



On the implementation of the Compliance Program in accordance with Article 72 of Law No. 43/2015 “On the Electricity Sector”, as amended, as well as the by-laws of the Energy Regulatory Authority (ERE)

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1. INTRODUCTION

The 2025 Annual Compliance Report of the Distribution System Operator JSC (DSO JSC) presents the assessment carried out by the Compliance Officer regarding the implementation of the Compliance Program and the fulfillment of legal and regulatory obligations by the company during the reporting period.

This report is prepared in accordance with Article 72 of Law No. 43/2015 “On the Electricity Sector”, as amended, and in compliance with the by-laws and regulatory decisions of the Energy Regulatory Authority (ERE). It is based on DSO JSC’s Compliance Program, approved by ERE Board Decision No. 257, dated 21.12.2020, which sets out organizational and procedural measures to ensure functional unbundling, non-discriminatory treatment, and protection of confidential information.

The Compliance Officer was appointed by the Supervisory Council Decision, dated 08.02.2023, and approved by the ERE Board with Decision No. 114, dated 27.03.2023. In exercising their functions, the Officer monitors the effective implementation of the Compliance Program, verifies compliance with legal and regulatory provisions, and informs the regulatory authority of any matters related to the integrity and functional independence of the distribution system operator.

During 2025, monitoring was carried out continuously and independently through the analysis of internal documentation, operational procedures, and collaboration with the company’s managerial and regional structures.

This report is prepared for the fourth time within the framework of the Compliance Officer’s functions at DSO JSC and includes the analysis of measures taken during 2025 in the implementation of the Compliance Program. In accordance with regulatory requirements, the report is submitted to the Energy Regulatory Authority (ERE) and the Secretariat of the Energy Community within the legal deadline, no later than March 31, 2026.

2. ADMINISTRATIVE MODEL

The company “Distribution System Operator” JSC (DSO JSC) is an Albanian legal Authority, established by its sole shareholder “OSHEE GROUP” JSC, in accordance with Article 3, point 1, and Article 103 of Law No. 9901/2008 “On Traders and Commercial Companies”, as amended. The company operates as a joint-stock company with a private offering, founded on 28.03.2018, registered with the National Business Center under NUIS L81530018E, with its headquarters in Tirana.

The administrative model of DSO JSC is built in compliance with the applicable legal and regulatory framework and ensures a clear separation between supervisory and executive functions. Its organizational structure is designed to provide organizational, decision-making, and functional independence, in accordance with the requirements of Article 72 of Law No. 43/2015 “On the Electricity Sector”, as amended, and the Compliance Program.

Within the principle of functional unbundling, DSO JSC conducts distribution activities independently from the generation and electricity supply activities of other companies within the group. Operational, technical, and commercial decision-making is carried out autonomously, without external influences that could compromise the operator’s neutrality toward network users.

- **General Assembly**

The General Assembly is the highest decision-making body of the company and exercises its competencies in accordance with Law No. 9901/2008 and the Articles of Association of DSO JSC. It approves the development strategy, key policies, financial plans, annual financial statements, as well as the appointment and dismissal of the members of the Supervisory Board and the Administrator.

Within the framework of the Compliance Program, the role of the General Assembly is assessed from the perspective of ensuring functional independence and adherence to the principles of non-discrimination. Monitoring carried out during 2025 did not identify any interference in the company’s operational decision-making that would compromise the requirements of functional unbundling.

- **Administrative Council**

The Administrative Council consists of 5 members, appointed by the General Assembly for a 3-year term, with the right to be re-elected.

During 2025, by Decision No. 12, dated 10.07.2025, the General Assembly decided to replace member Mr. Artan Roko with Ms. Juliana Melyshi for a 3-year term. This change was made in accordance with the legislation and the company's foundational acts.

The composition of the Council during 2025 was as follows:

- Erald Hasanaj – Chairman
- Fatjola Halilaj – Member
- Bibjana Terolli – Member
- Admirim Lakra – Member
- Juliana Melyshi – Member

During 2025, the Administrative Council held 7 meetings and approved 14 decisions, addressing economic and financial matters, investments, contractual relations, and human resource management.

Within the framework of monitoring the Compliance Program, it was verified that the exercise of the Council's competencies was carried out within its supervisory role, without interfering in the operational competencies of the Administrator, thereby respecting the separation between strategic and executive functions.

▪ **Administrator**

The Administrator is the company's executive body and is appointed by the General Assembly for a 3-year term, with the right to be re-elected. The Administrator is responsible for the daily management of operations, implementing the decisions of the Administrative Council, and legally representing the company.

The competencies of the Administrative Council are not exercised by the Administrator, and vice versa, ensuring a clear separation between the supervisory and executive functions.

- By Decision No. 7491/1, dated 29.10.2025, the General Assembly reappointed Mr. Blendian Dalipi as Administrator for a 3-year term, until 29.10.2028.

The analysis carried out within the framework of monitoring the Compliance Program shows that the administrative changes made during 2025 were carried out in accordance with the applicable legal framework and did not compromise the organizational and functional independence of DSO JSC, in compliance with the requirements of Article 72 of Law No. 43/2015.

3. THE MISSION OF THE SOCIETY “DISTRIBUTION SYSTEM OPERATOR” DSO

The mission of the Distribution System Operator JSC (DSO JSC) is to ensure the provision of electricity distribution services in a safe, sustainable, efficient, transparent, and non-discriminatory manner throughout the territory of the Republic of Albania, in accordance with Law No. 43/2015 “On the Electricity Sector”, as amended, and the by-laws approved by the Energy Regulatory Authority (ERE).

In accordance with Article 70 of this law, DSO JSC is responsible for the operation, maintenance, and development of the distribution system, ensuring its safe and reliable functioning, as well as meeting the electricity demand within its service territory.

▪ **Performing the Distribution Function**

DSO JSC performs the distribution function in accordance with the principles of transparency, proportionality, and equal treatment of network users.

Within this framework, the company is responsible for:

- the safe and reliable operation of the distribution network;
- the development of the network in line with consumer needs and economic development.
- connecting consumers and producers to the network under objective, transparent, and non-discriminatory conditions.
- ensuring equal access to the network.
- managing data and protecting sensitive commercial information.
- guaranteeing suppliers’ access to metering data, in accordance with ERE regulations.

The exercise of this function is carried out independently from electricity generation and supply activities, ensuring functional neutrality and avoiding any preferential treatment.

