

COMPLIANCE REPORT DISTRIBUTION SYSTEM OPERATOR 2023

This report has been prepared based on the information made available by the Distribution System Operator DSO JSC, the Company's Compliance Officer during the fulfillment of his responsibilities in 2023.

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1. INTRODUCTION

This report has been created based on Article 16 and Article 72 of Law no. 43/2015, "On the electricity sector" as amended, as well as Article 15 of the Regulation on the organization, operation and procedures of ERE, approved by the decision of the board of the Energy Regulatory Entity (ERE) no. 96, dated 17.06.2016, the board of ERE, in its meeting dated 21.12.2020, after reviewing relation no. 135/8 Prot, dated 15.12.2020 of the Technical Directorates, on the approval of the Compliance Program of the Distribution System Operator (DSO). The annual report has been created based on the duties of the Compliance Officer, Mr. Ervis Hazizi (Official), approved by Supervisory Council Decision No. 9, dated 02.06.2022, "On the approval of a change in the organizational structure of the Company Distribution System Operator DSO and appointed on 27.03.2023 by the Energy Regulatory Authority.

Regarding the implementation of the Compliance Program, the main goal is to present the mechanism for the implementation of this Program, the definition of the functional tasks and obligations of the employees of DSO in relation to this program, relying on the monitoring and reporting of the implementation of this program. The Compliance Program defines the specific obligations of employees for the fulfillment of this objective and fully transposes the requirements of Directive 2009/72/EC, in accordance with Article 72 of the Law on the Electricity Sector. Also, the program defines the rights and obligations of the Compliance Officer to report any violation of legal provisions.

This annual report has been created for the second year in the row, as part of the legal competences of the activity of the Official of the Distribution System Operator (DSO) regarding the implementation of the Compliance Program. Based on the Compliance Program and the contract that he owns, the Official has the task of drafting an annual report, where the measures taken for the implementation of the Program are determined and the submission of this report to ERE and to the Secretariat of the Energy Community, by March 31st of the upcoming year.

The company DSO is an Albanian legal entity, created by the sole shareholder "OSHEE GROUP", based on Article 3, Point 1, of the Law no. 9901/2008 "On traders and commercial companies" (amended), in the form of the joint stock company, with a private offer, based on Article 103 of Law no. 9901/2008, "On traders and commercial companies", amended.

In the course of the activity, in the correspondence and acts of the company, including all letters, order forms, any publication, issued through writing or electronic form addressed to third parties, the name/designation of the Company contains the following data:

- a.** Unique Subject Identification Number (NUIS): L81530018E;
- b.** Subject Name: Distribution System Operator;
- c.** Establishment date: 28/03/2018;
- d.** The legal form described in the words Joint Stock Company or JSC;
- e.** Its headquarters; data whether the Company is in liquidation and the value of the registered capital repayable;
- f.** The headquarters of the company in Albania, TIRANA "Gjergj Fishta" Boulevard, Building No. 88, H. 1, Floor V, Administrative Unit No. 7, 1023.

2. ADMINISTRATIVE MODEL: “DISTRIBUTION SYSTEM OPERATOR”

2.1 General Assembly

The General Assembly is the highest level of the Company, which, without prejudice to other powers granted by the Law or this Statute, makes decisions on the following issues of the Company:

- a) the definition of trade policies;
- b) the adoption of the Company's strategy and financial plans, as well as any changes therein;
- c) changes to the Statute;
- d) the appointment, as well as dismissal of members of the Administrative Council, if they do not fulfill the obligations charged under the law and the statute;
- e) the appointment and dismissal of authorized liquidators and chartered accountants;
- f) the approval of the reward scheme for persons mentioned in points d) and e);
- g) approval of annual financial statements and performance reports of the Company;
- h) distribution of annual profits;
- i) increase or decrease capital of the Company;
- j) the parting of the shares and their cancellation; changes in rights related to shares of particular types and categories;
- k) representation of the company in judgments against administrative levels;
- l) reorganization and the breakdown of the Company;
- m) the adoption of the procedural rules of its meetings;
- n) investment decisions;
- o) other matters in its interest or as per the provisions of this Statute;
- p) to propose to the Supervisory Council of the parent (controlling) company the organizational structure, the total number of personnel of the controlled company JSC, the salary structure, the salary levels and other salary allowances, the criteria for classification according to each level and their changes.

2.2 DSO's Administrative Council

Members of the Administrative Council of DSO:

Erald Hasanaj – Chairman appointed on 30.10.2023

Fatjola Halilaj – Member appointed on 30.10.2023

Bibjana Terolli – Member appointed on 30.10.2023

Mariglen Biti – Member appointed on 23.11.2021

Admirim Lakra – Member appointed on 11.07.2023

The Administrative Council of the Controlled Company:

- 1) It consists of 5 (five) members who are appointed and dismissed by decision of the General Assembly by a simple majority of shareholders, based on the shareholder's tag of the parent company, based on the provisions of Article 207/2 of the Law No. 9901/2008 "On traders and commercial companies as amended".
- 2) The first members of the Administrative Council shall be appointed by the Assembly by special decision.
- 3) The term of office of the member of the Administrative Council lasts 3 (three) years, with the right of re-election.
- 4) Any person can be elected a member of the Administrative Council as provided for in Article 156/1 of Law no. 9901/2008 "On traders and commercial companies" as amended or an individual who has completed higher education, possesses a valid degree in economics, law, electrical engineering, business management and is not affected by the restrictions provided for in Article 156/2 of Law no. 9901/2008 "On traders and commercial companies" as amended.
- 5) The Chairman of the Administrative Council leads the meetings and directs the work of the meetings, signs the correspondence on behalf of the Council, informs the Council about the progress of the Company's affairs. In the absence of the Chairman, his powers are performed by the Vice Chairman.
- 6) Members of the Administrative Council shall receive basic salary and additional bonuses for participating in the Council.

Based on Article 163 of Law no. 9901/2008 "On traders and commercial companies" amended, in the provisions of the Statute of the company DSO JSC, and of the Regulation on the internal functioning of the company's Administrative Council, the Administrative Council of the company DSO JSC. for the year 2023, it held 4 (four) meetings in which 8 (eight) decisions were taken with an economic-financial character, investment plan, etc.

The Administrative Council has the power to:

- a) provide directives to the administrator for the implementation of the company's trade policies;
- b) control and supervise the implementation of the company's trade policies by the administrator;
- c) prepare at the request of the General Assembly the taking of measures within the competence of the above-mentioned, to recommend the decisions necessary to be taken, and to implement the decisions of the Assembly;
- d) convene the General Assembly whenever deemed necessary for the interests of the company;
- e) ensure that the Company respects the law and standards of accounting;
- f) examine and control the accounting books, documents and assets of the company;
- g) ensure that annual financial statements, activity performance reports, and other reporting and publication obligations, binding on the basis of the league or statute, are carried out accurately by the Administrator. These documents must be approved and signed by all members of the Management Board to be submitted to the General Assembly, together with a report from the Administrative Council for approval and a description of management supervision throughout the financial year;
- h) ensure that the audit of books and accounting records is performed at least once a year by an authorized, independent legal auditor and that the audit report, addressed to the General Assembly, is made available to all members of the Council and the Administrator. The report of the Administration Council, mentioned in point g), must also contain the opinion on the audit report;
- i) propose to the General Assembly the dismissal / release of the Administrator;
- j) determine the remuneration of the Administrator;
- k) approve the assumption of obligations with a value higher than 5 percent of the Company's assets, resulting in the last certified financial statements, through the signing of loans or the issuance of bonds or other debt instruments;
- l) decide on the establishment of long-term trade cooperation and policy proposals, for the establishment of commercial companies or new groups;
- m) approve changes from the approved plan for the supply of goods, services or other expenses;
- n) perform other acts, as defined in law and statute.

The Administrative Council has the obligations provided for in the Statute and Article 163 of Law no. 9901/2008 "On traders and commercial companies" as amended.

2.3 Administrator

Administrator of DSO - Blendian Dalipi appointed on 28.10.2022

1. The administrator is appointed by the General Assembly of the company "OSHEE GROUP" SH.A. with the proposal of the Supervisory Council of OSHEE GROUP SH.A. (parent company) and is dismissed/released by the Administrative Council, with the approval of the General Assembly of the company. The duration of the Administrator's mandate is 3 (three) years, with the right to re-election.
2. Any individual who has completed higher education and who is not affected by the restrictions provided for in article 13/1 and 158/2 of the KT law can be elected administrator. 9901/2008 "For merchants and commercial companies", amended.
3. The Administrator has the power to:
 - a) perform all the operations of the administration of the company's commercial activity;
 - b) represent the company (sh.a);
 - c) ensure the correct and regular maintenance of the company's documents and accounting books;
 - d) prepare and sign the annual balance sheet, the consolidated balance sheet and the activity progress report, which they present to the Administrative Council for approval, together with the proposals for the distribution of profits, to then be presented for approval by the General Assembly;
 - e) perform the mandatory records and publications of the company's data, according to the provisions of this law or other laws;
 - f) report to the Administrative Council on the implementation of trade policies and the realization of actions of particular importance;
 - g) perform other duties specified in law and statute;
 - h) The Administrator is obliged to obtain prior approval from the General Assembly and/or the Administrative Council before the receipt and/or implementation of any decision concerning specific matters provided for in Article 12.2 and Article 16,1 h/i/d of this Statute.
4. The duties assigned by the law and statute to the Administrative Council, cannot be exercised by the Administrator.
5. The Administrator has the obligations provided in the Statute, Article 13 and following Law no. 9901/2008 "On traders and commercial companies" as amended.

3. WHO ARE WE: “DISTRIBUTION SYSTEM OPERATOR” DSO

3.1 Distribution of electricity

1. The distribution of electricity is carried out by distribution system operators, who are legal entities, licensed by ERE according to the provisions of this law, Article 68/ Law 43/2015.
2. The Distribution System Operator owns the electricity distribution system at voltage 35 kV, 06-20 kV, 04 kV, with the purpose of dispensing it to customers, where its limit with the transmission system is that defined in point 2, of Article 54, of this law.
3. The Distribution System Operator is responsible for:
 - a) ensuring safe and sustainable development of the distribution system;
 - b) meeting the requirements for the distribution of electricity;
 - c) the maintenance and safe operation of the electricity distribution system throughout the territory for which it is licensed;
 - d) maintaining the confidentiality of the sensitive information of the company, obtained during the performance of its activity;
 - e) procuring electricity to cover losses in the distribution network, in accordance with transparent non-discriminatory procedures. Electricity procurement procedures are approved by ERE, following the proposal of the Distribution System Operator;
 - f) providing, free of charge and on the basis of an agreement, to each electricity supplier, access to measurement data for customers with whom the supplier has signed a supply contract. ERE defines the data format and the procedure for supplier's access to this data;
4. The Distribution System Operator provides the electricity distribution service without discrimination to all network users, who meet the requirements set forth in this law and other by-laws. The Distribution System Operator respects the quality of service indicators and the requirements provided by the technical regulations.
5. The electricity distribution network is developed on the principle of the lowest cost, in accordance with the legislation on urban planning, property rights, environmental protection, protection of people's life and health and efficient use of energy.
6. The Distribution System Operator installs and processes all types of information, communications and technological systems. Depending on the possibilities, parts of the communications infrastructure and/or the capacities of the high-speed communication network can be used without damaging and jeopardizing its own activities and networks within the framework of the relevant legislation, in accordance with the opinion of ERE.

3.2 Rights of DSO regarding secondary energy sources

1. The Distribution System Operator according to Article 70 of Law 43/2015 creates the technical conditions, which are approved by ERE, for the installation of a secondary source of electricity supply for customers who require this service, including the conditions that the secondary source must fulfill, in order to prevent fluctuations in the network.
2. Each customer, who wants to install the secondary source, sends a written notice in advance to the Distribution System Operator and simultaneously provides to the representatives of the supplier, with whom it has a supply contract, access to the secondary source, in order to inspect this installation.
3. The Operator of the Distribution System has the right to interrupt the supply of electricity to a customer, in case he does not fulfill the obligations provided for in points 1 and 2 of this article.

3.3 Distribution Code

➤ **The drafting and approval of the new Distribution Code is targeted for 2024.**

1. The Distribution Code according to Article 73 Law 43/2015 defines the technical requirements for planning, expansion, operation, control and maintenance of the distribution network and specific rules for connection and access to the distribution network, as well as measurement rules.
2. The Distribution Code is approved by ERE, at the proposal of the Distribution System Operator, which cooperates with all participants of the electricity sector, in order to draft, revise or adapt it.
3. The operation of the distribution network must be in accordance with the provisions of the Distribution Code.

3.4 Meter verification

1. The verification of the meters according to Article 77 of Law 43/2015 on electricity is carried out by the General Directorate of Meteorology (GDM) or by a legal entity authorized by it. The legal entity authorized for this purpose is accredited according to the legislation in force.
2. Measuring devices are verified before putting into use, through the sample method, on the basis of random selection and periodically.
3. The verification of the meters can be realized at the request of the system operator. The verification can be carried out in the field, where the meter is installed, near the GDM laboratory or the authorized legal entity. The periodicity of the verification of the meters installed at the customer is defined in the Measurement Code. In any case, the representative of the system operator must also be present.
4. During the process of verification of electricity meters by the GDM or by the authorized legal entity, the representative of the system operator must be present in any case. The GDM approves the relevant

procedures for the verification of meters, in accordance with the legislation in force and international standards.

5. The financial costs for verification before putting into use and periodic verification of the meter or verifications initiated by the system operator are incurred by DSO. ERE takes into consideration these costs caused to the operator, when approving the respective fees.

6. When the customer doubts the accuracy of the meter, the customer submits a written request to the network operator, as well as any other institution responsible for verifying the meter. The procedure for submitting a request, its consideration and the deadlines for notifying the requester are approved by decision of the ERE. When the verification of the meter is done at the request of the customer and during the verification of the meter no inaccuracies are found, the expenses of the verification are paid by the customer who submitted the complaint.

