer, and transparency. Once the issues concerning scope of data and compliance are resolved, ERE, as well as OST, the Market Operator and perhaps also KESH, CAO (the entity conducting the auction for some of the cross-border transmission capacity) and the DSO, should develop and implement, preferably in a collaborative manner, a set of web portals that would permit the real time transfer and examination of market and system data. These portals would require robust password protection systems to ensure that confidential information would be available only to those with a right to see it (typically the participant submitting the information and ERE). This is an area where, over the next year, further technical assistance to the ERE MMO may be useful. Such technical assistance would, in my view, be best secured from someone in the SEE community with experience in locally available computer systems and an understanding of their limitations; the systems in place in larger and more mature markets are almost certainly more expensive, and complex, than would be warranted for the more limited activity in the Albanian market.¹⁶

B. Recommended Practices, timeline and additional assistance

The near term recommended practices and timeline are set forth above in the section on Regulatory Guidelines and Roadmap. In addition, I offer the following observations and recommendations:

- ERE in general, and ERE MMO in particular, is under-funded, especially with respect to compensation and staff levels. It will be increasingly difficult, in light of large and growing disparity between compensation of commissioners and staff on the one hand, and

¹⁶ For example, the web portal system used by the Maine PUC for document submission and control costs more than \$1 million and took more than a year to implement.

compensation for industry managers and employees on the other, to attract and retain the people needed to perform ERE's tasks. That disparity also creates the conditions where corruption could become a greater issue. Consultant emphasizes, however, that consultant saw no evidence of corrupt behavior among the staff or commissioners during my on-site work this time, and both commissioners and staff showed admirable dedication to their work and a strong public service ethic.

- It would be helpful, in my view, to have some support to ERE provided on a remote, flexible basis, in the form of review and comment on ERE's documentation as well as on the submissions by market participants. In some respects ERE lacks reference points concerning its activities, especially nascent activities such as market monitoring, and providing ad hoc review and comment on their work product could have a positive effect in building ERE confidence and internal capacity.

Thomas L. Welch
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For questions regarding this publication, please contact Erin Hammel (ehammel@naruc.org) or Jargalan Jambaldorj (jjargalan@naruc.org).

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Appendix A

Draft letter from ERE to Market Participants

Request for Comment

ERE requests comments, to be submitted no later than 27 November, 2015, on the accompanying information request forms that ERE intends to require the participants in the Albanian market to complete and submit to ERE on a regular basis beginning in January 2016. Comments shall be submitted in writing.

Under Articles 19, 20 and 22 of the Power Sector Law, the ERE has the right to obtain all information necessary to carry out its responsibility to effectively monitor the Albanian market. The ERE has preliminarily determined that the information requested in the accompanying forms is essential to carry out that responsibility. Moreover, much of the information requested is necessary to fulfill the market monitoring functions as those are described in the current EU directives concerning electricity markets. ERE also believes that the information will enhance both the operation and transparency of the Albanian electricity market, and will provide an important data foundation for the ERE, market participant, and the public as the new market model is implemented and the Albanian market develops.

As indicated in the accompanying forms, ERE expects to request that the information indicated in the forms be submitted electronically, in Excel format. ERE expects to request that the information be submitted either monthly or quarterly (as indicated), but the each monthly or quarterly submission would contain the information on a daily basis (e.g., in early February, a form for each day in January would be submitted). Note that each segment of the market is being asked to submit data relating to its own segment. The forms relating to all the segments are included here for comment, and responding entities may, if they wish, comment on the forms relating to other market segments.

ERE believes that there are no grounds relating to asserted confidentiality on the part of any market participant subject to the Licensing jurisdiction of ERE to decline to provide any of the requested information to ERE. ERE recognizes, however, that there may be some commercially sensitive information that should not be made public. ERE therefore requests that, in their comments on the proposed forms, the responding entities indicate what, if any, of the information they consider to be commercially sensitive, and what steps the entity believes ERE should undertake in order to prevent public disclosure of that data once it is in the possession of ERE.

Comments should include any concerns about the availability of the data, the format in which it should be submitted, and whether there is additional data that should be obtained from any market participant that would assist the Market Monitoring effort.

ERE envisions this data collection effort to be the first step towards a system of data flows and availability that will serve the interests of all the market participants and the public as well as ERE and the ERE Market Monitor. It is likely to be useful, for example, for ERE, OST and the Market Operator to develop web sites and web portals where information, much of it in real time, can be made available to everyone (or, in the case of commercially sensitive information, available to parties who have permission to see it). Greater transparency will assist all market participants in their planning and commercial activities, and will increase the confidence of the public in the electricity market and in the prices customers must pay for their electricity service.

ERE expects that it will, after considering the comments submitted in response to this request, and making any appropriate changes to the forms based on those comments, issue an order by the end of 2015 requiring the submission of these data. This schedule would mean that the first monthly submissions would be required in early February, 2016 (for January data), and the first quarterly submissions in April, 2016 (for first quarter data).¹⁷

¹⁷ This draft was transmitted to ERE on November 14, 2015 with the email reproduced as Appendix C.

Appendix B

Recommendation to ERE concerning market participant comments on information request templates

Dear Chairman Ahmeti and ERE Commissioners:

It was a pleasure for me to have the opportunity, supported by USAID and NARUC, to work on issues relating to electricity market monitoring activities with you and members of your staff last week in Tirana. I am pleased to see at ERE the high level of interest and willingness to work hard on this important activity that will help build a strong and transparent electricity market in Albania.