▪ **Connection to the Network of Generating Sources and Self-Producers**

In accordance with the legal and regulatory framework, DSO JSC ensures the transparent and non-discriminatory handling of requests for network connection of generating sources, including secondary sources and self-producers.

The procedures for reviewing requests are based on:

- the same technical criteria for all applicants.
- defined deadlines for processing requests.
- transparency in determining connection costs.
- complete documentation of the decision-making process.

Connection to the network may be denied only for objective and technical reasons, which are justified and documented, in accordance with the legislation and regulations approved by ERE.

▪ **Distribution Code**

The Distribution Code constitutes the primary regulatory document that sets out the technical and procedural requirements for the planning, operation, maintenance, and access to the distribution network, in accordance with Article 73 of Law No. 43/2015.

DSO JSC conducts its activities in compliance with the current Distribution Code, respecting the principles of system security, transparency, and equal treatment of network users.

Within the framework of market developments and the liberalization process, the Distribution Code has been reviewed and updated in accordance with the consultation and approval procedures established by ERE.

▪ **Management and Verification of Meters**

DSO JSC is responsible for the operation, maintenance, and management of metering equipment in the distribution system, ensuring the accuracy, reliability, and integrity of metering data.

The verification process is carried out in a non-discriminatory manner and includes:

- initial verification of new equipment;
- periodic verification in accordance with technical requirements;
- handling requests for measurement accuracy checks;
- documentation of every intervention;
- respect for the right to appeal.

Any finding or refusal is based solely on documented technical evidence, without selective treatment of any category of users.

4. DSO COMPLIANCE PROGRAM

Legal Framework and Regulatory Basis:

The Compliance Program of DSO JSC is drafted and implemented in accordance with the current legal and regulatory framework for distribution system operators, aiming to ensure: (i) functional and decision-making unbundling, (ii) non-discriminatory treatment of network users and market participants, and (iii) protection of confidential commercial information and prevention of market distortions.

The Program was approved by the Administration Council of DSO JSC through Decision No. 18/2020 and by the ERE Board through Decision No. 257, dated 21.12.2020, following consideration of comments from the Secretariat of the Energy Community. During the approval process, key elements were integrated, including: strengthening the prohibition of preferential treatment toward affiliated companies, defining the competencies of the Compliance Officer, ensuring access to information, establishing a confidential/anonymous reporting mechanism, and providing for disciplinary measures in case of violations.

Objectives and Core Content of the Program

The Program defines the obligations and measures for:

- legal, functional, and financial unbundling of the distribution activity.
- ensuring the organizational and decision-making independence of DSO JSC.
- providing non-discriminatory access to the network and implementing transparent procedures.
- protecting confidential/commercially sensitive information.
- preventing cross-subsidization and risks of market distortion.

▪ **Role and Competencies of the Compliance Officer**

The Compliance Officer performs their role independently and monitors the implementation of the Compliance Program, reporting on compliance and recommending measures to strengthen internal control.

In carrying out their functions, the Compliance Officer, among other things:

- monitors compliance with the organizational, functional, and decision-making unbundling obligations of DSO JSC.
- verifies the implementation of the principle of non-discrimination and equal treatment of network users.
- checks compliance with account unbundling and the prevention of cross-subsidization.
- identifies potential cases of conflict of interest.
- verifies compliance with competition rules and the market price principle for shared services (SLA).
- propose recommendations to strengthen internal control mechanisms.

In accordance with the Program, the Compliance Officer does not hold or exercise, directly or indirectly, any position or professional interest in entities engaged in electricity generation or supply activities, ensuring objectivity and impartiality.

▪ **Performance of the Function During 2025**

During 2025, the function of the Compliance Officer was exercised fully and effectively through:

(a) Participation in Decision-Making Processes:

The Compliance Officer was informed of and participated, when deemed necessary, in the meetings of the Supervisory Board and in meetings of central and regional managerial structures, with the purpose of monitoring decision-making processes and ensuring functional unbundling.

This enabled real-time monitoring of decisions, verification of DSO JSC's independence in relation to other group companies, and the prevention of risks related to conflicts of interest or discriminatory treatment.

(b) Access to Information and Documentation:

In performing the function, the Compliance Officer had full access to administrative/organizational documentation, decision-making processes, technical and operational data, financial and regulatory information, as well as documentation related to shared services (SLA), to the extent necessary for verifying functional unbundling.

Access was exercised in compliance with confidentiality obligations and the protection of commercially sensitive information, as well as legal requirements for personal data protection. During the reporting year, no restrictions were identified that would compromise the functional independence of the Officer.

(c) Recommendations and Preventive Measures:

Within the monitoring and preventive role, recommendations were addressed to strengthen transparency, increase institutional awareness, and improve traceability of processes, including:

- improving transparency through the development of the official website;
- creating/operationalizing the "Report to the Compliance Officer" section as a confidential/anonymous reporting mechanism;
- strengthening the documentation of decision-making processes;
- raising awareness among managerial structures about the obligations arising from functional unbundling.

The recommendations have been taken into consideration by the relevant structures and reflected in organizational practices, contributing to a documented and auditable implementation of the Compliance Program.

▪ **Monitoring Methodology During 2025**

Monitoring during 2025 was carried out using a structured approach, focused on:

- verifying functional and decision-making unbundling.
- ensuring non-discriminatory treatment of network users.
- protecting commercially sensitive information.

Within this framework, the following activities were conducted:

1. **meetings and document analysis** (internal procedures, network access conditions, relations with suppliers, cost unbundling and SLAs, official correspondence, and decision-making acts);
2. **verification of network access and connection processes** (connection requests, processing deadlines, implementation of approved tariffs).
3. **monitoring the management of commercially sensitive information** (separation of public/confidential information and implementation of protective procedures).
4. **supervision of relations with affiliated companies** (2025 SLAs and cost allocation methodology), with a focus on avoiding any cross-subsidization effect on competitive activities.

▪ **Monitoring Results During 2025**

The monitoring process concluded that:

- no cases of systematic discriminatory treatment toward network users or market participants were identified;
- no instances of unaddressed conflicts of interest at the managerial or operational level were observed;
- no cross-subsidization between the regulated distribution activity and other vertically integrated company activities was detected;
- decision-making related to the operation, maintenance, and development of the network was carried out in compliance with functional unbundling requirements.

▪ **Measures to Strengthen Transparency and Reporting Channels**

To enhance transparency, accountability, and traceability of processes, during 2025 it was recommended to strengthen reporting and monitoring mechanisms for potential cases of delays in processing network connection requests, as a possible risk for procedural deviations and unequal treatment.