7. When, after the verification, inaccuracies in the meter are found and there is no evidence of intentional damages made by the customer, the corresponding calculations are made of the amount of energy billed more or less, as a result of the inaccuracy in the meter and the method of reimbursement, according to the rules and procedures provided for in the Measurement Code.

8. Highest fees for the verification of meters are approved by joint instruction of the Minister of Finance and the Minister responsible for energy.

9. If the system operator detects illegal interference, then it takes immediate measures to repair and replace the equipment, which has been interfered with, calculates the economic damage caused by the illegal interference and implements the relevant procedures according to the legislation in force. ERE approves the relevant regulation and methodology for the establishment and calculation of the economic burden by the system operator.

10. ERE approves the template of the contract between the system operator and DPM or the entity authorized by it for the verification of meters.

4. DSO COMPLIANCE PROGRAM

Approval of the DSO Compliance Program:

In support of Article 16 and Article 72, of Law No. No. 43/2015, “On the electricity sector” as amended, as well as Article 15 of the Regulation on the Organization, Functioning and Procedures of ERE adopted by the Board of the Energy Regulatory Entity (ERE) No. 96, dated 17.06.2016, the board of ERE, at its meeting dated 21.12.2020, after reviewing the relationship no. No. 135/8 Prot, dated 15.12.2020 of the Technical Department, on the adoption of the Compliance Program of the Distribution System Operator (DSO).

4.1. General provisions

The Compliance Program of the Electric Energy Distribution System Operator (DSO) defines the conditions for the division and independence of DSO, in accordance to Law No. 43/2015, "On the Electricity Sector", as amended.

The program aims to avoid discriminatory behavior of DSO towards other participants in the electricity market, especially in favor of the subsidiary companies, as well as provides the mechanisms for its implementation, monitoring and reporting. The program defines the specific obligations of employees for the fulfillment of this objective and fully transposes the requirements of Directive 2009/72/EC, in accordance with Article 72 of the Law on the Electricity Sector.

The Compliance Program was approved by decision No. 18/2020 of the Administrative Council of DSO. Through electronic communication dated December 11, 2020, the Secretariat of the Energy Community forwarded to ERE its comments and suggestions regarding the Compliance Program, which, as we were informed by DSO, are reflected in most of them.

In summary, the comments of the Secretariat of the Energy Community, which are reflected in the Compliance Program, consist of:

- a) Clearer reference of the Program's purpose to avoid discriminatory behavior in favor of DSO's subsidiary companies;
- b) Establishing an explicit duty to the Compliance Officer regarding the identification of cases when the staff is working simultaneously in more than one company, or has a conflict of interest;
- c) The right of access of the Official to all important data of the company, to be clearly included in the Program;
- d) Issuance of internal recommendations and instructions by the Official;
- e) Employees (of DSO) should not only declare their willingness to implement the Compliance Program; however, it is mandatory to follow;

- f) Employees' rights should include the right to address to the Official any information related to potential discrimination, anonymously;
- g) The content of the Annual Program is defined in more detail;
- h) Access to information and exclusion from any privilege (regarding information) of subsidiary companies in competitive business should be addressed in more detail;
- i) DSO, as a company with exclusive rights, must procure all goods and services through a competitive procedure. In the case of any goods or services procured within the company, without a public procurement procedure, these goods or services will be valued at market price or cost, whichever (of them) is lower;
- j) Regarding disciplinary sanctions at managerial levels and for all employees of DSO, the Compliance Program should include additional/more detailed consequences.

In particular, this Program aims to provide:

- Proper unbundling and independence of DSO;
- Separation of accounts, management, and complete decision-making according to law 43/2015;
- Avoiding discriminatory behavior of the DSO towards users of the distribution network;
- Establishing the new brand;
- Monitoring and reporting the implementation of this Program in ERE;
- Preparation of detailed annual report.

4.2 Estimates from the Secretariat of the Energy Community for the year 2023 for DSO

The Secretariat of the Energy Community has adequately given its opinion and evaluations regarding the operation of the DSO Society in 2023. The Secretariat of the Energy Community has assessed with 100% the realization of one of the main objectives of the DSO/DSO UNBUNDLING where it stated in the annual report held on 14.12.2023 in Vienna at the Meeting of the Ministerial Council, where it is mentioned that the Distribution System Operator is legally unbundled and functional; and that has been finalized in the reporting period. In March 2023, the Compliance Officer was approved. The Compliance Report for 2022 submitted to the regulator ERE and published in October 2023 on the official website www.ere.gov.al.

The Compliance Officer is the key person responsible for permanent and continuous monitoring of the implementation and effectiveness of the compliance program, for evaluating the effectiveness of policies, applied procedures, measures and for regular reporting to the regulatory authority. This report should contain an explanation of the measures taken and their effectiveness as well as any risk of non-compliance.

To fulfill the task, the Officer must be completely independent and must have access to all the necessary information, not only of DSO, but of every subsidiary of the enterprise. The scope of the Compliance

Program will depend on the complexity of the integrated enterprises, their legal form and the management and supervision system already established. The interpretive note explains that the Compliance Program will define the measures taken to ensure that discriminatory behavior is excluded and ensure that the behavior of DSO staff in this regard is adequately monitored. The Compliance Program shall explicitly set forth the policies and procedures. Such policies may consist of:

- active, regular and visible management support for the program;
- written commitment of staff to the program by recognizing and implementing the Compliance Program;
- indication of disciplinary action to be taken against staff who violate program rules;
- adequate information about the program and training in the DSO Offices.

Foreign consultants assessed that the DSO Compliance Program is broadly drafted and can be considered as a comprehensive document that establishes an obligation to oversee compliance with the sharing of requirements and reporting on any deficiencies. The Secretariat agrees with this program.

4.3 Appointment of Compliance Officer

The Office of the Compliance Officer was approved by the Decision of the Supervisory Council No. 9, dated 02.06.2022, "Upon the approval of a change in the organizational structure of the Company Distribution System Operator DSO", Ervis Hazizi has been appointed by ERE as Compliance Officer on 27.03.2023.

4.4 Duties of Compliance Officer

Based on the Decision of the Board of the Energy Regulatory Entity, the Compliance Officer is appointed and responsible for ensuring compliance, as well as submitting the Compliance Report to ERE. The Compliance Officer is responsible for monitoring compliance with the legal obligations of the Compliance Program, as well as for the necessary changes or revisions of this program with the approval of ERE. The Compliance Officer shall not hold, directly or indirectly, any position or professional interest in the vertically integrated company. The Compliance Officer will report cases where DSO staff are identified as being employed by more than one company at the same time, or if the staff has any other conflict of interest. The Compliance Officer has the right to be present at the meetings of the Administrative Council, or of the management of OSSH Sh.A., whenever the Compliance Officer, in his full discretion, assesses that his participation in the meeting contributes to the execution of his duties and can be related to issues such as: the conditions of access to the distribution system, as well as the use of this network, the allocation of distribution capacities, transparency, projects in implementation related to the operation, maintenance and development of the system of distribution, purchase and sale of energy for the needs of covering losses in the distribution network, etc. The

Compliance Officer will have access to all information that he, in his discretion, determines is necessary for the performance of his duties, including the data of DSO and subsidiary companies. The Compliance Officer reports to the Administration Council and the management staff of OSSH Sh.A., regarding possible disputes within the implementation of the Program, as well as prepares written measures and proposals to fix such issues, including recommendations. for internal instructions. In case these problems are not fixed within a reasonable time, the Compliance Officer reports them to ERE. In order to avoid any doubt, nothing in this provision shall imply that the Compliance Officer is dependent to the Board of Directors or the managerial staff of OSSH Sh.A. The Compliance Officer has the right, in his sole discretion, to report directly to the regulatory authority any violation of the Compliance Program, while keeping management staff informed of this process.

The methodology of Program control by the Compliance Officer of DSO will be such:

- Collecting information in written forms, e-mails having access to the necessary data and in the offices of DSO.
- Verification of documentation, complaints, contracts in a direct or indirect manner.
- Participation in all meetings of the managers of DSO and corporate levels, including the General Assembly, the Supervisory Council and the management units.

5. DIVISION OF DSO'S ACTIVITY

The independence of the company "DSO" which is sanctioned in the provisions of the electricity sector law, is also reflected in the statutory provisions of the company's Statute. Specifically, Article 25 of the statute of the company "DSO" regulates relations between the parent company "DSO GROUP".

In accordance with the laws and statutory provisions during the period of 2020 and following, the division of the company's activity was carried out, which was legally conducted through administrative acts; and based on the functional side through the performance of the company's activity by the structures depending on it.

With the agreement (real rights transfer contract) dated 16.12.2020 concluded between the parties, the company "DSO GROUP" and the company "DSO", the division of the company "DSO" was carried out through the transfer of activity.

At the moment of the effective division of the company, as of 2020, and the full acquisition of legal personality, DSO is directed by its own decision-making levels, which are the Administrator and the Supervisory Council.

The support of DSO GROUP is limited to administrative and support functions. Current decisions, daily operations of DSO, as well as management issues will not be affected.

Nothing in the Service Provision Agreement shall be read as a direct or indirect termination of DSO GROUP's decision-making rights or exercise of influence over DSO.

5.1 Legal unbundling

DSO meets the requirements of the program as it conducts its activity separately from other activities that are not related to Universal Distribution Supply (FSHU) and Free Market Supply (FTL) and is in compliance with Article 16 and Article 72 of the Law no. 43/2015, "On the electricity sector" as amended, as well as Article 15 of the Regulation on organization and operation. Also, DSO is a separate legal entity that is part of the vertically integrated company DSO.

The legal unbundling was prepared in 2019 and was carried out immediately at the beginning of 2020 when the company began to function as a single entity with full decision-making rights pursuant to Law 43/2015 "On the Electricity Sector". In early 2020, the company approved with a special decision the "Compliance Program", which aims to avoid discriminatory behavior of DSO to other participants in the electricity market, as well as provides the mechanisms for its implementation, monitoring and reporting. The implementation of this program ensures that the company:

- a) has full decision-making rights, independent of the integrated company to ensure the operation, maintenance or development of the distribution network;
- b) drafts and submits to the competent levels a detailed annual program.

5.2 Functional unbundling

Functional unbundling is related to the process of separating assets and liabilities from the parent company and ensuring their functional use, in the service of achieving the company's objectives, which was a longer and more complicated process that required many organizational decisions and implementation time. In particular, the unbundling of the company's rights and obligations according to the balance sheet, which was accompanied by detailed analysis of recorded data and a special separation methodology, required more time, extending almost throughout 2020.

This process also required changes in the organizational scheme of the company to make it possible to increase the efficiency of management and administration, to emphasize that the company is in constant transformation and better functional adaptations are the object of ongoing decision-making.

The assessment of the division through the transfer of the company's activity was carried out by the Independent Legal Auditors (I.L.D-99 Audit) according to the report presented on 10/12/2020.

5.3 Unbundling of management

According to the Electricity Directive, the management staff of DSO cannot participate in the corporations, structures of VIU or any of its subsidiaries responsible, directly or indirectly, for the day-to-day operation of production and distribution.

In this regard, the members of the Board of Directors, the General Director, as well as the Regional Directors of DSO cannot be employed by the parent company or subsidiaries engaged in production/production and/or supply and cannot be appointed as members of any corporate body of these companies, including supervision. The interpretative note explains that the Director of DSO cannot at the same time be a director of the relevant transmission, supply or production company, or vice versa, DSO's Compliance Program contains a provision that persons managing DSO: "It will not receive financial compensation or other material or financial benefit from other companies and there will be no salary related to the level of performance of other companies within the integrated company."

Meanwhile, as an Official, I have the duty to verify all the above-mentioned cases and if there is any such case, adequate measures will be taken and reported to the competent authorities, as the law provides.

5.4 Process of Transferring Employees from OSHEE to DSO

In the framework of the separation process of the Company "OSHEE" JSC and the creation of new companies, as a legal obligation within the framework of the reform in the energy sector and implementation to Law No. 43/2015, "On the electricity sector", amended, Decision of the Council of Ministers No. 519, dated 13.7.2016, "On the approval of the Electricity Market Model", as well as the Order of the Shareholder of "OSHEE" No. 157, dated 12.02.2018, on the "Creation of three companies controlled by the Electricity Distribution Operator", three subsidiary companies were established:

1. **Distribution System Operator** (DSO) with a private offer, with the object of activity in the distribution of electricity, the construction, operation and maintenance of the electricity distribution network for the provision of electricity to customers, the connection of customers and users of electricity distribution network, installation and electricity measurement services, etc., as well as any other profitable activity of interest to the company;
2. **Universal Service Supplier** (FSHU) with a private offer, with the object of activity in the supply of electricity to end customers operating in the regulated market defined by the legislation in force, the provision and assurance of commercial quality of the service, as well as any other profitable activity of interest to the company;
3. **Free Market Supplier** (FTL) with a private offer, with the object of activity in the purchase and management of energy and operation in the free market, etc., as well as any other profitable activity of interest to the company.

Consequently, in the framework of the effective unbundling as well as in implementation of Article 138 et seq. of the Labor Code, all employees have been notified that starting from 01.01.2020 their employment relationship have been transferred from the current employer "OSHEE" to the new employer "DSO" with the same contractual conditions. The Human Resources Department is in charge of following up and informing about the continuity of the employment relationship.

In this respect, I will monitor all appointments and transfers from OSHEE staff to DSO, based on the legislation in force and the transparency that we will provide with employees.

The recruitment procedure in DSO

The recruitment of new employees in DSO is done in accordance with the Human Resources Manual and the Recruitment Procedure. The start of the recruitment and selection procedures to fill the vacancies is approved by the Administrator of DSO, the relevant manager and the Human Resources Department who are responsible for carrying out the preliminary recruitment procedures as well as the selection of the most qualified and suitable candidates. The selection of candidates is made through the selection in the relevant file of CVs submitted and deposited with Human Resources.

