



# NEWSLETTER

JANARY - MARCH 2024

## Annual report of ERRU 2023 presented to the Productive Activity, Trade, and Environment Committee

In fulfillment of the legal obligation and resolute recommendations by the Assembly of Albania, the Albanian Regulatory Authority presented to the Productive Activity, Trade, and Environment Committee the Annual Report of its activity for 2023, as well as the performance and main developments in the water supply and sewerage sector.

The chairman of ERRU, Mr. Ndriçim Shani, gave an overview of the institution's activity for the year 2023, highlighting the aggregation reform, which has entered its final phase. In this process, ERRU held an active role regarding licensing and new tariffs proposed by regional utilities processes, as well as its successful implementation by applying flexible solutions of complex problems during implementation.

From 58 utilities that operated before, at the end of 2023, 14 UK regional utilities were formed. For technical reasons, the UK Tirana Regional Utility, which includes the municipalities of Tirana, Kamzë and Vorë has not yet been created. During 2023, ERRU Commission approved licenses for 16 UK utilities, 11 of them were regional utilities, created according to the reform. Regarding tariffs, seven new applications were submitted to ERRU, three of which were rejected due to lack of documentation. ERRU is following carefully the process of unification of tariffs of utilities within a regional utility, studying the possibilities of realization due to the large differences between them. The relator of the report, Mr. Baftjar Zeqaj, considered the presented report very exhaustive, describing ERRU as an institution that is performing responsibly in licensing and tariffs process during the aggregation reform.

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Under the direction of Chairman of Productive Activity, Trade, and Environment Committee, Mr. Arben Pëllumbi, the deputies asked questions and gave their comments on the annual report, which were addressed by the head of ERRU.

## NRC DECISION

In the first 3 months of 2024, the National Regulatory Commission held five meetings, taking 10 decisions, among which the following stand out:

- ✓ Approval of the operational expenditure plan of the Water Regulatory Authority for the year 2024
- ✓ Approval of the Annual Program of international activities of the Water Regulatory Authority for 2024
- ✓ Approval of ERRU's Annual Report for 2023
- ✓ The appointment of Mrs. Ediola Braha, as vice president of the National Regulatory Commission
- ✓ Decision to renew the license of the WSS Shkodër Regional Utility due to the change of the administrator
- ✓ Decision on the approval of water supply and wastewater service tariffs for the Regional Utility Lezhë sh.a

### LICENSING

Since 2022, the water sector has been undergoing a process of reformation, wherein 58 existing utilities should be reorganized into 15 regional utilities. As of now, 13 regional utilities have been licensed by ERRU, while two are awaiting licensing, specifically: WSS Tirana (include Tirana, Vorë, Kamëz) and WSS Vlorë (include Vlorë, Selenica, Himarë). In the first three months of 2024, a request for the renewal of WSS Shkodër Regional Utility's license was submitted and approved by ERRU, due to the change of the administrator.

### TARIFFS

With the reform of the water sector, seven WSS utilities applied for the new tariffs, six of which as regional utilities and one existing utility. Three of them: WSS Shkodër, WSS Elbasan and WSS Berat were rejected due to the lack of mandatory documentation. At the end of 2023, National Regulatory Commission (NRC) approved the tariffs proposed by WSS Vlora, while in the first 3 months of this year NRC approved a decision for a new tariff, specifically for the Regional Society WSS Lezhë and the Regional Utility Fier and Durrës are in the analyzing process.

# ACTIVITIES



## Water Geoinforming, ERRU participates in the Conference of the Sciences Academy

On March 29, Albanian Regulatory Authority participated in the first scientific conference on water organized by the Sciences Academy of Albania, titled "Geoinforming of Surface Water and Groundwater in the Republic of Albania - Alternatives for Water Conservation and Management."