In this regard, the use of the company's official communication channels was emphasized, including the dedicated section "Report to the Compliance Officer," where all notifications are handled confidentially and verified in accordance with the Program and the regulatory framework.

▪ **Implementation of the Requirements of Directive 2009/72/EC**

During 2025, DSO JSC continued to implement the obligations arising from Directive 2009/72/EC, transposed into national legislation through Law No. 43/2015 “On the Electricity Sector,” ensuring compliance with the principles of legal and functional unbundling, non-discriminatory treatment, and transparency in the exercise of the distribution system operator’s activities.

Within the framework of monitoring conducted during the reporting year, it was verified that the organizational and decision-making independence of DSO JSC was exercised in accordance with the requirements of the applicable legal framework, including the separation of managerial structures and accounts from electricity generation and supply activities. No interventions or materially impactful influences from entities engaged in competitive activities were identified that could compromise the integrity of functional unbundling.

DSO JSC ensured equal and non-discriminatory access to the network for all users, applying uniform and transparent procedures for network connection, use, and capacity development, in accordance with the regulations approved by the Energy Regulatory Authority (ERE).

Measures for the protection of confidential and commercially sensitive information were implemented, ensuring that no affiliated Authority gained a competitive advantage through access to privileged information.

In this context, DSO JSC continued to improve monitoring and reporting practices, including processes related to the integration of self-producers (prosumers) into the network, with the aim of ensuring system stability and ongoing compliance with market developments and the Energy Community acquis requirements.

▪ **Assessments by the Energy Community Secretariat for DSO**

According to the Annual Implementation Report of the Energy Community Secretariat (November 2025), DSO JSC is positively assessed for respecting the principle of legal and functional unbundling from electricity generation and supply activities.

The report also highlights:

- regular annual compliance reporting to the Energy Regulatory Authority;
- approval by ERE of the 2024 Compliance Report, reflecting institutional continuity and compliance with regulatory requirements.

The same report emphasizes that the Distribution Code, approved in 2008, remains in force and requires further updating. In this regard, DSO JSC has set as a target the completion of the review and update process of the Distribution Code by 2026, in line with market developments and the requirements of the Energy Community acquis.

- **Regional Engagement and Cooperation within ECDSO-E**

During 2025, DSO JSC, as a member of ECDSO-E (Energy Community Distribution System Operators Coordination), participated in the activities and discussions of this regional forum.

The contribution focused on:

- challenges of the energy transition;
- integration of renewable energy sources into the distribution network;
- management of self-producers (prosumers) and their impact on network operation;
- reduction of technical and non-technical losses;
- development of infrastructure for electric vehicles (EVs).

This engagement facilitated the exchange of regional best practices, coordination on issues of common interest, and further alignment of DSO JSC’s practices with the standards and directives of the Energy Community.

5. INDEPENDENCE OF THE GOVERNING BODIES OF DSO

In accordance with Article 72 of Law No. 43/2015 “On the Electricity Sector,” DSO JSC performs distribution activities as a legally separate Authority within a vertically integrated company, ensuring organizational, functional, and decision-making independence in the operation, maintenance, and development of the distribution network.

The management structure and administrative model are designed to ensure the exercise of regulated activities without interference from generation and supply activities, guaranteeing institutional integrity, impartiality, and non-discriminatory treatment of network users.

- **Relationship with the Vertically Integrated Company**

The relationship between DSO JSC and OSHEE Group JSC is governed by the company’s Statute, particularly Article 25, which defines the limits of competencies between the parent company and the distribution system operator.

Under this framework:

- DSO has full decision-making rights over the distribution network assets;
- The parent company does not provide instructions for day-to-day operational activities;
- The Administrator of OSHEE Group does not limit the competencies of the Administrator of DSO;
- OSHEE Group exercises only strategic-level economic oversight.

This arrangement ensures DSO’s operational autonomy and prevents any interference that could compromise the functional unbundling of the distribution activity.

▪ **Legal and Functional Unbundling**

DSO JSC operates as a legally separate Authority from those engaged in electricity generation and supply activities.

Functional unbundling has been implemented through:

- the transfer of assets and liabilities related to distribution activities;
- separation of financial statements;
- creation of dedicated organizational structures;
- autonomous investment planning.

The unbundling process has been verified by independent auditors (I.L.D-99 Audit, 10.12.2020), who confirmed compliance with the applicable legal and regulatory framework.

▪ **Unbundling of management**

The individuals responsible for managing DSO:

- do not participate in the management structures of generation or supply entities.
- do not hold dual functions in competing companies.
- do not receive performance-related compensation from supply entities.

This arrangement ensures the avoidance of conflicts of interest and preserves the decision-making independence of the distribution system operator.

▪ **Financial Unbundling and Economic Performance**

DSO maintains separate accounts and implements requirements to avoid cross-subsidization between the regulated distribution activity and supply activities (FSHU JSC and FTL JSC), in accordance with the applicable regulatory framework.

Financial statements are audited by independent auditors, ensuring full transparency and traceability of revenues and costs of the regulated activity. The financial statements for 2024 were audited on 29.12.2025, while the 2025 statements are currently under audit.

During 2025, the following was observed:

- improvement in financial performance compared to 2024;
- increase in revenues from the distribution tariff;
- reduction of network losses beyond the planned targets;
- positive financial performance.

Independent auditing and account separation constitute essential mechanisms for ensuring compliance with the requirements of Article 72 of Law No. 43/2015 and for preventing any form of cross-subsidization.

▪ **Transfer and Management of Human Resources**

In implementation of the structural reform of the electricity sector, in accordance with Law No. 43/2015 and Council of Ministers Decision No. 519, dated 13.07.2016, the distribution activity was separated from supply activities within the market liberalization model.

By Shareholder Order No. 157, dated 12.02.2018, three separate companies were created within OSHEE Group:

- DSO JSC – the distribution system operator;
- FSHU JSC – the universal service supplier;
- FTL JSC – the supplier for the free market.

The creation of these companies implemented legal and functional unbundling, preventing conflicts of interest between the natural monopoly distribution activity and competitive supply activities.

▪ **Transfer of Employment Relationships**

Effective from 01.01.2020, in accordance with Article 138 and subsequent provisions of the Labor Code, the employment relationships of the relevant employees were transferred from OSHEE JSC to DSO JSC, while preserving their contractual rights and conditions.