The hiring process is carried out by a special panel, consisting of at least 3 people, in which 2 representatives of the relevant organizational unit where the employee will be hired, as well as a representative from the Human Resources Department.

Average number of employees for 2023

The number of employees of DSO during the year 2023, there were 5503 reflected according to Table 1.

Description	Average number per organizational unit
HEAD OFFICE	298
REGIONAL DIRECTORATE OF TIRANA	1043
REGIONAL DIRECTORATE OF DURRES	663
REGIONAL DIRECTORATE OF BURREL	279
REGIONAL DIRECTORATE OF SHKODRA	396
REGIONAL DIRECTORATE OF KUKES	153
REGIONAL DIRECTORATE OF BERAT	297
REGIONAL DIRECTORATE OF FIER	229

REGIONAL DIRECTORATE OF ELBASAN	279
REGIONAL DIRECTORATE OF KORÇA	253
REGIONAL DIRECTORATE OF GJIROKASTRA	240
REGIONAL DIRECTORATE OF VLORA	242
CENTER HIGH VOLTAGE UNIT	221
TL SOUTH-WESTERN UNIT	253
TL SOUTH-EAST UNIT	239
TL NORTH UNIT	259
HIGH VOLTAGE DIRECTORATE	77
TASK FORCE	82

Table 1. Average number of employees per administrative unit in 2023

The following two tables show the average age and gender division of employees of DSO, as well as their education during 2023, respectively Table 2 and Table 3.

Year 2023	Female	Male
Average number	881	4461
Average age	41.9	45.2

Table 2. Average age of employees based on gender

Education	Number of employees
Higher education	1857
Secondary education	3295
Compulsory education	189

Table 3. Education of DSO employees during 2023

5.5 Organizational Chart

In close cooperation between the main actors of the OSHEE Corporation, OSSH, a Working Group has been set up to restructure the Structure of OSSH Sha in Central and Regional Duties, it is necessary to make new directors in the Department of Network Operation and Performance Analysis and the Department of Reading, Measurement Management and Energy Balance:

- Directorate of Network Operation
- Directorate of Analysis, processing of network quality data and monitoring and implementation of codes and regulatory relations
- Directorate of Energy Market Support

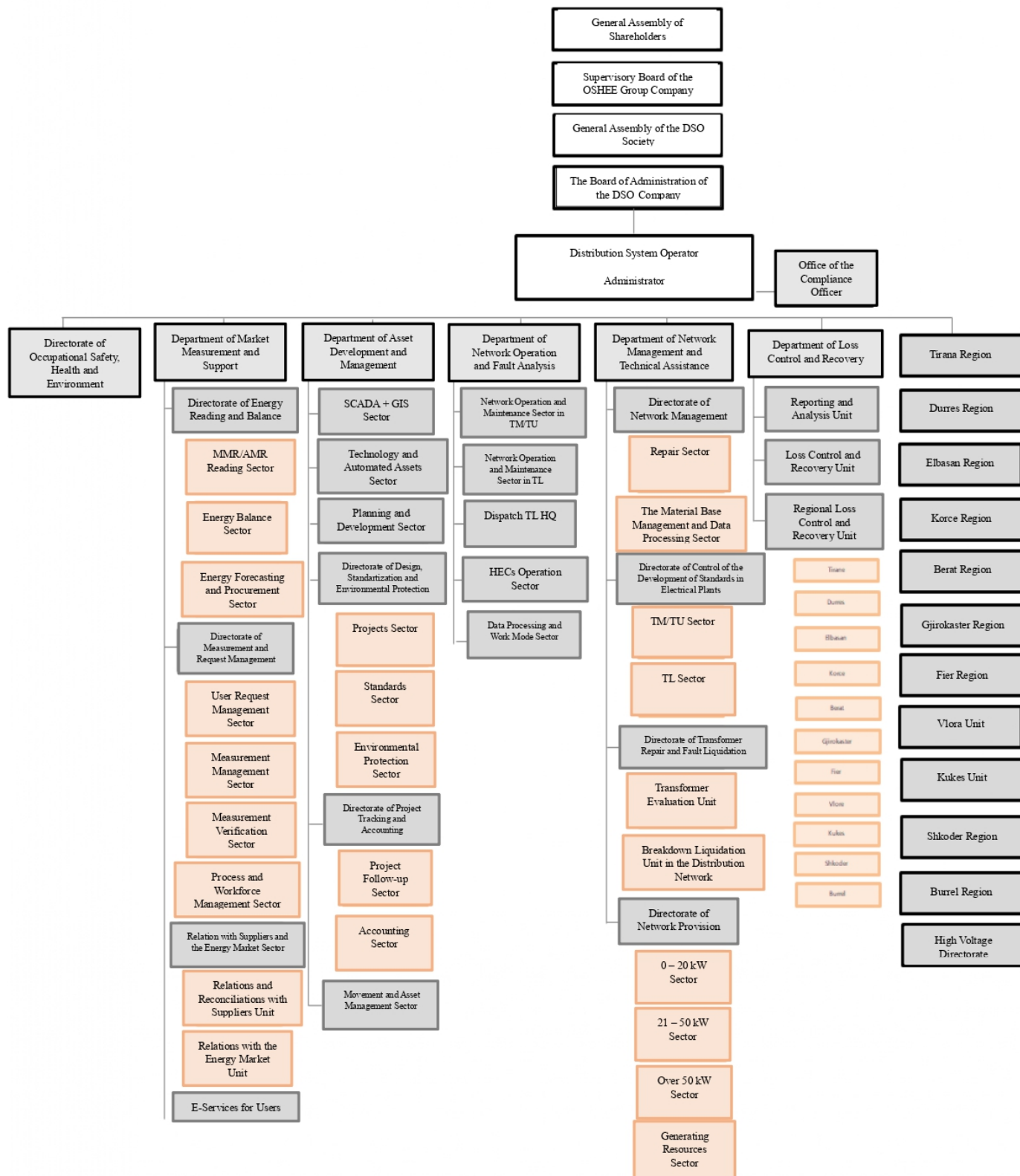
The directorates that will be created have challenges and special features, this has to do with the changes that have been made during the last years in the approved legislation and the model of the Electricity Market to adapt to the new developments regarding the renovation and operation of the distribution network in accordance with the requirements posed by the introduction of new sources of renewable

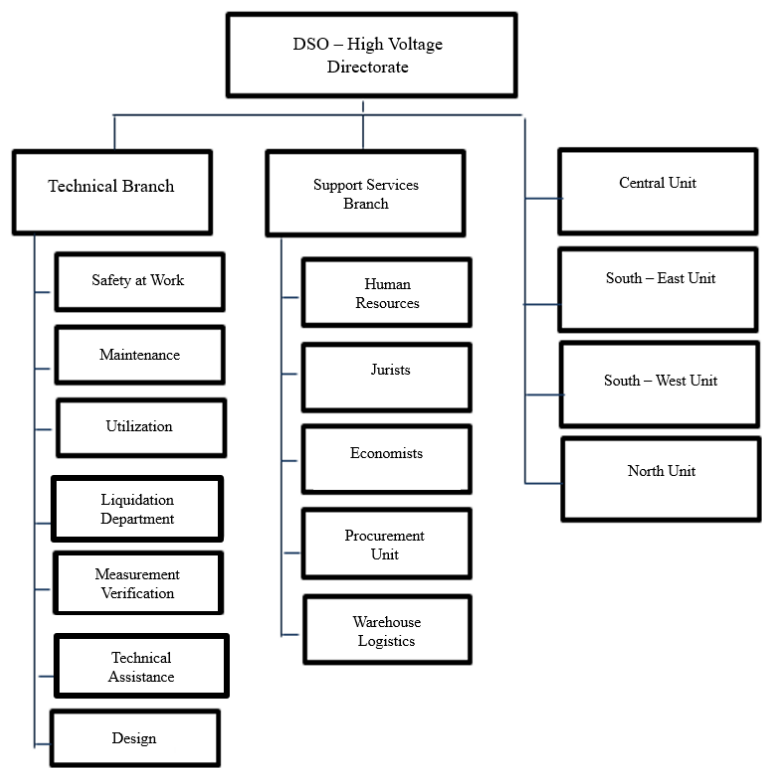
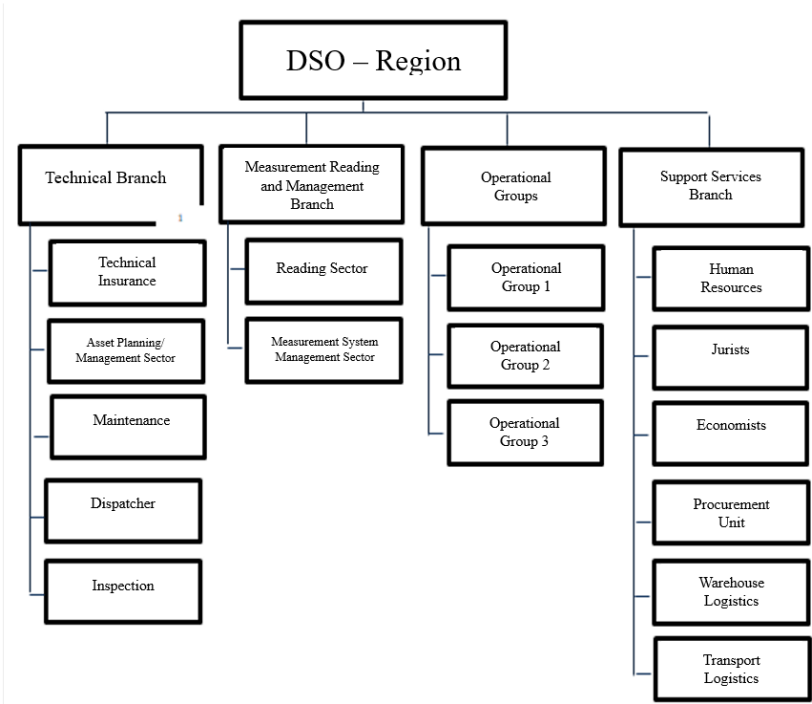
energy (PV, Wind, Biomass, etc.) and their accompanying effects in the distribution network, as well as the directives of the Secretariat of the Energy Community:

- The Directorate of Operation of the TM-TU network will manage the TM 20/10/6/kV Distribution Network as well as the TU_0.4 kV distribution network of the respective units, enabling the optimal supply of users, monitors and reports on the supply operation of the facilities of particular importance, such as: Waterworks, Water supplies, Hospitals, etc. Creates a database of them and reports problems in their supply.
- The Analysis Directorate will process the information received from the TL Directorate and create a database of the load regime of power transformers, 35kV output feeder lines and voltage quality, reflect the changes made in the Network Code and the Transmission Code and propose the changes of required in the Distribution Code, follows other investigations related to the OST and the generators connected to the network in accordance with the laws and codes in force.
- The Directorate of Energy Market Support will follow and implement the supervision of the procedures of changes of suppliers for all consumers who are supplied in the free market, perform monthly reports for the Company DSO on the distribution of energy according to voltage levels, the forecast of all energy market changes and their adaptation to automated systems to facilitate processes, follow-up of Relations with the Energy Regulatory Body regarding market liberalization, receipt of invoices and follow-up of payments for services performed by DSO and purchases according to needs.

Compliance Report 2023

DSO





6. EXCLUSION OF DISCRIMINATORY BEHAVIOR

In order to eliminate discriminatory behavior towards users of the distribution network, including consumers and sources of energy production that are connected to the electricity network of DSO (Distribution System Operator) implements some rules and guidelines as follows:

- **Equality in treatment:** It ensures that all users of the electrical network at DSO are treated equally and fairly, regardless of the type of energy use (consumers, producers, etc.).
- **Fair and equal fees:** Determining rates and payments in a way that is fair and equal for all users of the electricity network at DSO, based on the true costs of the services provided by it.
- **Transparency:** It ensures full transparency in the process of determining tariffs and other policies, including information on the methods of calculating fees and the criteria used to generate them.
- **Consultation with users:** Conduct regular consultations with DSO electricity grid users, to address any concerns or needs they may have and to receive feedback on existing policies and regulations.
- **Complaints and corrections mechanisms:** Establishes efficient mechanisms to handle complaints and requests from users if they notice discrimination or unpleasant behavior in relation to the services provided by DSO/DSO Group.
- **Building good relationships with consumers and producers:** Strengthening relations with energy consumers and producers to better understand their needs and to ensure that the services provided by DSO for the use of its electricity network are in accordance with their requirements.
- **Network usage monitoring:** Continuous monitoring of the use of the electricity network at DSO by electricity users to identify possible signs of discrimination and to intervene if necessary to correct unfair behavior.

Furthermore, the Distribution System Operator (DSO) operates by ensuring a non-discriminatory approach to all users of its network, in the electricity market. DSO can provide this access in several ways, such as:

- **Clear and appropriate adjustments:** DSO has clear and straightforward rules and procedures for:
 - new connections;
 - network benefits;
 - any other service offered to its users.

These rules are transparent and known to all potential and existing users of the network.

- **Representation of users:** DSO has mechanisms to listen to and represent the interests of all users of its grid, including consumers, renewable energy producers, market operators, and others.
- **Independence and transparency:** DSO operates independently of its commercial interests and is transparent in its actions and decisions. This includes publishing information on network performance, regulations, and fees in a clear and understandable way for all.
- **Equal processes for connections and services:** DSO applies equal and fair processes for new connections and for other network services to ensure that all users are treated fairly and without discrimination.
- **Monitoring and supervision:** DSO has mechanisms to monitor and supervise its activity to ensure compliance with non-discriminatory access requirements for all network users.

Through these actions and the commitment of DSO to comply with the requirements and principles of the non-discriminatory approach, it is ensured that the electricity network is provided in a fair and equal way to all users.