The Chairman of the Water Regulatory Authority, Mr. Ndriçim Shani moderated the second session of the conference, "Integrated Management of Water Resources in Albania and Kosovo," where 13 presentations were presented on the management of water resources and their connection with the respective ecosystems. Among them was a presentation by ERRU, "Principles of Tariff Setting in Europe and Albania," presented by Mr. Shani. The chairman of ERRU analyzed the basic principles of the Water Framework Directive in the European Union, Cost Recovery and "Polluter Pays Principle," and our country's challenge for a sector that is not only financial sustainability but also in line with EU principles. Improvement of Key Performance Indicators, particularly ways to improve the financial performance of utilities, are the main challenges of the transition stage of the water sector. The central government, according to Mr. Shani, should play its part in balancing the elements of financial sustainability with social equity for water services. The conference addressed very important and current issues in the water sector by proposing argued solutions by the participants: academics, professors, engineers, scientific researchers, representatives of institutions, and policymakers in the water sector.

## "KEP Project", the series of capacity building workshops is completed

The Economic Water Regulators of water in the Western Balkans, candidates to access in the European Union: Albania, North Macedonia and Montenegro gathered in February 27 in Brussels in a meeting concluding a series of seminars of capacity building project, which come in support of the European integration process.

The meeting was attended by the staff of the Economic and Tariff Sector, headed by the director of the Technical-Economic Directorate in ERRU, Mr. Sokol Kraja. Together with the representatives in North Macedonia and Montenegro, they presented the situation and regulatory challenges in the respective countries. For Albania, sector reform aggregation, data collection & reliability capacity building and new tariffs methodology are the main challenges that carry other obstacles such as: differences in the quality and service rates within a company regional, the need for qualified human resources and financial means for the necessary investments.



## NEW ACTIVITIES

- April 15 - 17 - Work meeting ERRU-ARRU (Regulatory Authority of Kosovo), Kosovo
- April 22-24 - 31 Assembly of WAREG, Firenze, Italia
- May 29- 30 - Danube Water Forum, Brasov, Rumania

## Digital Transformation in the Water Sector

Article by:

Ndriçim Shani, ERRU

Klevis Jahaj, AKUK



Digitalization as a concept represents the appropriate adaptations made to operate a system or process using computers and the internet. In a water utility, digital transformation involves the implementation of practical tools, software, and hardware that enable increased efficiency in managing technical operations in water supply and wastewater systems, including customer service. Digitalization in general helps water utilities and their respective shareholders (central government and municipalities) to better understand the aspects of Water Demand, to identify problems and opportunities for reducing losses and optimizing water use, applying principles of water reuse and circular economy, as well as to develop effective water management strategies. These technologies enable real-time monitoring, as well as providing a quick response to water quality issues and emergencies. In this sense, Digital Transformation in the water sector can play a key role in accelerating progress towards achieving Sustainable Development Goal No. 6 (SDG No. 6) for a safe management of drinking water and sanitation, as well as improving the financial performance of water utilities. Read more: <https://erru.al/2024/02/06/transformimi-dixhital-ne-sektorin-e-ujesjelles-kanalizimeve/>

## Tariff setting principles in Europe and Albania

Article by:

Ndriçim Shani, Kryetar i ERRU

The WSS sector in Albania has been financially unsustainable. The survival of the WSS sector has been dependent on central government subsidies to cover Operational and Maintenance (O&M) costs. The sector is fragmented into 58 utilities, where only 12 out of the 58 managed to cover O&M costs. A permanent issue of the sector remained the non-payment of electricity bills to OSHEE (public energy company), which led to the accumulation of considerable debt toward this institution. The sector is currently undergoing a reform, aggregating the previous 58 utilities into 15 regional companies, in which the state is the main shareholder. Applying the economy of scale is expected to improve the financial sustainability of the sector and the quality of services to consumers. It is important to emphasize that many units or previous utilities have been operating with low tariffs that couldn't cover the direct O&M costs. It has been difficult to claim the implementation of the Cost Recovery principle by all 58 utilities operating in the sector. In this situation, it is expected that regional utilities will soon apply to ERRU for higher tariffs to increase financial sustainability. Read more: <https://erru.al/wp-content/uploads/2024/03/Parimet-e-Vendosjes-se-Tarifave-ne-Europe-dhe-Shqiperi.pdf>



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