The process was carried out based on formal acts of the shareholder, with individual notification to each employee and full documentation in the personnel systems.

▪ **Compliance with Functional Unbundling**

The transfer of staff constitutes a key element in implementing Article 72 of Law No. 43/2015, ensuring:

- legal and organizational separation from FSHU and FTL;
- distinct managerial and operational structures;
- absence of functional overlap with supply activities;
- non-involvement of DSO staff in supply operations.

This arrangement guarantees compliance with the unbundling principle and the non-discriminatory treatment of network users.

▪ **Monitoring During 2025**

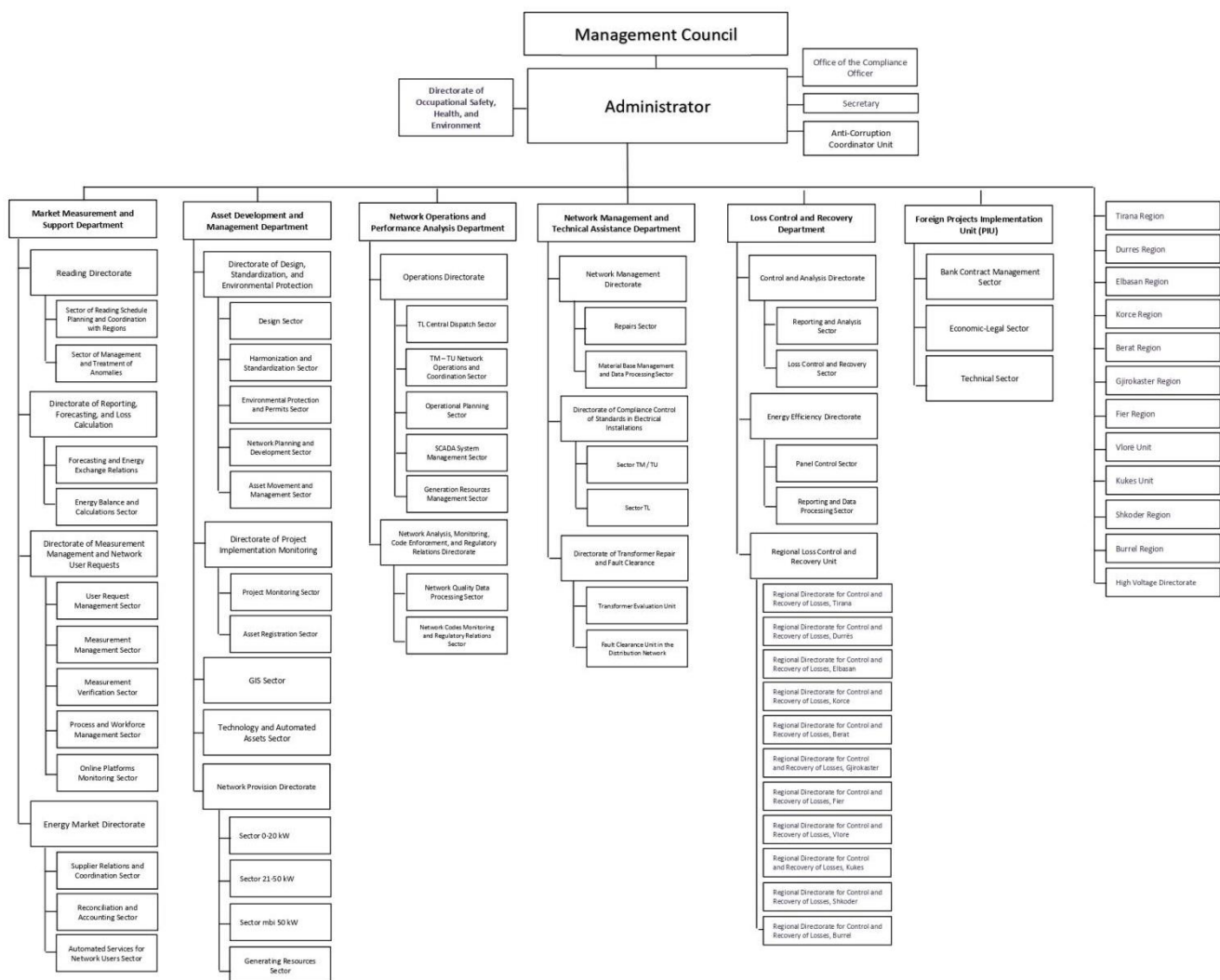
Human resources policies are implemented based on transparent procedures and ethical standards.

During 2025:

- staff appointments and movements were monitored.
- compliance with functional unbundling was verified.
- no cases of conflicts of interest or breaches of organizational separation were identified.

The process was carried out in accordance with the applicable legal framework and the Compliance Program.

▪ **Organizational Chart and Organizational Structure**



In the context of developments in electricity sector legislation, the evolution of the Electricity Market model, and the increased integration of renewable energy sources (PV, wind, biomass, etc.), the Administration Council, by Decision No. 32 dated 24.06.2024, approved changes to the organizational structure of DSO JSC.

The reorganization was functional in nature and aimed to:

- optimize the management of work processes and improve coordination between structures;
- strengthen technical and analytical capacities in the operation and planning of the distribution network;
- increase efficiency in monitoring service quality and implementing codes and regulatory obligations;
- support market liberalization processes and the integration of new producers into the network.

The new organizational structure did not involve changes in the total number of company employees. The modifications were organizational and functional in nature, without affecting the legal, functional, or managerial unbundling of DSO JSC within the vertically integrated company.

Analysis conducted under the Compliance Program concluded that the restructuring did not compromise the organizational and decision-making independence of the operator and did not create functional overlap with generation or supply activities, in accordance with the requirements of Article 72 of Law No. 43/2015.

6. EXCLUSION OF DISCRIMINATORY BEHAVIOR IN THE DISTRIBUTION NETWORK

In accordance with Law No. 43/2015 “On the Electricity Sector” and the Compliance Program approved by the Energy Regulatory Authority (ERE), DSO JSC ensures transparent and non-discriminatory access to the distribution network for all network users.

Access to the network, including connection, use of capacities, and application of tariffs, is carried out based on the same technical and procedural criteria for all applicants, ERE-approved tariffs, standardized and transparent procedures, and adherence to the established deadlines for processing requests.

The costs charged to users for connection to and use of the distribution system are determined and applied in accordance with the regulatory framework approved by ERE, ensuring equal treatment and avoiding any form of preferential treatment.