7. COMPETITION AND COMMERCIAL RELATIONS

In the Distribution System Operator (DSO), competition and commercial relations may have some special aspects given the characteristics of the electricity sector and the legal context in which the DSO operates. Here are some aspects of competition and commercial relations in DSO:

- **Competition in the connection market:** In some jurisdictions, DSO, like our country, may be the sole operator of the distribution network and its customers are obliged to connect to it for

network services. However, in some countries, there are opportunities for other network operators to offer competitive connectivity services and compete with DSO.

- **Relations with network users:** DSO is in commercial relationship with its customers, providing various network services, including new connections, maintenance services, and others. These relationships are governed by different local regulations and may include different fees and contract terms.
- **Relations with market operators:** DSO has relationships with electricity market operators, including energy market operators and energy suppliers. These relationships may include collaboration on load management, information sharing for capacity planning, and others.
- **Purchase of energy:** In some cases, the DSO may be responsible for purchasing power to ensure that grid demands match the available offers of power producers. This process may include public tenders and agreements with energy market operators.
- **Relations with regulatory authorities:** DSO is in relationship with the electricity regulatory authorities, which are responsible for the supervision and regulation of the energy market. These relationships are important to ensure compliance with regulations and to resolve various legal and regulatory issues. In general, in DSO, competition and commercial relations are important for the sustainable and efficient operation of the electricity sector, ensuring that network services are provided in a fair and efficient manner to all network users.

Rules and criteria to prevent restrictions or impact on fair competition in the electricity market to ensure a non-discriminatory approach to commercial relations include:

- **Transparency of information:** DSO ensures information about energy distribution processes and technical requirements are clear and accessible to all operators:
 - Publication of information;
 - Performance reporting;
 - Accessibility of documentation and data;
 - Consultation with other operators;
 - Audits and independent monitoring.
- **Limitation of conflict of interest:** In cases where an employee or manager of DSO has a real or apparent conflict of interest, their participation in decision-making processes that may affect their interests of other persons or entities is prohibited;
 - Conflict of interest declaration policies;
 - Prohibition of participation in decisions.
- **Independence of decision-making:** DSO has an independence for decision-making within DSO to ensure that decisions are based on the criteria and needs of the market and consumers, and not on the interests of specific individuals (KB, Monitoring Working Groups, etc.).

- **Open and defined procedures for network access:** DSO has established and recognized procedures for operators seeking access to the network, without discrimination in favor of any operator:
 - Timing and application process;
 - Applying the criteria equally;
 - Independent monitoring.
- **Price and fee regulation:** DSO provides mechanisms for monitoring prices and charges applied by DSO to ensure that they are fair and straightforward for all operators.
 - **Monitoring and reporting of the unbundling and other DSO activities:** ERE monitors the activity of OSSH and reports on any potential violation of competition rules or the rights of other operators as they are:
 - Financial reporting;
 - Periodic audits and verifications;
 - Transparency of decision-making processes;
 - Independent monitoring.
- **Unbundling of functions:** To prevent conflicts of interest, to ensure fair competition in the market, the electric network operator performs:
 - Clear Division of Responsibilities;
 - Transparency and accountability.

8. IMPLEMENTATION OF TRANSPARENCY, IMPARTIALITY OF COMPLAINT HANDLING FOR NETWORK USERS

The principles of transparency and impartiality in the activity of an Electricity Distribution Operator (DSO) are important for ensuring good corporate governance and protecting the interests of its electricity network users. Some of them are:

- **Publication of Information:** Ensuring that important information about DSO operations, performance, fees and policies is published and accessible to all stakeholders.
- **Transparent Decision-Making Processes:** The implementation of transparent and clear processes for DSO decision-making, including procedures for drafting policies, determining fees and implementing investments that are part of the company's strategy approved in its Master Plan as a company in accordance with:
 - Laws and regulations in force in our country;
 - The country's national strategy;

- EU/27 directives.
- **Public Consultations:** Organization of public consultations and information sessions to discuss important policies and decisions that affect the users of the electricity network at DSO.
- **Sharing Important Information:** Ensuring that various information about network performance, services, and charges is shared in a clear and understandable manner.
- **Independent Monitoring:** The use of independent mechanisms for monitoring and evaluating the performance of DSO in accordance with the standards and requirements of ERE and the Energy Market Operator.
- **Complaints Mechanisms:** Ensuring fair and transparent mechanisms for handling complaints and responding to any concerns of DSO electricity network users.
- **Awareness and Education:** Awareness of users and Interest groups regarding their rights and mechanisms to monitor and report any unpleasant or impartial behavior by DSO.

These principles and practices of transparency and impartiality help increase public trust in DSO and promote an open and accountable environment for all users of its electricity network.

In relation to the implementation of procedures for handling complaints, requests, transparency, procedures followed by the Directorate of Network Operations, new connections are handled according to the REGULATIONS FOR NEW CONNECTIONS IN THE DISTRIBUTION SYSTEM Approved by Decision No. 166, dated 10.10.2016, of the Board of ERE, amended by Decision No. 177, dated 08.11.2016 of the Board of ERE where:

- DSO ensures the connection to the distribution network for all interested parties in accordance with Law No. 43/2015 "On the Electricity Sector" and with the criteria defined in this Regulation.
- New connections or modifications of the existing connection do not cause negative effects on existing customers or users, nor on the DSO distribution network, respecting the ISO 18001 standard.
- The application for the new connection is made at the Customer Care office of the Distribution System Operator, in the area where the facility is located, and the rates for the new connections are the same for the entire territory of the Republic of Albania, they are determined in accordance with the objectives the following: non-discrimination, transparency related to the use of the electricity distribution network and its integral parts, the development of the distribution network, in order to ensure the maintenance of the quality level of the electricity supply.
- The process of the New Connection happens within the deadlines defined in the Regulation of New Connections:

- The deadline for the process of the new connection at TU is 20 working days.
- The deadline for the process of the new connection in TM is 60 working days.

There are also cases when the deadline passes and the processes are not completed for various reasons, which are:

- Absence of the subscriber in the facility, during the technical update.
 - Payment made by the subscriber.
- Duration of completion of works by the subscriber (completion of the facility, line extension, internal installations).

9. THE RIGHT TO INFORMATION AND INNOVATION

The right to information

The publication of important information about the performance, fees and policies of a Distribution System Operator such as DSO to interest groups can be achieved through several different ways of communication and transparency. Some of them are:

- **Official Website:** It has an official site and the website that is an important tool for publishing important information where DSO can publish annual reports, information on tariffs, utility policies and procedures, and data on the performance of its electricity network.
- **Annual Reports:** DSO prepares and publishes annual reports of its performance, which include information on network security, services provided, investments, and other important developments.
- **Public Consultations:** Organizing public consultations and information sessions to discuss new policies, fees and any other changes affecting electricity grid users.
- **Announcements and Direct Communication:** DSO may make announcements and direct communications with electricity grid users through e-mail, newsletters, or messages on its website.
- **Media and News Reporting:** Important information about the performance, fees and policies of the DSO reports in local media and social media news to reach a wider audience.

- **Service Center and Help for Users:** DSO provides a service and assistance center for consumers and producers to answer questions and provide assistance with DSO information and policies.
- **Forums and Local Meetings:** Organization of forums and local meetings to discuss important issues with the users of the electricity network at DSO and to listen to their concerns and suggestions.

These ways of publishing information are important to ensure transparency from DSO and to ensure that electricity grid users have the necessary access to all relevant information.

From the monitoring of the new official website of DSO, following the recommendations of the Compliance Officer in the 2022 report, it is observed that the website of OSSH has been redesigned with contemporary conditions, improving the way of providing and organizing appropriate information according to certain areas that operate, making a better presentation, proper management of important information as well as compliance with security standards that apply to information systems on the WEB.

In cooperation with the management staff, the following have been implemented:

- Setting up a new brand and a more flexible website, DSO has fulfilled this condition and operates like all other companies in the market.
- Setting up a new column, which is called **Notify/Report to the Official** where it is automatically linked to my email address and cases will be treated confidentially in relation to the activity of the DSO company; this is done in time.
- The offices belonging to the Distribution System Operator have the DSO logo.

Innovation

It is important to emphasize the advanced innovations in close collaboration between OSHEE and DSO where they will launch a new and accessible portal for all customers, with the aim of receiving online services in the fastest and most practical way possible. The range of services that will be offered online has been expanded, without the need to waste time at Customer Care counters; this decision aligns OSHEE with contemporary standards.

The "new connection" or provision of the contract conclusion service with OSHEE/DSO will be offered online on the website www.oshee.al and www.ossh.al. This is one of the most contested services by our clients, due to practices that lead to delays and waste of time, not to mention economic costs, which is why OSHEE made it the focus of deregulation reform.

In the new website, the subscriber can follow step by step the entire application process for the requested service, at which stage it is, until receiving the answer/service. The subscriber enters the code and then track the issue through the online platform, which DSO has worked on in detail to make it as easy as possible for customers to use.

Through the mobile phone, the customer can download bills and receive different services, such as:

- Management of contracts owned by the user;
- Automatic generation of debit verification;
- Payment of electricity bills online;
- The user views the electricity consumption history;
- The user views the electricity payments history;
- Every request / complaint is managed and made online, as below:
 1. Billing complaint:
 - Meter intersection;
 - Incorrect billing;
 - Complaint for TV Tax;
 - Execution of Court Decision;
 - Request for reimbursement/disbursement;
 - Billing after suspension/termination.
 2. Change of contract data:
 - Correction of contract data;
 - Name Change (Family);
 - Name Change (Not Family);
 - Change of property user;
 - Removal of property user;
 - Reactivation of contracts;
 - Contract suspensions;
 - Final closing of the contract;
 - Service reconnection after suspension of enforcement process.

3. Complaints for Credit Payments:

- Non-crediting by the Albanian Post;
- Payment Credit (Bank);
- Payment Credit (DSO cash register);
- Payment Credit (MM);
- Execution of Court Decision;
- Refund request (wrong payment).

4. Service Quality:

- Cabin defect;
- Network defect;
- Defect in the pole;
- Theft of company assets;
- Complaints about energy theft;
- Complaints about energy quality;
- Complaints about unplanned energy outages;
- Complaint about service delays;
- Complaint about the behavior of employees;
- Claims for compensation arising from the quality of the energy supply;
- Claim for compensation arising from voltage fluctuation damages;
- Claims for compensation arising from delays in responding to services.

5. Complaints about the meter:

- Defect in the circuit breaker;
- Defect in the measurement system;
- Meter replacement;
- Meter posting;
- Service reconnection as a result of interruption.

- Detailed information on the contract;

- List of all requests/complaints;
- New Connection Request.

10. MAINTAINING CONFIDENTIALITY OF SENSITIVE INFORMATION

The staff of the DSO company has taken all measures to protect materials that contain sensitive commercial information such as (documents, electronic data archives, computers, mobileread, tablets, phones, etc.) based on the protocols in force, the collective agreement and code of conduct. DSO also does not distribute commercially sensitive information to any third party, except in cases where the distribution of information is expressly required by law, ensuring that this distribution is carried out in a manner determined by law. Directors and employees of DSO ensure the confidentiality of company's sensitive information that they have at their disposal due to their professional duties. All managers and employees of DSO, authorized representatives, auditors and advisors do not disclose nor have distributed sensitive commercial information to any third party during their appointment or cooperation with DSO.

In addition, confidential information may include, but is not limited to:

- Financial and technical conditions of network access (individual network access contracts);
- Financial and other conditions of energy supply;
- Metering data, customer load profiles;
- Newly inactive and scheduled network connections;
- Customer contact details, billing details, bank details, etc.

11. PROVISION OF MUTUAL SERVICES

The mutual services offered by the company "OSHEE GROUP", in the implementation of the Agreement for the Provision of Services with no. 13531 dated 29.12.2023, No. 9891 dated 26.12.2023, with a term of 2 years which can be extended with the consent of the parties, throughout this period, in accordance with the new licensed object of activity, OSHEE has signed a service contract with DSO. This Agreement came into effect on January 1st, 2024.

The planning of expenses for corporate services is based entirely on the contract concluded between DSO and OSHEE Group for the provision of these services. The invoiced and planned expenses are based entirely on the principle sanctioned in the general rules and basic principles Article 6.1 of the Methodology of calculating the prices approved by the parties according to which:

“The price of the Services must provide the necessary income to cover reasonable expenses for the service company. The revenue required to cover service expenses is the basis for calculating Service Prices.”

1. Expenses for corporate services

The concentration of the group's services in a separate company within the group is aimed at the specialized provision of these services, increasing the quality and performance of expenses through close specialization, using efficiently the human resources and historical information that the OSHEE company (as the parent company) has inherited.

This concentration enables the reduction of costs per unit of services which would be much higher if they were organized directly by the separate (subsidiary) companies.

In accordance with the newly licensed agreement, OSHEE has signed a service contract with DSO for the following services:

- Human Resources Services;
- Legal Services;
- Information and Innovation Services;
- Support Services;
- IT services;
- Economic Services;
- Performance Improvement Services;
- Services of projects with foreign financing;
- Cyber Security Services.

The cost of corporate services, based on the signed contracts, for the following year is calculated based on the company's financial plan for each service and is billed for each month based on this calculation, while the final annual assessment of the service price is made within the first 3 months of the following year and the difference is invoiced.

The purpose of performing concentrated services is not to create profit for the company, but to create legal and necessary reserves, as well as investments in increasing the efficiency of the services provided.

2. The method of calculating the cost of corporate services

The method of calculating corporate services goes through 2 main stages:

- a) Calculation of the total cost of the service

OSHEE's organizational structure is built based on the services provided and consists of:

- General Administration (Supervisory Council, Audit, Project Implementation Unit);

- Department of Information and Innovation;
- Performance Improvement Department;
- Human Resources Department;
- Legal Department;
- Support Services Department;
- Department of Information Technology;
- Economic Department;
- Department of Cyber Security.

The costs of corporate services in the OSHEE company are recorded according to the cost centers based on the composition of the company's organizational structure, on which the cost recording in the SAP financial program is also built.