Based on our discussions, I recommend that ERE require the submission of detailed information, electronically (for now by email), on a regular basis from all the market participants -- including KESH, OST, the Market Operator, the DSO/Distribution Company, Suppliers, Producers/Generators, and Traders -- concerning their activities in the Albanian electricity market. In order to begin that process in a transparent way, I recommend that ERE request, using the substance of attached draft letter, that the market participants provide their opinions and comments about a set of Excel spreadsheets that ERE would require to be completed by the market participants. Drafts of those spreadsheets are also attached. The letter and draft spreadsheets should be sent to all market participants and should also be published by ERE (so members of the public, customers or customer representatives could comment). If and when ERE has approved the final form of these spreadsheets, after receiving and considering the comments received, the market participants would have the obligation to transmit the data required by the spreadsheets on a regular basis (monthly or quarterly for now, as identified in those spreadsheets) to the ERE Market Monitoring department. In order to have time to implement the full process at the beginning of 2016, I recommend that the letter seeking comment be issued very quickly, and request comments back to ERE by the 27 November, 2015. Please let me know if you have any questions about this recommendation.

Again, it was wonderful to see you again and to work with you and members of your staff. I very much appreciated the hospitality and courtesies you extended to me. Thank you!

Best regards,
Tom Welch

Appendix C

DRAFT FOR COMMENT

ERE Market Monitoring Information Submission Form

OST: Energy Flows, transit and losses

Energy Flow report

Provide hourly and daily data; submitted monthly to ERE MMO

Net Energy In	MWH Plan	MWH actual
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Interconnect A		
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Interconnect B		
----------------	--	--

Provider A at x		
-----------------	--	--

Provider A at y		
-----------------	--	--

Provider B at x		
-----------------	--	--

Provider B at y		
-----------------	--	--

Net Energy Out

Interconnect A

Interconnect B

Provider A at x

Provider A at y

Provider B at x

Provider B at y

Transit Energy	MWH In	MWH Out
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Transaction A		
---------------	--	--

Transaction B		
---------------	--	--

Transmission System losses	MW	Price	Seller
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Purchases to cover losses			
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OST own consumption	MW
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Identified parallel flows	MW
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Identified deviations from plan	MW
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Requests for interconnection

Party seeking interconnection

Description of request

Result fo request (e.g. when completed)

DRAFT FOR COMMENT
ERE Market Monitoring Information Submission Form
OST: Transmission Capacity Auction Data

Information should be provided about auctions operated by both OST and CAO

Continue current reporting of monthly auction results, in electronic Excel format

In addition, for each auction, provide information concerning offers that were not accepted, including:

- Bidder
- Offer amount
- Offer price

Additional information requested:

Planned system outages

Facility	MW affected	When outage will take place	How long
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ERE Market Monitoring Information Submission Form

Market Operator

Transaction Report
Provide hourly plan data and daily plan and actual data; report monthly to ERE MMO

	MWH prog	MWH actual	Price/MWH	Acceptance point	Delivery point
Transacting Entity					
Trader A					
Trader B					
Producer A					
Producer B					
Load serving entity A					
Load serving entity B					

Imbalance Energy	MWH		Price/MWH	Show calculation of price
KESH				
Producer x				

DRAFT FOR COMMENT

ERE Market Monitoring Information Submission Form

Producer/Generator

Production Report

Provide hourly and daily data; submitted monthly to ERE MMO

Copies of contracts to be submitted to ERE MMO upon execution

Include both purchase and sales contract information

Contract	Counterparty	MWH	Price	Plan production	Actual production	Actual production net
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Contract A

Unit 1

Unit 2

Contract B

Unit 1

Unit 2

Energy sold into market without contract

MWH

Price

Unit 1

Unit 2

Energy used for own consumption (or by associated entity)

MWH

Price

Unit 1

Unit 2

Cost data: daily data reported monthly

Fuel

Other variable

Unit 1

Unit 2

Interconnection Requests

For each request

What amount

When

Request made to What entity (e.g. Transmission company, Distribution company)

What result (e.g. interconnection allowed, not allowed)

Cost

DRAFT FOR COMMENT

ERE Market Monitoring Information Submission Form

Suppliers

Supply Report

Provide hourly and daily data; submitted monthly to ERE MMO

Copies of contracts to be submitted to ERE MMO upon execution

	MWH plan	MWH actual	Price/MWH	Delivery Point
Supply contract A				
Supply contract B				

Purchase Contract A				Receipt point
Purchase Contract B				

Information on offers made for transmission capacity and/or balancing energy but not accepted, including date, product, amount, price

DRAFT FOR COMMENT

ERE Market Monitoring Information Submission Form

DSO and Distribution Company

Energy Flow and Outage Report

Provide hourly and daily data; submitted monthly to ERE MMO

Energy received	MWH plan	MWH actual		
Receipt point A				
Receipt point B				
Energy delivered: meter data	MWH plan	MWH actual		
Delivery Point D				
Delivery Point E				
DSO system losses	MW	Price	Seller	
Purchases to cover losses				
Outages: submitted monthly to ERE	# of customer	Duration	Cause	Facilities involved
Requests for interconnection (made by generators and/or producers)				
Party seeking interconnection				
Description of request				
Result fo request (e.g. when completed)				

DRAFT FOR COMMENT

ERE Market Monitoring Information Submission Form

Traders: Information concerning transactions originating or terminating in Albania

Transaction Report

Provide hourly and daily data; submitted monthly to ERE MMO

Copies of contracts to be submitted to ERE MMO upon execution

Counterparty MWH plan MWH actual price/MWH

Purchase

Contract A

Contract B

Sale

Contract C

Contract D