▪ Mechanisms for Preventing Discrimination

During 2025, DSO JSC implemented concrete mechanisms to ensure non-discriminatory treatment of network users, including:

- uniform application of technical conditions for new network connections;

- monitoring the deadlines for processing applications;
- verification of the correct application of regulated tariffs;
- separated and protected management of commercially sensitive information;
- operation of the reporting channel “Report to the Compliance Officer”.

The procedures applied were identical for household consumers, commercial entities, suppliers, and generation sources, without any differential or selective treatment.

- **Transparency and Complaint Handling**

DSO JSC ensured transparency in network access processes by publishing regulations and technical conditions on the company’s official website, providing information on connection procedures and required documentation, and maintaining mechanisms for handling complaints and requests from network users.

Every complaint or report is addressed based on relevant documentation and objective criteria, in accordance with approved procedures, guaranteeing equal and impartial treatment.

- **Monitoring During 2025**

Under the Compliance Program, the Compliance Officer monitored processes related to network connections, processing of applications for generation sources, and adherence to procedural deadlines.

Monitoring in 2025 showed that no cases of discriminatory treatment of network users were identified and that connection and network usage processes were carried out based on objective and uniform criteria for all users.

7. COMPETITION AND COMMERCIAL RELATIONS

In accordance with the Compliance Program and Article 72 of Law No. 43/2015 “On the Electricity Sector,” the activities of DSO JSC are conducted in a manner that does not restrict, distort, or affect fair competition in the electricity market.

In this context, DSO ensures non-discriminatory access in all processes that may impact competition, including:

- technical requirements for network connection.
- procedures and timelines for processing connection requests.
- standardization of contractual and commercial terms.
- costs of connection and network usage.
- quality of service in maintenance and fault resolution in the network.

- **Technical Requirements and Connection Procedures**

During 2025, DSO JSC applied standardized and identical technical criteria to all applicants requesting network connection, regardless of the supplier, user category, or ownership form.

The procedures for reviewing connection requests are documented, unified, and published, while the timelines for processing them are defined and monitored. Decision-making processes are documented and fully traceable.

Monitoring carried out during 2025 did not reveal any preferential treatment or selective delays that could affect competition in the market.

- **Standardization of Contractual and Commercial Terms**

Contracts for access and network connection are applied in a standardized form with identical terms for all users. Contractual and commercial conditions comply with regulatory acts and contain no provisions favoring any particular entity.

Connection fees and charges are applied in accordance with decisions approved by the Energy Regulatory Authority (ERE) and are based on the actual cost of the service, without creating artificial barriers to network access.

During the reporting year, no cases of selective or discriminatory application of commercial conditions were identified.

- **Service Quality and Network Maintenance**

DSO JSC provides maintenance and network intervention services based on identical standards for all users. Response times to faults, technical interventions, and problem resolution in the network are carried out according to objective, approved criteria without preferential treatment.

Service quality is monitored in accordance with ERE-approved regulations for supply standards and network safety performance, ensuring equal treatment and transparency in reporting.

- **Relations with Affiliated Companies and Market Operators**

Relations between DSO JSC and other group companies are conducted in line with the functional unbundling principle and rules to avoid conflicts of interest.

No interference in DSO's operational decision-making has been observed, and no preferential treatment is applied in network access for affiliated entities.

Commercially sensitive information is managed separately and securely, avoiding any competitive advantage for affiliated entities. The exchange of technical information with other market operators is conducted on an objective, equal, and non-selective basis.

8. IMPLEMENTATION OF PRINCIPLES, TRANSPARENCY, AND IMPARTIALITY

In accordance with the Compliance Program and Article 72 of Law No. 43/2015 “On the Electricity Sector,” DSO JSC continued during 2025 to implement the principles of objectivity, transparency, and impartiality in its operational and commercial activities.

These principles are essential for ensuring non-discriminatory treatment of network users and maintaining the regulatory integrity of the operator.

▪ **Objectivity in Decision-Making**

During 2025, decision-making regarding:

- requests for network connection;
- application of technical conditions;
- handling of complaints;
- network interventions and maintenance.

The processes were carried out without external influence and without giving preferential treatment to any Authority, including affiliated companies within the group.

▪ **Transparency**

DSO JSC ensured transparency through:

- publishing procedures and technical conditions for network connection;
- informing users about required documentation and procedural timelines;
- periodic reporting to the Energy Regulatory Authority (ERE) on performance indicators;
- supporting internal and external audit processes.

All necessary information was made clearly and equally accessible to all interested parties.

▪ **Impartiality**

During the reporting year, DSO JSC ensured:

- equal treatment of all network users;
- uniform application of contractual and technical conditions; and
- consistent response to faults and outages according to objective network operation criteria.

No preferential or selective treatment in service provision was observed.

▪ **Handling of Complaints and Oversight Mechanisms**

Responsible units addressed all complaints with integrity and objectivity, ensuring:

- complete registration and documentation of complaints;
- compliance with response deadlines; and
- confidentiality and anonymity, when requested.

In 2025, a dedicated database was maintained for recording and tracking complaints, ensuring traceability and internal control over the process.

▪ **Monitoring under the Compliance Program**

Within the framework of the Compliance Programme, the Compliance Officer carried out continuous and independent monitoring throughout 2025 of:

- the handling of requests and complaints from network users;
- compliance with internal procedures and the applicable regulatory framework;
- the safeguarding of network users' rights and the prevention of any restriction or discriminatory treatment.

In cases where procedural deadlines were exceeded, the Compliance Officer requested reasoned explanations from the relevant departments, which were analysed to assess whether such delays were of an objective nature or posed a risk of unequal treatment of network users.

All notifications submitted through official communication channels, including the “Report/Denounce to the Compliance Officer” platform and electronic communications, were registered, verified and followed up in accordance with the applicable legal framework, with the aim of ensuring timely resolution and preventing any procedural deviations.

During 2025, a total of one (1) notification was received through the “Report/Denounce to the Compliance Officer” platform from a network user, relating to issues concerning the quality of electricity supply, specifically voltage fluctuations.

The case was handled in accordance with the applicable procedures, through referral to the responsible technical structures for on-site verification and further analysis. Following the review, operational data regarding outages and interventions on the relevant lines and feeders were examined, indicating that the interruptions and fluctuations were of a technical nature and caused by operational factors within the network (transformer tap-changer operations, planned maintenance, faults, or safety-related actions).