After receiving the recorded annual data of costs according to each of the cost centers in the SAP system, the distribution of the company's general expenses is made, which is included in the first cost center according to the listing above, based on the specific weight of the annual costs of other units to the total cost.

Based on the service contract, the cost of the company's capital is also calculated and distributed with the same calculated specific weight method.

b) Distribution of the cost of the service for the companies of the group

The distribution of the costs of the services of OSHEE for subsidiaries is based on distribution ratios that are specific to each type of service. The calculation of cost distribution is based on the following principles:

- They must be transparent and easily understandable;
- They must be measurable;
- They should reflect to the greatest extent possible an accurate representation of the relevance of costs;
- They will not unfairly cross-subsidize the costs between the subsidiary companies and will especially ensure that the costs belonging to the competing companies of the Group will not be allocated to DSO.

12. COST ALLOCATION IN DSO

In the Distribution System Operator (DSO), costs are allocated in different ways in accordance with different industry practices and local regulations. Some common ways of allocating costs in DSO are:

- **Operating costs:** Operating costs include day-to-day expenses for the operation of the distribution network, such as expenses for maintenance, energy management, regulation enforcement, workers' compensation, and others. These costs are spread across the network in proportion to network usage.

- **Investment costs:** Investment costs include expenses for building new infrastructure and for network modernization. These costs can be allocated on different bases, such as the number of customers, network usage, or according to local regulations.
- **Financing costs:** Financing costs include expenses for interest on debt and capital financing necessary for network operations and investments. These costs are distributed throughout the network based on the DSO's funding structure.
- **Costs of implementing the regulation:** Regulatory enforcement costs include the costs of complying with rules and standards set by regulatory bodies. These costs are included in the fees paid by network users.
- **Costs of energy losses:** The costs of energy losses include expenses for the physical losses of energy during its transmission and distribution in the network. These costs are distributed based on the form of loss and local regulations.
- DSO uses a combination of these methods to ensure a fair and efficient allocation of costs in its network, taking into account the needs of network users and country regulations.
- It is important that cost allocations are transparent and controllable for all network users and regulatory bodies.

13. COMPLIANCE PROGRAM IMPLEMENTATION

The provisions of this Program are mandatory for all managers and employees of DSO. The program is mandatory for authorized representatives of DSO, auditors, consultants, contractors, participants and network users, as well as other third parties.

All managers and employees of DSO, authorized representatives, auditors, have confirmed in writing that they are informed and will implement the Program. They will be informed by the Compliance Officer as soon as possible in case of changes or amendments. For any violation of the provisions of the Program, DSO managers or employees immediately inform the Compliance Officer. In case of finding, the violation of any provision of the Program gives DSO the right to apply the disciplinary procedure in accordance with the legislation in force.

In this aspect, the Compliance Officer has been appointed and has informed the DSO staff to familiarize themselves with the program and that this is a legal obligation to implement it in full. Also, in the framework of the recognition of the program, I received written confirmation from the employees who were familiar with the program. Furthermore, the Compliance Officer is in the process of developing

trainings related to the program and adequate and transparent information for the employees who have joined and will continue to join the DSO.

To ensure the full implementation of this Program, the Compliance Officer is obliged to:

- Drafting of the Annual Report related to the implementation of the Program;
- Proposing measures to improve the Program;
- Updating the Programming;
- Research of available documentation (such as decisions, contracts, regulations, relations, etc.);
- Reporting on the implementation and monitoring of the Program, the compatibility of the acts and internal processes of the company with the Compliance Program.

With the approval of this Program by the Energy Regulatory Authority, DSO will inform all employees to adhere to the principles defined in the Program.

The Compliance Officer of the Distribution System Operator submits an annual report to ERE each year, which sets out the measures taken within the Compliance Program. The Compliance Officer of the Distribution System Operator is completely independent and has access to all necessary information of the Distribution System Operator and any related company, in order to fulfill his duty.

14. TOTAL LOSSES IN THE DISTRIBUTION NETWORK FOR THE YEAR 2023

The Distribution System Operator DSO is responsible for ensuring the safe and sustainable development of the distribution system, fulfilling the requirements for the distribution of electricity, as well as the maintenance and safe operation of the electricity distribution system throughout the territory for which is licensed.

Total losses in the electricity distribution network represent technical losses in the network and non-technical losses.

The Distribution System Operator DSO is organized into 11 distribution areas and 42 agencies. The effectiveness of the sale of electricity continues at increased values, always referring to the determining factors in the level of efficiency of electricity consumption.

ERE Board with decision No. 324, Date 14.12.2022, which has left in force the decision No. 73, Date 13.04.2022, until the application of DSO for changing the existing fees, decided to approve the electricity distribution service fees according to the voltage level, for the period 1 May - 31 December 2022, as follows:

- Electricity distribution fee for customers connected at the 35 kV voltage level – ALL 1.55/kWh;

- Electricity distribution fee for customers connected at the voltage level 0.6 - 20 kV – ALL 3.99/kWh;
- Electricity distribution fee for customers connected at the voltage level 0.4 kV – ALL 6.42/kWh;
- Approval of the applicable price for reactive energy billing for the period May 1 - December 31, 2022 of ALL 1.92/kVArh.

Regarding the prices, we can say that DSO Company is in accordance with these prices and operates according to the decision of ERE.

As evidenced below, the losses of electricity in the distribution network throughout the year 2023 are at the level of 18.93%, against the target of 19.0%, i.e. with a reduction of -0.07% over the target set in Decision no. 758, dated 09.12.2021 "For a change in decision no. 253, dated 24.4.2019, of the Council of Ministers, "On the approval of the financial consolidation plan of the public, electric power sector".

The overall losses in the distribution system for 2022 amount to 19.72%.

The year 2023 results in a decrease in the level of losses of -0.79% compared to the year 2022.

The year 2023 compared to the previous year 2022, the results are as follows in Figure 1:

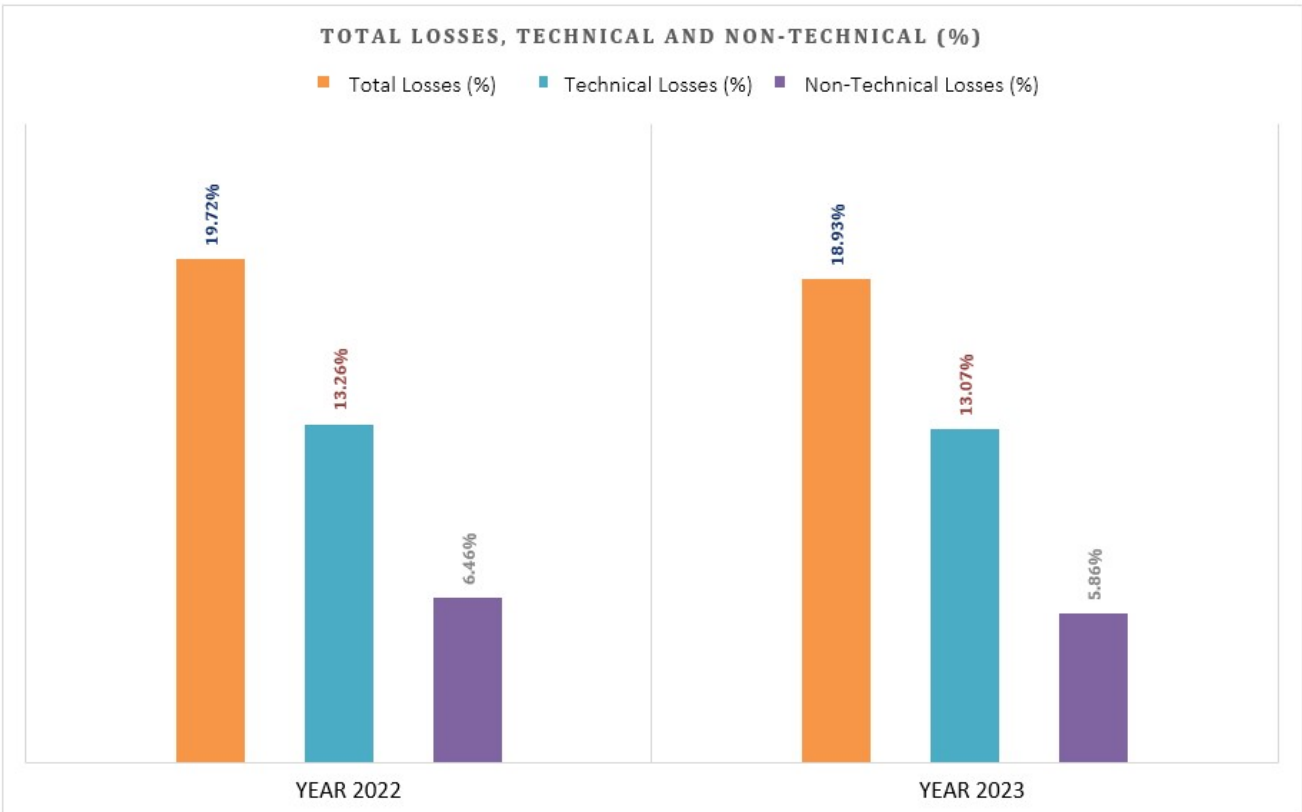


Figure 1. Total losses, technical and non-technical (%)

14.1 Energy Balance Sheet Indicators

Based on the Law "On the Energy Sector" and the approved Energy Market Model, the Distribution System Operator has the duty to provide energy in order to meet the demands of consumers who benefit from the Universal Supply Service and from other licensed Suppliers.

Energy Balance sheet for the years 2019 – 2023 for the distribution network is shown in Table 4.

Description		Progressive 2019	Progressive 2020	Progressive 2021	Progressive 2022	Progressive 2023
Energy injected by OST into the DSO network	T	6,137,250	6,184,178	6,606,381	6,545,568	6,491,776
Electric energy injected into OST from HPPs in the DSO network	T.1	229,380	180,053	415,433	354,379	516,517
Energy transmitted for DSO - Balance NET	T.2=T-T.1	5,907,870	6,004,125	6,190,949	6,191,189	5,975,259
Energy transmitted by DSO	T.3=T.2+P	6,576,432	6,605,083	7,136,936	7,046,021	7,061,769
Production injected into DSO by BREE	P = a + b + c = d	668,561	600,958	945,988	854,831	1,086,510
Production from medium HPPs	a	33,368	28,643	27,504	25,423	23,244
Production from private HPPs, concessions and other plants	b	612,997	540,050	877,727	777,899	982,392
Energy injected by photovoltaic and other plants	c	22,196	32,265	40,756	50,092	58,430
Production injected into DSO by BREE in the Unregulated Market	d	-	-	-	1,417	22,444
Total Energy in the DSO network	3 = T+P	6,805,811	6,785,136	7,552,369	7,400,399	7,578,286
Total Energy used in DSO	4=S/1+12+13+14	5,322,850	5,327,396	5,995,416	5,941,143	6,144,012
Total losses in the DSO network	5 = 6+8	1,482,962	1,457,740	1,556,953	1,459,257	1,434,274
Total losses in the DSO network (%)	5 / 3	21.79%	21.48%	20.62%	19.72%	18.93%
Technical losses in TL units	6 = 3 -(7+11)	117,739	103,729	107,340	94,747	98,166
Technical losses in TL units (%)	6 / 3	1.73%	1.53%	1.42%	1.28%	1.30%
Energy for DSO areas	7	6,684,100	6,677,351	7,440,731	7,301,298	7,475,669
Losses in DSO areas	8=7-(S+T.1+12+13)	1,365,222	1,354,012	1,449,613	1,364,509	1,336,107
Losses in DSO areas (%)	8 / 7	20.42%	20.28%	19.48%	18.69%	17.87%
Technical Losses	9	836,561	828,906	921,330	886,682	892,334
Technical Losses (%)	9 / 3	12.52%	12.41%	12.38%	12.14%	11.94%
Non-Technical Losses	10= 8-9	528,661	525,106	528,283	477,828	443,774
Non-Technical Losses (%)	10 / 3	7.77%	7.74%	6.99%	6.46%	5.86%
Energy sold to FSHU customers	S	5,048,288	5,044,888	5,464,100	5,506,588	5,567,539
Energy sold by FSHU (own consumption of TL Units of DSO)	11	3,972	4,056	4,298	4,354	4,451
Total energy sold by FSHU	S/1=S+11	5,052,261	5,048,944	5,468,398	5,510,942	5,571,990
Energy for customers entered the unregulated market	12	41,209	67,126	82,829	50,607	44,306
Economic bull (application of the decision of ERE 232/2019)	13	-	31,272	28,756	25,215	11,200
Energy injected into OST from HPPs in the DSO network	14=T.1	229,380	180,053	415,433	354,379	516,517

Table 4. Description of the total energy balance sheet for the distribution network

Total losses over the years in the distribution network are shown in Table 5 and distribution chart in Figure 2.