The analysis concluded that the reported issue was not related to discriminatory treatment or deviations from the Compliance Programme, but rather to technical operating conditions of the network. Nevertheless, such cases require continuous monitoring to ensure service quality standards and equal treatment of network users.

Based on the analysis of the documentation and the monitoring carried out during 2025, no systemic breaches of the principles of objectivity, transparency and impartiality in the activities of DSO/OSSH sh.a. were identified.

Furthermore, in the context of regulatory developments in the electricity market and alignment with the European Union acquis, the importance of the REMIT Regulation (Regulation on Wholesale Energy Market Integrity and Transparency) is acknowledged, as it aims to ensure market integrity and transparency. At the national level, the implementation of this Regulation is carried out by the Energy Regulatory Authority (ERE), as the competent authority responsible for market monitoring and oversight. In this context, OSSH sh.a., in its capacity as the distribution system operator, contributes to the application of transparency principles through the publication of operational data and the provision of non-discriminatory access to information for network users, in accordance with the applicable regulatory framework.

9. THE RIGHT TO INFORMATION AND THE PROTECTION OF SENSITIVE INFORMATION

In accordance with Law No. 43/2015 “On the Electric Energy Sector,” personal data protection legislation, and the Compliance Program, DSO JSC ensured during 2025 the protection of commercially sensitive information, while also providing non-discriminatory access to information of a public nature.

The implementation of these principles constitutes a key element for maintaining functional unbundling and preventing any competitive advantage for affiliated entities within the vertically integrated company.

▪ **Protection of Commercially Sensitive Information**

Within the framework of obligations arising from the legal framework and the Compliance Program, DSO JSC has implemented organizational and technical mechanisms to protect commercially sensitive information:

- access to IT systems has been secured based on roles and authorization levels.
- the “need-to-know” principle has been applied for data management.
- Sister companies or affiliated entities have been prevented from having preferential access to technical, commercial, or financial information.
- aggregated and anonymized data have been used for general analyses and reporting.

No cases of unauthorized access or misuse of information affecting market competition were identified.

▪ **Confidential Handling of Market Participants’ Information**

DSO JSC has treated the following information confidentially:

- information shared by suppliers, producers, and network users.
- financial information affecting the operations of market participants.
- information on supply costs and contractual relationships.

Information is made public only when:

- classified as non-confidential by the Authority itself.
- requested by competent authorities in accordance with their legal functions.
- required by applicable legislation.

▪ **Non-Discriminatory Access to Public Information**

In line with the principle of equality and transparency, DSO JSC has ensured equal access for all market participants to public information under the same conditions, procedures, and quality standards.

In 2025, measures were taken to:

- publish regulations and procedures for network connection.
- provide real-time notifications for planned maintenance and outages.
- operate digital platforms for managing and tracking complaints.
- strengthen communication through official electronic channels.

These measures have reduced information asymmetry and increased traceability of processes.

▪ **Improving Accessibility and Modernizing Services in 2025**

To enhance services and align with contemporary public administration standards, DSO JSC implemented significant innovations in 2025:

- The “Report Electrical Hazard” section on www.oshee.al, allowing direct reporting of electrical risk situations via an online form and QR code.
- Payment of bills by bank card at service points (from October 1, 2025), with progressive nationwide expansion.
- Expansion of online services for managing contracts, complaints, and requests.
- Ability to track application status online with a unique tracking code.
- Development and use of the OSHEE Mobile application for quick and secure access to services.

These measures improved efficiency, transparency, accessibility, and service quality for consumers, reducing physical intervention and raising institutional accountability standards.

▪ **Compliance with the Compliance Program**

In line with the Compliance Program and Article 72 of Law No. 43/2015 “On the Electric Energy Sector,” DSO JSC has ensured during 2025:

- protection of commercially sensitive information from unauthorized access, especially by individuals or structures linked to competitive activities.
- prevention of any form of discriminatory advantage in access to technical, commercial, or financial data.
- documentation and traceability of procedures for access, management, and storage of information.
- simultaneous and equal publication of public information for all market participants.

No cases of unfair advantage by affiliated companies or breaches of confidentiality affecting market competition were reported.

Additionally, DSO JSC has ensured continuous and non-discriminatory access for users to information through publication of regional contact numbers, 24/7 customer service, and official communication channels, guaranteeing equal treatment and transparency in information provision.

10. PROVISION OF SHARED SERVICES (SLA)

In accordance with the Compliance Program and Article 72 of Law No. 43/2015 “On the Electric Energy Sector,” DSO JSC ensures that any shared service received from the vertically integrated company does not compromise the organizational, functional, or financial independence of the distribution system operator.

On 30.12.2025, a Service Provision Agreement was signed between OSHEE Group JSC, as the provider, and Distribution System Operator (DSO) JSC, as the beneficiary, effective from January 1, 2026, for a two-year term.

The agreement was drafted in compliance with:

- article 72 of Law No. 43/2015;
- the Statute of DSO JSC;
- license conditions approved by the Energy Regulatory Authority (ERE);
- applicable commercial legislation;
- principles of functional and financial unbundling;

Principles for the Provision of Shared Services

In line with the Compliance Program:

- services are administrative and supportive in nature;
- they are not directly related to the technical operation of the distribution network;
- they do not interfere with DSO’s operational decision-making;
- services are provided based on actual cost;
- they do not create cross-subsidization between regulated activities and the group’s competitive activities.

Shared services include:

- Human Resources Services
(recruitment, personnel administration, training, HR policies)
- Legal Services
(legal advice, representation, contract support)
- Economic and Financial Services
(financial planning, reporting, accounting, financial analysis)
- Information Technology (IT) and Cybersecurity Services
(system maintenance, IT infrastructure, data and system protection)
- Information and Innovation Services
(analysis, digital development, process modernization)
- Performance Improvement Services
(process optimization, efficiency analysis)
- Administrative Support Services
(logistics, general administration)
- Foreign-Funded Project Services
(project management, reporting to funding institutions)

Methodology for Cost Calculation and Allocation

In line with the Compliance Program, the Agreement specifies:

- detailed description of the service provided;
- justification for the need to provide the service through the integrated company;
- total cost of service provision;
- cost allocation methodology.

Costs are calculated based on actual costs recorded in the SAP financial system and the approved financial plan. Invoicing is done monthly, with annual final adjustment according to actual costs.

The methodology is applied in two phases:

Phase 1 – Determination of Total Cost

- recording costs by cost centers in SAP;
- proportional allocation of general expenses.

Phase 2 – Allocation to DSO

Objective and measurable allocators are used, such as:

- number of employees;
- number of legal cases;
- number of IT users;
- financial volumes;
- security and operational requirements.

Allocation is carried out based on the principles of:

- transparency;
- proportionality;
- traceability;
- avoidance of cross-subsidization.

Control of Cross-Subsidization:

In accordance with the Compliance Program:

- allocators are identifiable and verifiable;
- costs allocated to DSO do not include expenses related to competitive activities;
- costs that should be borne by other group companies are not transferred.

The allocation principles and their implementation are subject to review by the Compliance Officer to verify compliance with Article 72 of Law No. 43/2015 and financial unbundling requirements. Monitoring carried out during 2025 showed no cases of cross-subsidization or disproportionate cost allocation.

Regulatory Compliance:

- the system for providing and allocating shared services ensures;
- clear financial separation between distribution activities and supply activities;
- financial transparency and independent auditing.

This organization is fully compliant with the Compliance Program and ensures that shared services do not affect competition in the electricity market.

11. IMPLEMENTATION AND OBLIGATION TO IMPLEMENT THE COMPLIANCE PROGRAM

In accordance with the Compliance Program approved by the Energy Regulatory Authority (ERE) with Decision No. 257, dated 21.12.2020, and Article 72 of Law No. 43/2015 “On the Electric Energy Sector,” the implementation of the Program constitutes a mandatory legal and institutional obligation for:

- the company’s management;
- employees at all levels;
- authorized representatives;
- auditors and advisors.

The Compliance Program is an integral part of the company’s internal governance system and serves as a concrete mechanism to ensure functional unbundling, non-discriminatory treatment, and protection of competition in the electricity market.

▪ Information and Confirmation of Implementation

To ensure effective implementation of the Program during 2025:

- formal notifications were provided to managerial and operational structures regarding the obligations arising from the Program;
- employees confirmed in writing their awareness of and commitment to comply with the Program;
- the Program was communicated as a regulatory obligation, not merely as an internal administrative document.

The Compliance Officer continued institutional awareness activities, emphasizing:

- the principle of organizational and decision-making unbundling;
- prohibition of any form of discrimination;
- protection of commercially sensitive information;
- obligation to report any deviation.

▪ **Training and Awareness**

To strengthen the culture of compliance, immediately upon taking office, the Compliance Officer conducted a training session in the Tirana Region, attended by a significant number of employees, covering in detail:

- the content of the Compliance Program;
- legal obligations under Article 72 of Law No. 43/2015;
- principles of non-discrimination and equal treatment;
- protection of commercially sensitive information;
- reporting mechanisms to the Compliance Officer.

During these sessions, staff openly discussed potential issues, and the “Report / Notify the Compliance Officer” channel was promoted as an official and confidential mechanism for reporting any deviation.

▪ **Reporting Mechanism and Handling of Violations**

In accordance with the Compliance Program:

- all managers and employees are obliged to immediately inform the Compliance Officer of any potential violations or deviations;
- reporting can be done through the dedicated “Report / Notify the Compliance Officer” channel or via official communication channels;
- every report is treated confidentially and verified in line with the Program and applicable legal framework.

During 2025:

- no cases of refusal to implement the Program were observed;
- no cases of non-cooperation with the Compliance Officer were recorded;
- Every issue raised was addressed institutionally and within the relevant competencies.

In the event of identified violations, the company has the right to apply disciplinary procedures in accordance with the applicable legislation and internal regulations.

▪ **Role and Independence of the Compliance Officer**

In accordance with Article 72 of Law No. 43/2015 and the Compliance Program, during 2025 the Compliance Officer:

- monitored the implementation of the Program within central and regional structures;
- analyzed relevant documentation (decisions, contracts, regulations, operational procedures);
- proposed recommendations for improving control mechanisms;
- exercised the role independently and impartially;
- had full access to the necessary information from DSO and affiliated companies to fulfill their duties;
- prepared and submitted the Annual Compliance Report to ERE within the established deadlines.

To effectively monitor functional and decision-making unbundling, the Compliance Officer participated in:

- meetings of the Central Directorate's administrative structures;
- regional management and operational meetings;
- Board of Directors' meetings of DSO JSC when issues affecting network operation, investments, cost allocation, or compliance risk were discussed.

This participation allowed for monitoring of decision-making processes and verification of adherence to the principle of organizational and functional unbundling.

The Compliance Officer performs their duties independently, without interference from management structures or affiliated companies, ensuring objective monitoring of Program implementation and direct reporting to ERE.

12. CYBERSECURITY POLICIES AND PRACTICES

Cybersecurity policies and practices during 2025 were implemented in accordance with:

- Law No. 25/2024 "On Cybersecurity";
- Law No. 43/2015 "On the Electric Energy Sector", as amended, particularly Article 72.
- The Regulation on Cybersecurity of Critical Infrastructure in the Electricity Sector, approved by Decision No. 126, dated 30.07.2020, as amended by Decision No. 79, dated 14.04.2025.
- Order No. 97, dated 05.03.2024 on the documentation and implementation of security measures.
- The obligation is set out in Article 10 of the sectoral regulation for certification according to international information security standards.

Cybersecurity constitutes an essential element in ensuring:

- the protection of commercially sensitive information.
- functional separation between regulated and competitive activities.
- non-discriminatory access to data.
- the continuity of operation of the distribution network as critical infrastructure.

▪ **Information Security Management System**

OSHEE Group JSC continued during 2025 the implementation of the Information Security Management System (ISMS), established in accordance with the ISO/IEC 27001 standard and NIST practices.

In accordance with Article 10 of the sectoral cybersecurity regulation, certification according to ISO/IEC 27001 constitutes a legal obligation for operators of critical infrastructure. In this context, the completion of the certification process is planned for 2026.

The ISMS ensures:

- confidentiality of information;
- integrity of data;
- availability of critical systems.

▪ **Implementation of Obligations under Decision No. 126/2020 (as amended)**

In compliance with the obligation for periodic reporting under Decision No. 126, dated 30.07.2020, as amended by Decision No. 79, dated 14.04.2025, the technical and organizational measures implemented during 2025 were documented and submitted to the Directorate of Information Technology in accordance with the required regulatory format.

During 2025, the following were strengthened:

- incident monitoring and management mechanisms (SIEM, EDR, UEBA, PAM);
- access control architecture based on the Zero Trust principle.
- network segmentation and micro-segmentation to limit lateral risk.
- protection of online applications through WAF, CWAF, and anti-DDoS mechanisms.
- vulnerability and patch management processes.
- Business Continuity and Disaster Recovery plans.