VITI	Energji e IN (MWh)	Energji Out (MWh)	Humbjet (MWh)	Humbjet (%)
2013	7,146,571	3,925,920	3,220,651	45.07%
2014	6,935,244	4,313,304	2,621,940	37.81%
2015	6,494,867	4,459,242	2,035,625	31.34%
2016	6,399,716	4,605,263	1,794,454	28.04%
2017	6,498,515	4,781,998	1,716,517	26.41%
2018	6,436,970	4,883,784	1,538,503	23.90%
2019	6,805,811	5,322,850	1,482,962	21.79%
2020	6,785,136	5,327,396	1,457,740	21.48%

2021	7,552,369	5,995,416	1,556,953	20.62%
2022	7,400,399	5,941,143	1,459,257	19.72%
2023	7,578,286	6,144,012	1,434,274	18.93%

Table 5. Total losses over the years in the distribution network

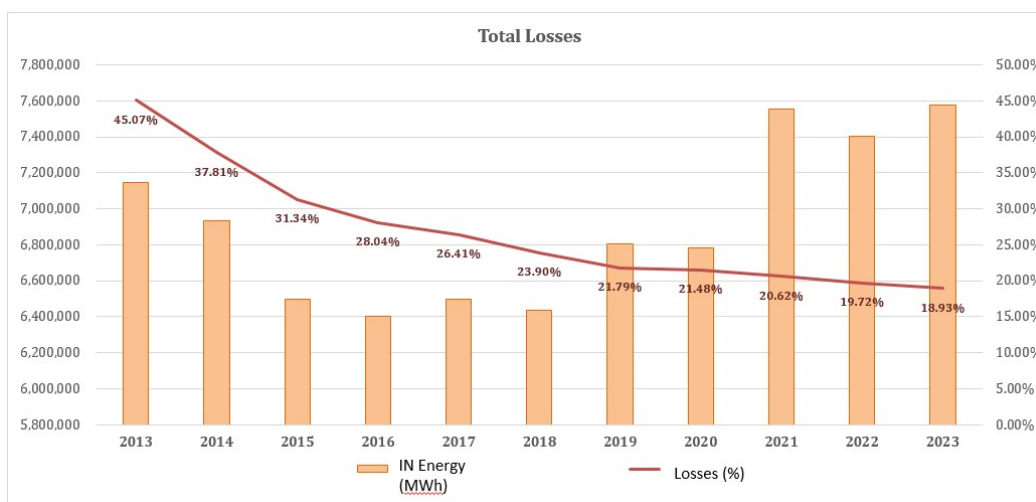


Figure 2. Chart of total losses over the years

There is a progress in reducing losses in percentage from year to year. Compared to 2013, losses have been reduced by nearly 1,786 GWh or about -26.1%. Losses have decreased in absolute value (MWh) compared to all previous years, reaching a reduction of nearly 55.5%, a decrease compared to 2013.

As stated above, there is a trend in reducing lost energy despite the fact that the energy circulated in the distribution network in the last 3 years has marked a significant increase compared to all previous years.

Table 6 gives the losses for the year 2023 in detail according to:

- Regional Directorates;
- Voltage level TL, TM & TU;
- Personal consumption in TL;
- DSO network level.

Distribution regions	Total Losses (January - December) 2023			
	Purchase of Energy	Billing	Losses	Losses %
	MWh	MWh	MWh	
Tirana	2,528,530	2,210,136	318,394	12.59%
Durres	966,224	786,060	180,164	18.65%
Fier	459,211	399,164	60,047	13.08%
Elbasan	518,939	444,443	74,496	14.36%
Korca	409,800	354,572	55,228	13.48%
Gjirokastra	313,297	256,590	56,707	18.10%
Shkodra	705,988	469,421	236,567	33.51%
Berat	442,459	372,813	69,646	15.74%

Kukes	230,715	137,499	93,215	40.40%
Burrel	528,365	405,583	122,782	23.24%
Vlora	372,143	303,281	68,861	18.50%
Losses in TM & TU	7,475,669	6,139,561	1,336,107	17.87%
Technical losses in TL	98,166	-	98,166	1.30%
Personal consumption of TL Units	4,451	4,451	-	-
Total Losses DSO Year 2023	7,578,286	6,144,012	1,434,274	18.93%

Table 6. Losses for the year 2023 in detail

As evidenced by Table 7, the greatest contribution to the reduction of Losses has been made by their reduction in the TM & TU segment (since there circulates about 98% of the total Energy in the network) during the 12 months of 2023 compared to 2022.

Losses	Year 2022	Year 2023	Loss Reduction
TM&TU	18.69%	17.87%	-0.82%
High Voltage	1.28%	1.30%	0.02%
Total DSO	19.72%	18.93%	-0.79%

Table 7. Comparison of loss reduction during 2022 and 2023

The objective on Losses in the Distribution network for 2024 is 18.5% according to Decision No. 758, dated 9.12.2021 "For a change in Decision No. 253, dated 24.4.2019, to the Council of Ministers, "For the approval of the Financial Consolidation Plan of the Public, Electroenergetic Sector". The mentioned Decision determines/predicts the following annual projection on the losses in the distribution network and revenue collection for OSHEE Group for the ongoing period until 2026, as shown in Table 8.

	Total Losses (%)	Revenue collection (%)
2014	37.8	91.9
2015	31.3	98.3
2016	28.0	92.0
2017	26.4	97.0
2018	23.9	95.0
2019	21.8	95.0
2020	21.5	95.0
2021	20.5	95.0
2022	19.6	95.0
2023	19.0	
2024	18.5	
2025	18.1	
2026	17.8	

Table 8. Annual projection on the losses and revenue collection in the distribution network

Table 8 shows one more motivation to make extraordinary progress in this Directorate, where significant reductions in loss levels are aimed, given the time of the pandemic that not enough investments have been developed in the distribution network to minimize losses, thanks to the cooperation of DSO with all relevant structures to achieve a positive result.

15. NETWORK OPERATION

The Department of Network Operation and Fault Analysis performs its function based on the Distribution Code, Article 3 Operation Chapter, ERE Decision no. 181, dated 10.11.2017 "Regulation on the standard criteria of the quality of the supply service and performance for the security of electricity distribution network".

- In its function, this department is responsible for the safe operation of the Distribution System, coordination and interaction with the Transmission System Operator OST, Electricity Producers, substations under the administration of DSO, TM/TU Dispatches.
- This department collects, records and processes data related to supply quality standards and the performance of the distribution network and reports the data every 3 months to ERE as well as participates in the Data Monitoring process when this process is initiated from ERE.

These work processes are carried out between 5 (five) sectors, as follows:

- Operation and Maintenance Sector of TL and NST Network;
- TL Dispatch;
- Network Operation and Maintenance Sector in TM/TU;
- Data Processing and Work Regime Sector;
- HPP Operation Sector.

During 2023, the tasks according to the respective functions of each sector have been carried out as below:

➤ **TL / NST Network Operation and Maintenance Sector and TL Dispatch**

The High Voltage Dispatch and the network maintenance sector has implemented the operational management of the Distribution system at the national level with the aim of ensuring the stability of the distribution system.

Through the training and instruction of the personnel, the stability of the system has been achieved for the fastest return of electrical energy to consumers, the registration of all TL/Nst network interruptions in the operating books has been done correctly. On the basis of these registrations, their route through the relevant Excel spreadsheets has been made according to the relevant formatting.

It has monitored and managed peak loads in extreme cases or special drives, during the beginning of 2023, the Summer Season 2023 and various contingencies throughout 2023, especially during the period with severe weather conditions. For each event, measures have been taken through plans for readiness in providing consumers with uninterrupted energy.

It has become possible to highlight the critical points of the distribution network and address them in the relevant departments.

It has correctly carried out all the instructions received from the OST dispatch, based on the distribution, transmission and code of ethics codes, positively influencing the stability of the Albanian electricity system, especially in the difficult situations of high production of “Hec-e” in the country.

The collection, processing and supervision for the implementation of the graphic repair plan, both for the OST transmission system and the DTL plan, have been correctly implemented, making reconciliations to minimize the repairs.

The notification scheme was carried out in an accurate manner, applying the official deadlines set by ERE, for all planned and unplanned interruptions with the press office, private entities and other departments.

All weak points in substations and 35 kV lines have been identified, on which investments or deep repairs should be made in the following year.

All legal deadlines for returning responses to letters addressed to this sector have been met.

➤ **Network Operation and Maintenance Sector in TM/TU**

The operation and maintenance sector of the TM/TU Network has successfully implemented the collection and real-time reporting of the TM/TU network outages throughout 2023 and especially during the preparations in case of deterioration of atmospheric conditions, overloads due to low temperatures low, as well as heightened readiness due to various activities at the country level.

Based on constant perseverance and persistence, it was possible to discipline and continue the process of collection and management of repairs in the TM/TU network for all regional directorates.

The process of collecting detachment from all regional directorates and processing them according to the relevant forms has been carried out.

All the weak points in TM lines, mainly overhead lines and distribution cabins, have been identified, on which deep repairs or investments should be made in the following year.

All legal deadlines for returning responses to letters addressed to this sector have been met.

➤ **Data Processing and Work Regime Sector**

In this sector, the collection and processing of the detachments of the TL/TM/TU distribution network have been carried out correctly.

The calculation of Electricity Supply Quality Indicators and Network Performance according to Voltage Levels TL/ TM/ TU has been carried out for each month and progressively for 3-month, 6-month, 9-month and Annual Performance 2023. These indicators determined by ERE Decision no. 181 dated 10.11.2017 "Regulations for the standard criteria of the quality of the supply service and security performance of the electricity distribution network" and Decision no. 97 dated 04.07.2021 "On the approval of the indicators for the criteria, standards of quality of supply service and security performance of the distribution network in 2021". These indicators consist of: SAID (Duration of Outages per customer), SAIF (Frequency of interruptions per customer), Fault repair time, Frequency level, Voltage level and Unsupplied Energy, as shown in Table 9.

Network naming	SAIF		SAID		Change in % SAIDI	Change in % SAIFI
	Year 2022	Year 2023	Year 2022	Year 2023		
Total TL	7.00	7.89	11.46	11.87	-3.6%	-13%
Total TM	22.11	21.60	40.97	36.70	10.4%	2%
Total TU	2.06	1.37	2.26	1.61	28.9%	33%
Total DSO	31.16	30.86	54.68	50.18	8.2%	1.0%

Table 9. Comparison of indicators of quality of supply service and security performance for 2022 and 2023

The calculation of the forecast of the performance indicators that must be achieved based on the investment and maintenance plan according to Table 10 has been carried out.

Designation	Improvement in % of SAIF	Improvement in % of SAID
TL Network – substations	0.8%	0.8%
TM Network Construction	1.8%	1.6%
Reconstruction of the TM /TU Network	1.0%	0.9%
Priority investments (TU network - ABC lines)	3.1%	4.7%
Total DSO 2024	4.4%	3.1%

Table 10. Improvement in % of performance indicators SAIF and SAID

All the legal deadlines for returning the answers to the letters addressed to this sector have been implemented.

Based on the indicators of the quality of supply above, it determines that DSO investments should be mainly focused on TM and TU to enable their significant improvement in the future.

➤ HPP Operation Sector

In this sector, the construction and updating of the database of generators connected to the distribution system in cooperation with the Department of Network Management has been accomplished accordingly. All the legal deadlines for returning the answers to the generators' complaints regarding detachments coordination with DTL, TL Dispatch and TM/TU Dispatch have been implemented. The processing of the technical documentation of the employees of OST, Producers, Consumers in TL, DTL, regional directorates in implementation of the Distribution Code, the Regulation of Utilization and Technical Insurance and the process of related procedures has been accomplished.

SCADA System management sector

The main modules offered by this system are:

1. (DE – Data Engineering): Database management module.
2. (UI – User Interface): System operating interface module.
3. (FES – Front End System): Central system interface module with local (peripheral) systems.

4. (SCADAApplications – Supervisory, Control and Data Acquisition): Module of monitoring functions, control of network data.
5. (HIS – Historical Information System): Network historical data management module.
6. (TNA – Transmission Network Analysis): Data calculation and contingency analysis with reference to criterion (n-1).
7. (FA – Forecast Applications); Module for forecasting renewable resource load or production data.

All these modules are extremely important for a safe, stable and efficient operation of the distribution system.

Based on the above, the main tasks and responsibilities of this sector are:

- Coordinates the activities of Dispatching and management of the distribution network through the use of the SCADA System.
- Provision of the required level of security of SCADA systems.
- Integration with other systems and business processes.
- Development, planning, construction and maintenance of Relay System and Local Automatic System.
- Coordination of the protection system through the development of protective equipment deployment plans, harmonization of protective equipment deployment plans with the superior level and network users, determination of conditions for network users, as well as review of the report on the deployment of protective equipment.
- Backup systems management.
- Analysis of operational events and proposal for improvement measures.
- Updating of data in case of implementation of new measuring points. The integration of new elements in existing substations or even the integration of a new substation which will be monitored and controlled in SCADA.
- Testing the communication between the central system and the peripheral systems for the newly implemented measurements.
- System management for network performance optimization. Part of the applications of the SCADA system is the stability and optimization of the network through forecasts or the study of the history of loads.

The inclusion of hydro or photovoltaic resources in the system is part of the analysis and optimization of the network.

During 2023, written communications were maintained and meetings were held with ERE, for various issues related to the supply of electricity to all network users.

Meetings and written correspondence were held with the OST, for various issues related to the supply of electricity to all network users, mainly during standby periods.

Meetings and correspondence were held with other departments of OSSH, OSHEE, DTL and Regional Directorates, for various issues related to the supply of electricity to all network users.

Also, constant correspondence has been maintained with the Legal Department on various issues, where their opinion was needed in order to have the clearest and most accurate procedures from the legal point of view. The monitoring of the developments in the distribution network has been carried out and the problems related to the implementation of the Distribution Code have been updated. It reflects the changes made to the Network Code and the Transmission Code and proposes the necessary changes to the Distribution Code.

According to the requests, the necessary comments have been made and sent regarding the reports sent by the Secretariat of the Energy Community, regarding the technical problems faced by the Operating System, work has been initiated and is continuing to institutionalise the addresses for notifications in the event of interruptions in distribution network. Work continues on updating the technical data for the Distribution Network in the Power Factory program.

There is great attention to the process for the completion of the project in implementation of the order of the administrator of the company DSO on the unification of the TM feeders between two substations, the reduction of one voltage level in the substations with three voltage levels, as well as the transition from the 6.10 kV level to that 20 kV in the substations where it is possible. All other administrative activities were carried out accurately and accordingly.

Objectives for 2024

- Drafting and approval of the new Distribution Code;
- Implementation of central SCADA with KfW;
- Different trainings for the staff for the new technologies that are implemented;
- Re-structuring of the Department of Oppression according to the submitted draft;
- Re-structuring of the Regional Directories to enable the separation of the operation process from the Maintenance process;
- The implementation of the work for the identification of various problems of the network (TL/TM/TU) and their reporting to the relevant sectors for taking measures for intervention;
- Improvement of network quality indicators (SAID/SAIF) based on investment plan and maintenance plan (SAIF – 4.4%; SAID – 3.1%);
- Coordinating the work with the Regional Directorates for the best management of the TM/TU network and the generating resources connected to this network and the preliminary notifications of the generators in case of breakdowns or repairs of the feeders;
- Follow-up of the work to complete the data in the power factor system;
- Following the training of the TL Dispatch staff and not only for the SCADA system.

Finally, it is important to note that during the last 3 years 2019 – 2022, the financial situation of the company, due to the extraordinary events that occurred (earthquake 2019, pandemic), accompanied by the declaration of the state of emergency, did not enable investments to be made necessary for improving the indicators of the quality of electricity supply. Interventions in the distribution network have mainly consisted of performing the necessary maintenance of the distribution network as well as solving emergency problems.

16. INVESTMENTS MADE IN THE NETWORK ACCORDING TO THE INVESTMENT PLAN AND REPAIRS MADE

The approved investment plan by Decision of the Supervisory Council no. 27 dated 20.11.2023, includes new investments and maintenance for infrastructures such as: Substations, TL Lines, TM, TU, new technologies, services such as supervision - validation, etc. The estimated budget for the period 2023 - 2024 - 2025 is given in summary values in Table 11:

Year	2023	2024	2025
Budget (ALL without TVSH)	2,800,477,636	3,061,487,079	2,120,233,726

Table 11. Estimated budget

For the year 2023, DSO has contracted according to the investment plan a total of 3,293,630,142 ALL before Tax, 90% of these contracts were concluded during the second 6 months of 2023, this is due to the drafting of the completion of the public procurement procedures.

Currently, during 2023, 7% of new investments have been realized for the contracts concluded during this year according to the plan for 2023, this translates into a value of 230,554,110 ALL before tax. While 93% of the value contracted during 2023 from the investment plan is expected to be implemented in the following 2024 - 2025 term.

The contracts concluded during the last 3 months of 2023, and which hold the highest weight of the implementation budget in financial terms, have not currently started their execution on the ground, due to the procedures of the equipment with a Building Permit (in AZHT) from KKT .

The implementation of these investments is expected to begin during the first 6 months of 2024. It is predicted that about 30% of the values contracted during 2023 will be realized after 2025.

Based on the Regulation of Security and Technical Use for Implants, Installations and Electrical Equipment, periodic maintenance is foreseen and carried out for all network units. The distribution network is also subject to emergency maintenance, as a result of deep climatic changes and civil emergencies of various types to eliminate critical nodes that are a consequence of climatic changes (the distribution network is relatively aerial, depreciated and long, in a mountainous terrain, therefore exposed to climatic conditions). This is emphasized especially in rural and remote rural areas.

This entire maintenance process has been carried out with and without power interruptions in accordance with the requirements of the Distribution and Transmission Code, regarding information

through the press offices to all electricity users according to prior announcements. In the case of performing with power outages, these outages are called planned outages. The entire maintenance process has been carried out on the basis of an annual forecast detailed by month.

In order to have a clearer and more understandable view of the distribution network, here is to divide it according to this energy flow:

- Maintenance in the distribution network 6,10,20,35 kV, maintenance of the old aerial network.
- Maintenance of Substations, maintenance of TL nodes.
- Maintenance of TM/TU electrical cabins, maintenance of TM joints.

We emphasize that the whole process of maintenance of the distribution network, since the network itself is dynamic, means that the maintenance process is not planned to be static, but also to be dynamic depending on the climatic changes that increase the demand for consumption; however, that carries out the consequences of these climatic changes from the point of view of sustainability, especially electrostatics. The realization of the total Repairs for the year 2023 is as follows in Table 12.

DIRECTORY	Planning + Realization of Repairs TOTAL (Middle + Preventive)									
	CABIN (in pieces)		TM line (Km)				TU line (Km)			
			Cable		Air		Cable		Air	
	Plan	Fact	Plan	Fact	Plan	Fact	Plan	Fact	Plan	Fact
TIRANE	1173	1069	102.0	95.0	123.2	121.3	85.5	81.5	61.2	59.1
DURRES	1895	1019	85.0	78.0	168.4	160.3	70.0	63.0	15.5	13.2
SHKODER	390	356	41.9	35.6	238.2	222.2	46.6	38.1	239.2	218.9
BURREL	1234	1204	55.1	55.2	839.5	750.0	116.5	105.2	582.3	530.0
KUKES	535	284	15.0	7.0	1500.3	946.0	31.0	27.0	54.0	27.0
ELBASAN	626	583	28.0	25.1	62.8	63.0	32.0	28.7	34.0	30.2
KORÇE	451	350	15.5	14.5	243.2	215.9	16.2	13.2	159.3	137.3
BERAT	1261	1075	20.0	19.0	675.2	604.5	28.0	24.5	55.5	54.6
GJIROKASTER	797	580	84.3	65.8	1084.6	778.8	148.8	105.6	531.1	412.4
FIER	803	468	21.2	18.0	713.0	379.1	122.7	91.1	446.1	352.2
VLORE	678	628	21.0	16.0	448.4	437.9	15.2	14.1	49.8	48.1
TOTAL DSO (Middle Repairs + Preventive Repairs)	9843	7616	489.0	429.2	6096.6	4679.0	712.4	592.1	2228.0	1882.9

Table 12. The realization of the total Repairs for the year 2023

17. INFORMATION ON NEW CONNECTIONS IN THE DISTRIBUTION SYSTEM

To improve the process of new connections, a group was set up by OSHEE Group for the deregulation and digitization of services, where, among other things, it was agreed to join some steps in the M-Power system to the module of new connections without affecting the process and improve the service.

OSHEE Group has promoted a new and accessible portal for all DSO customers, with the aim of receiving online services in the fastest and most practical way possible. The range of services that will be offered online has been expanded, without the need to waste time at Customer Care counters, this decision aligns OSHEE with contemporary standards.

The "new connection" or provision of the contract conclusion service with OSHEE will be offered online on the website www.oshee.al and www.ossh.al within the month of February 2024. This is one of the most contested services by our customers, due to practices that lead to delays and waste of time, not to mention economic costs, which is why OSHEE made it the focus of deregulation reform.

In the new website, the subscriber can follow step by step the entire application process for the requested service, at which stage it is, until receiving the answer/service. The subscriber could enter the code and track the issue through the online platform, which DSO have worked on in detail to make it as easy as possible for customers to use.

Also, in the documentation submitted by the applicant for new connections for the 0-20 kW sector (which comprises about 85% of the applications) it was proposed that the REGULATION FOR NEW CONNECTIONS IN THE DISTRIBUTION SYSTEM Approved by Decision No. 166, dated 10.10.2016, of the Board of ERE, amended by Decision No. 177, dated 08.11.2016 of the Board of ERE, to remove points 4 "Photocopy of the registration certificate" 5 "General plan of the location of the facility" and 6 "Installation statement and protocol intoxication" and will be replaced by "Self-declaration by the applicant". The reason for this replacement is to eliminate documentation that is prepared by third parties and has additional costs for the applicant, simultaneously shortening the application time.

For all applications made by subjects, the registration certificate should be removed, for all powers, as it is a redundant document at a time when with NUIS, the DSO can generate from the QKB directly any type of information necessary for the application.

During 2024, the possibility of applying through the website and the tracking system by the applicant will be implemented.

1) The total applications registered during the year 2023 for new and additional power connections according to power categories are shown below in Table 13.

Power/Type of application	New connection	Extra Power	Grand Total
0-20KW	9613	1538	11151
20-50 kw	447	724	1171
Mbi 50 KW	500	645	1145
Grand Total	10560	2907	13467

Table 13. Total applications registered during 2023 according to power categories

2) The total applications registered during 2023 for new and additional power connections according to the categorization of regions and powers are shown below in Table 14.

Region/Power	0-20 kw	20-50 kw	mbi 50 kw	Grand Total
Regional Directorate – Berat	427	63	59	549
Regional Directorate – Burrel	427	13	33	473
Regional Directorate – Durrës	2161	186	176	2523
Regional Directorate – Elbasan	708	64	73	845
Regional Directorate – Fier	410	54	40	504
Regional Directorate – Gjirokastrë	762	117	71	950
Regional Directorate – Korce	527	40	46	613
Regional Directorate – Kukës	197	16	11	224
Regional Directorate – Shkodër	1115	93	92	1300
Regional Directorate – Tiranë	3441	395	464	4300
Regional Directorate – Vlorë	976	130	80	1186
Grand Total	11151	1171	1145	13467

Table 14. Total applications registered during 2023 according to the categorization of regions and power

3) The number of applications for each status is shown below in the Table 15.

Status of applications	Number of applications
Cases in which the applicant must complete the documentation	1394
Completed	8692
It is expected that the advance payment will be made by the subscriber	688
Process	1530
Rejected	1163
Grand Total	13467

Table 15. Status and number of applications

For the cases not closed within the deadlines, the following factors mainly influenced:

- Time of completion of documentation by the subscriber (in cases where documentation is found to be missing);
- Absence of the subscriber in the facility, during the technical update;
- The subscriber's payment, which must be made within a period of 5 days;
- Duration of completion of works by the subscriber (completion of the facility, line extension, etc.).

For these problems, the time frame is not dependent on DSO sha but on other external factors.

There have been complaints about cases approved beyond the deadlines set in the regulations.

The reasons for applications placed on hold and rejected during 2023 are as follows:

- Lack of documentation;
- The advance payment has not been made for a long time;
- The applicant turns out to be a debtor;
- The object applied for is unfinished;
- Ownership problems.

Generating Resources Sector

This sector, pursuant to Law No. 43/2015 “*On the Electricity Sector*”, amended, Law No. 7/2017 “*On encouraging the use of energy from renewable sources*”, Decision No. 822/2015, develops the procedures for approvals of connections in the distribution network, of new generating sources 9 (preliminary and approval opinions of the connection point). Also, referring to instruction No. 3, dated 20.6.2019 “*For the approval of the simplified authorization procedure for connection to the distribution system of small renewable projects for self-producers of electricity from the sun*”, the generating resources sector follows the procedures for approval of connections to the distribution network of self-producing consumers in order to integrate them into the distribution network of DSO.

The activity of the Generating Resources Sector for the year 2023 focuses on three main directions, following also all other functional tasks covered by the Directorate of Network Delivery:

- Integration of self-producing consumers in the DSO network (based on instruction No. 3, dated 20.6.2019);
- Provision of preliminary opinions (based on decision No. 822, dated 7.10.2015);
- Approvals of the connection point of generating resources (based on Law No. 43/2015 as amended and Law No. 7/2017).

1. Integration of self-producing consumers in the network of DSO

The Albanian Government has been focused in helping passive consumers become active energy producers. This includes making it easier for them to connect to the energy grid and ensuring that the quality of energy produced by producers is not limited to that of their consumers. This has increased the interest in this practice in Albania. The need for less carbon-based energy is turning passive energy consumers into active energy producers. This change in role is an opportunity not only for a more sustainable energy system with fewer carbon emissions, but also for a more democratic and inclusive system.

On the part of the generating resources sector, work continues regarding the integration of this category of producers in the electricity market. During 2023, there is an increase in the number of customers who have applied for a new connection as a self-producer of electricity who can install a total capacity of up to 500 kWp, in accordance with Article 15 of Law no. 7/2017 *“For promoting the use of energy from renewable sources”*.

For the year 2023, 627 self-producing customers who currently have this status have been approved, with a total installed capacity of about 60596.26 kWp from this category of producers.

The number of self-producing consumers and the total installed power in kWp connected to the DSO network according to regional directorates for year 2023 is shown in Table 16.

Regional directory	Number of self-producers 2023	Installed power (kW)
Tiranë	267	22245.95
Durrës	152	16656.79
Fier	23	2433.45
Vlorë	14	563.71
Gjirokastër	14	877.84
Korçë	33	3076.96
Elbasan	69	5163.28
Burrel	10	442.92
Berat	66	4153.58

Shkodër	66	4352.29
Kukës	9	593.04
Total	723	60596.26

Table 16. Self-producing consumers and the total installed power in kWp connected to DSO

In Figure 3, the graph of the total number of self-producing consumers connected to DSO during the year 2023 is presented, where the division in % is made according to the Regional Directorates.

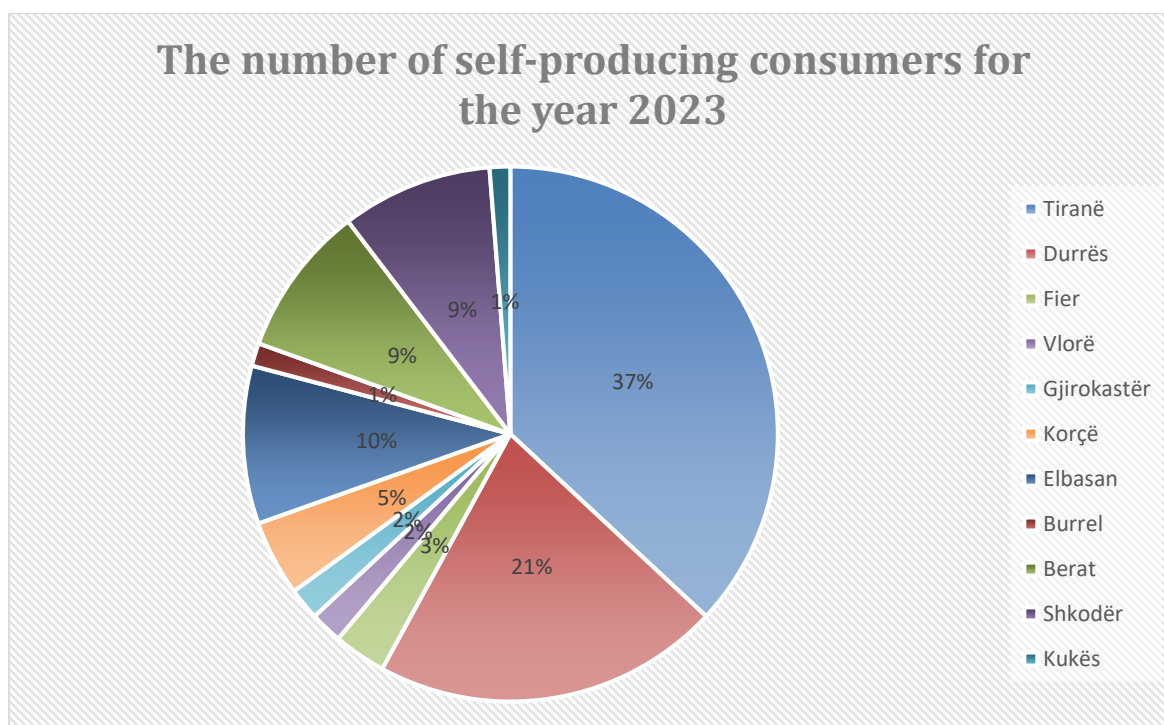


Figure 3. Graph of the total number of self-producing consumers connected to DSO

2. Giving preliminary opinions

The Sector of Generating Resources is responsible for guaranteeing access to the network and approving new connections in accordance with technical and legal rules in accordance with the requirements established in Law No. 43/2015 "On the Electricity Sector", as amended, other acts applicable law as well as the Distribution Network Code. The user of the distribution system seeking to connect to the Distribution Network must meet the minimum technical criteria of planning and operation, in order to maintain a stable and safe use of the Distribution System. Based on Decision No. 822/2015, Article 10, Pre-feasibility Study, where it is stated that the subject requesting connection to the distribution network of the new generating source, submits a request to DSO for a Preliminary Opinion on its connection to the electricity distribution system. During the period January-December 2023, DSO has given 42

Preliminary Opinions (the first stage for obtaining preliminary approval in the Ministry of Infrastructure and Energy) for the connection to its network of New Generating Resources.

The Preliminary Opinions of 2023 are presented in Table 17, where the division is made according to Regional Directorates.

Regional Directorate	Preliminary opinion	Power (MW)
Vlore	2	26.5
Berat	3	9
Burrel	5	15.5
Durres	3	20
Elbasan	7	31
Fier	11	54.25
Korce	3	20.8
Kukes	2	18.1
Librazhd	2	12
Lezhe	1	2.3
Shkoder	2	6
Gjirokaster	1	15
Total	42	230.45

Table 17. Preliminary Opinions (division by Regional Directorates), Year 2023

Figure 4 shows the graph of preliminary opinions for the year 2023, with the data obtained from Table 17, where the division is made according to Regional Directorates.

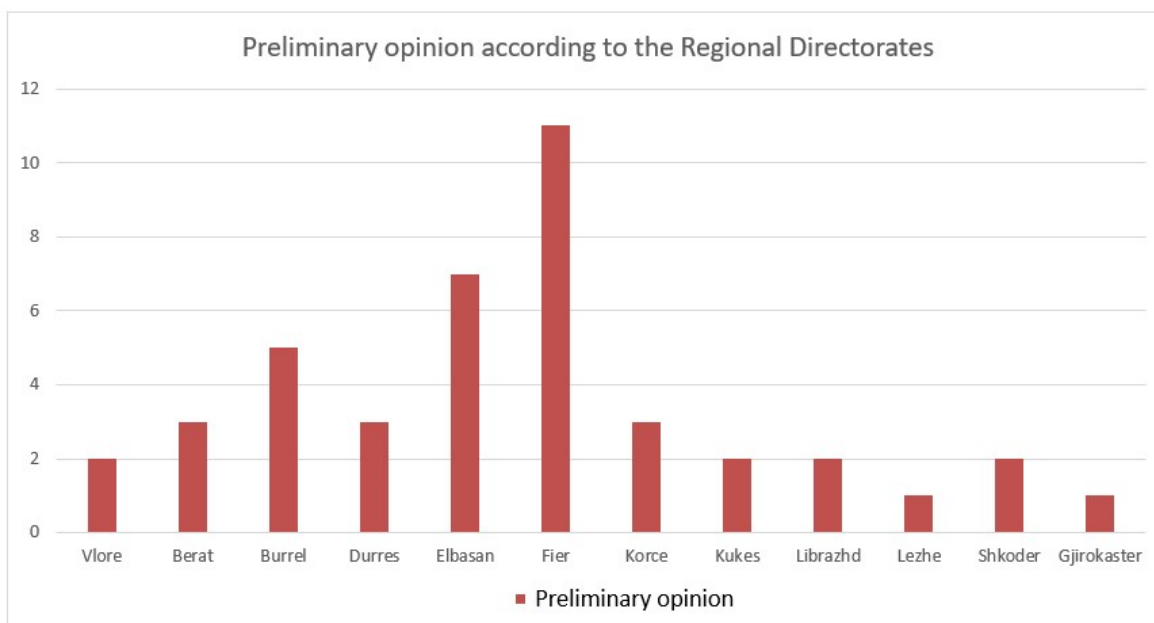


Figure 4. Preliminary Opinions (graph by regional directorates), Year 2023

3. Approvals of the point of connection of generating sources.

During the year 2023, based on Decision No. 822/2015, the generating resources sector has given 29 approvals for electricity generating sources (8 approvals for HPPs, 19 for photovoltaic parks, 2 for wind), as shown in Table 18.

Generator Type	Number of approvals	Installed power of the generator (MW)
Wind	2	17
Photovoltaic	19	53
Hydro Power Plants	8	21.39
Total	29	91.39

Table 18. Number approvals for electricity generating sources for year 2023

Approvals given by the sector of generating resources divided by substations for the year 2023, are shown in Table 19.

Connection point (zbara substation or line 35 kV)	Preliminary opinion	Power (MW)
110/10 kV Shupenze	1	2
110/20 kV Fieri I Ri	1	2
110/35/10 kV Kukës.	1	15
110/35/6 kV Bulqizë	4	14
110/35/6/0.4 kV Tec-Ballsh	1	6
110/6 kV Fushë Krujë	1	8
35/6 kV Poliçan	2	4
Delvine	1	6
Fier	1	4
Hoxhara e re	2	5
Jagodine	1	2
Kafaraj	1	5
Substation Librazhd 110/35 kV	2	12
Substation 35/6 kV Elbasan 5	5	18
Substation Himarë 110/35/20 kV	1	14
Substation Kurbnesh 110/6 kV	1	2
Petrushe 35/10 kV	1	13
Pojan 35/6 kV	3	14
Povelç 35/6 kV	1	10
Rrogozhine	1	2
Shijak	1	2
Shkodra 2 110/35/20/6 kV	1	4
Trush 2 35/6 kV	1	2
Qarr 35/6 kV	1	6
L 30-34 (Kafaraj-Povelce)	1	2
Sallmone 110/20 kV	1	10
L30-12/1 Hoxhara 2- TEC Fier	1	9

Orikum 110/35/20 kV	1	13
Delvinë 35/10 kV	1	15
Banjë 35/6 kV	1	11
Total	42	230

Table 19. Approvals divided by substations for the year 2023

Since the construction of mainly photovoltaic but also wind plants has been seen as a better and economic alternative (based on the favorable geographical position of Albania) in terms of electricity production, there is a need for a detailed study on the impact that these generation plants bring to the distribution network and this can be mentioned as one of the main problems that belong to the sector of generating resources.

We can also mention the fact that since the attention is moving towards this form of energy production, there is a need for the smooth running of this sector to update the regulation of new connections for the necessary documentation and the procedures to be followed for the approval of connection point of generating resources.

18. IMPLEMENTATIONS AND RECOMMENDATIONS OF THE OFFICER

This part of the report presents the measures taken to implement the recommendations left by the Compliance Officer in the 2022 report.

- Updating the official website of DSO and creating a new, more flexible brand, which was achieved thanks to the very good cooperation between the Company Administrator, the Official and other members for the creation of this very dignified website, it has been redesigned, improving the way of providing and organizing appropriate information according to certain areas that operate, making a better presentation, appropriate management of important information as well as compliance with security standards that apply to information systems on the WEB.
- The implementation of the Compliance Program and the annual report on the Company's Web, aims at adequate information for all DSO employees to be informed and to implement the compliance program.
- The creation of a new section on the DSO Website called Notify/Report to the Official where they will be addressed via email in a confidential manner about issues that may be related to unethical activity including: conflict of interest, leakage of sensitive information, discriminatory treatment of system users, non-compliance with the compliance program, etc.
- Trainings and meetings with the staff to make progress as efficiently as possible. The Compliance Officer has organized one of the most important trainings in the Region of Tirana, which is the region with the most influence in the country, where DSO employees have been informed and advised on every matter related to the Compliance Program.
- Approval of the new structure according to the law in force, in cooperation with the Administrators of the company OSSHE Group/DSO, a working group has been set up to make a

more productive structure in all Regions of the Country where quality work in maintenance will be required.

18.1 Recommendations of the Compliance Officer

Official announcement and participation of the Compliance Officer in the meetings of the Supervisory Council:

This obligation arises from the stipulations of the DSO Compliance Program Point 2 and considering the fact that during 2023 the ZP was not notified about the meetings of the Supervisory Council, I recommend that the relevant structures of the DSO officially notify the ZP for participation in the Council meetings and especially they can be related to issues such as: the conditions of access to the distribution system, as well as the use of this network, the allocation of distribution capacities, transparency, projects in implementation related to the operation, maintenance and development of the distribution system, buying and selling energy for the needs of covering losses in the distribution network, etc. The Compliance Officer had several meetings with the CEO and the members of the Supervisory Board and exchanged opinions about the projects and the progress that the company will have in the future.

Trainings regarding the confidentiality of data/sensitive information and the right to information:

In order to fulfill the provisions of the law for the energy sector and the provisions of the Compliance Program for maintaining the confidentiality of sensitive commercial data/information, it is important to commit to continuous training with all DSO employees and especially with those employees who have access rights to DSO electronic platforms.

Program Update/Upgrade:

The program is a new product and needs to be updated and kept in mind to be as efficient and coherent as possible with all the stakeholders we collaborate with.

Extension of online/transparent services for subscribers:

In close cooperation between OSHEE Group and DSO, progress has been made in relation to the development of improved customer relations through the Company's portal and website.

Drafting and approval of the new Distribution Code:

This recommendation arises from the request and obligation that DSO has for the new approval of the Distribution Code dated in 2008, and the specific request from the Secretary of Energy made in the last report and ERE, but it should be noted that all necessary measures have been taken to get implemented very promptly. In this regard, the teams have been set up to make possible the design and publication of the official website www.osshe.al as well as in the competent authorities.

19. CONCLUSIONS

DSO is working hard to perform quality work and to achieve the main objectives, emphasizing the progress in reducing losses in the network and the high expectations that the management staff has for the coming year.

One of the key objectives of DSO is to ensure the smooth running of management to guarantee continuous access to electricity in the distribution network for all its users.

Albania has come a long way and made considerable efforts to ensure the separation of the distribution system operator.

In this respect, the Secretariat closes the case ECS-4/17 which was opened on 16.01.2018 to fulfill all the obligations of the Energy Community Treaty and on 18.04.2023 the Secretariat acknowledge as exhausted after the full transposition of the provisions of the Directive of Electricity in relation to the separation of DSO in the National Legislation, the completion of the legal separation and substantial progress in the functional separation. The last measures that ensured the functional unbundling were the approval of the compliance program and the appointment of a compliance officer and assessed with 100% fulfillment of one of the main objectives of DSO/DSO UNBUNDLING, as stated in the annual report held on 14.12.2023 in Vienna.

The Compliance Officer has had unlimited access to the necessary data in the DSO offices to perform his duties. The Compliance Officer has participated in the majority of the DSO meetings in Head Office and Corporate levels, including the Supervisory and Management levels, which have informed the Compliance Officer in advance about the scheduled meetings and provided him with all the information and materials necessary to attend meetings. During the performance of his activities, the Compliance Officer has given his opinion regarding some internal documents as well as actions of DSO regarding their compliance. All managers and employees of OSSH, authorized representatives, auditors and advisors have confirmed in writing that they are informed about the Program and that they will implement it. All DSO leaders and employees are regularly instructed on the implementation of this program at least once a year.

The 2023 report does not highlight any material violations resulting in non-compliance with any of the compliance requirements that would compromise (i) the independence of DSO from vertically integrated companies that perform or are engaged in production or supply activities of energy (FSHU, FTL, etc.) (ii) confidentiality of data and sensitive commercial information as well as (iii) equal treatment of users of the distribution system as we have quoted above.

It is relevant to mention that the fulfillment of the requirements defined in the Compliance Program requires close and continuous cooperation with all departments and managers in order to identify and prevent discriminatory behavior in time against participants in the energy sector.

DSO and OSHEE, under the knowledge of the Compliance Officer, is in regular communication with ERE to fulfill legal requirements. The Compliance Officer is in charge of coordinating the communication with ERE in relation to the program where a hearing session was held at the premises of ERE with representatives of OSSH sha, with other competent authorities mentioning the

Coordinating Group of Distribution System Operators (ECDSO- E), Network of Compliance Officers in the Region.

At the same time, the Compliance Officer presented for the second time the Proposals/Recommendations for the more correct implementation of the Compliance Program and the regulatory framework of DSO, such as updating the online site including the Compliance Program, and the immediate implementation of the Policy Guide Classification of Information according to the Program.

DSO shares data and has a very good cooperation mainly with TSO, the Regulatory Body (ERE), the Ministry of Infrastructure and Energy (MIE), the National Agency of Natural Resources, the Institute of Statistics, organizations where DSO is a partner or organizations that provide assistance financial for the development of the energy sector.

In conclusion, there has been established and developed great collaboration between the Compliance Officer and all the organizational units of DSO and OSHEE as well as the Staff, Directors, Members of the Supervisory Council, the relevant structures of ERE and MIE.

Tirana, March 2024

Ervis Hazizi

Compliance Officer, DSO