▪ **External Audits and Verifications**

During the period 2024 – 2025, an assessment of the infrastructure was conducted by international cybersecurity structures, which identified a high level of resilience and security.

During the period November 2025 – January 2026, the audit carried out by the National Cybersecurity Agency (AKSK) preliminarily confirmed the implementation of the previously issued recommendations.

13. THE ROLE OF DSO IN THE MARKET LIBERALIZATION PROCESS

In accordance with Law No. 43/2015 “On the Electric Energy Sector”, particularly Articles 86 and 109, and in line with the Compliance Program, DSO JSC has exercised its role as the distribution system operator in a neutral, transparent, and non-discriminatory manner during the electricity market liberalization process.

As the network operator, DSO does not carry out supply activities and is obliged to guarantee equal access to the network for all licensed suppliers.

▪ **Development of the Liberalization Process**

The liberalization process began in 2018 with the transition to the free market of consumers connected at 35 kV. Subsequently, in implementation of:

- Roadmap No. 28/2021 of the Ministry of Infrastructure and Energy;
- Order No. 217/2023;

The process was extended to medium-voltage consumers (20/10/6 kV).

Starting from January 1, 2024, consumers connected at 20 kV are no longer supplied by the Supplier of Last Resort, while from January 1, 2025, the process was further expanded to consumers connected at 10 kV, with approximately 2,500 consumers being supplied for the first time in a liberalized market.

▪ **Consumption Indicators in the Free Market for 2025**

During 2025, approximately 598,298 MWh (about 9% of the total distributed consumption) was supplied in the liberalized market. Of this amount:

- approximately 7% of the total distributed consumption was supplied by FTL JSC;
- the remaining portion was supplied by licensed private suppliers.

When analyzing consumption only within the free market:

- 71% was supplied by FTL JSC;
- 29% by other licensed suppliers.

Consumption by voltage levels is presented as follows:

UN	FTL	FREE MARKET	TOTAL
35 KV	33,538,210.55	28,483,662.03	62,021,872.58
20 KV	288,607,557.20	131,766,812.39	420,374,369.59
10 KV	103,487,127.90	12,415,122.47	115,902,250.37
GRAND TOTAL	425,632,896	172,665,597	598,298,493

In total: 598,298,493 kWh (598,298 MWh).

▪ **Measures to Ensure Neutrality and Non-Discrimination**

In order to ensure the proper functioning of the market liberalization process, DSO JSC has undertaken the following measures:

- Equipped free market consumers with smart meters with 15-minute resolution.
- Ensured the transmission of data to the AMI/Data Center system and its equal sharing with suppliers, the Transmission System Operator (OST), and the Market Operator.
- Implemented the “Regulation on Supplier Switching” rigorously, respecting legal deadlines and ensuring equal treatment of all requests.

During 2024–2025, the Supplier Platform was developed and put into operation. This platform:

- Standardizes the supplier switching process.
- Ensures full traceability of applications.
- Eliminates preferential treatment;
- Guarantees clear functional separation between distribution and supply activities.

Within the framework of the Compliance Program and in accordance with Article 72 of Law No. 43/2015, during 2025:

- The handling of supplier switching requests was monitored.
- Equal access to metering data was verified.
- No cases of discrimination or preferential treatment towards licensed suppliers were identified.

14. NETWORK PERFORMANCE AND ENERGY LOSS MANAGEMENT

The Distribution System Operator (DSO JSC) is responsible for the development, maintenance, and safe operation of the distribution system throughout the territory for which it is licensed, in accordance with Law No. 43/2015 “On the Electric Energy Sector”, as amended.

Within the framework of exercising this function, DSO JSC continuously monitors and manages the performance of the distribution network, including the control and reduction of electricity losses.

Total losses in the network include:

- technical losses, related to the physical characteristics and operation of the network;
- non-technical losses, related to administrative and operational factors.

During 2025, the level of total losses in the distribution network was 16.96%, compared to the 18.1% target established by Council of Ministers Decision No. 758, dated 09.12.2021 “On the approval of the financial consolidation plan of the public electricity sector.”

Compared with 2024, when the loss level was 17.93%, the year 2025 shows a reduction of -0.97%, confirming the continuation of the downward trend and the progressive improvement in the operator’s performance regarding loss reduction.

The reduction of losses is the result of a series of operational measures and investments in the distribution network, including:

- investments in network infrastructure and modernization of technology;
- improvement of the organization of work of operational field structures;
- increased efficiency of monitoring and control processes;
- continuous analysis and monitoring of network performance.

During 2025, the energy circulated in the distribution network increased by approximately 4.7%, or about 370.4 GWh more compared to 2024. Despite the increase in the volume of circulating energy, the loss level in percentage terms decreased by approximately -1.0%, corresponding to about 13.5 GWh fewer losses in the network compared to the previous year.

These results reflect the continuous improvement of the operator’s performance in managing energy flows, strengthening operational control, and optimizing the use of the existing infrastructure.

The main contribution to the reduction of losses has come from the Medium Voltage and Low Voltage segments (TM & TU), where the largest share of energy circulates within the distribution network.

The comparison of losses by voltage levels is presented as follows:

Losses in the Distribution Network	Year 2024	Year 2025	Reduction of Losses
TM&TU	16.87%	15.94%	-0.94%
High Voltage	1.28%	1.23%	-0.05%
Total DSO JSC	17.93%	16.96%	-0.97%

▪ Electricity Distribution Tariffs

Pursuant to Decision of the Board of the Energy Regulatory Authority (ERE) No. 288, dated 23.12.2024, which maintained in force Decision No. 73, dated 13.04.2022, until the application by DSO JSC for the revision of the existing tariffs, the electricity distribution service tariffs remained in force for the period January 1 – December 31, 2025.

The tariffs approved by ERE according to the voltage level are as follows:

- 1.55 ALL/kWh for customers connected at the 35 kV voltage level.
- 3.99 ALL/kWh for customers connected at the 20/10/6 kV voltage level.
- 6.42 ALL/kWh for customers connected at the 0.4 kV voltage level.

Additionally, ERE approved the applicable price for the billing of reactive energy, at the level of 1.92 ALL/kVArh.

During 2025, DSO JSC implemented the tariffs and prices approved by the Energy Regulatory Authority, in full compliance with the regulatory framework in force, without deviations or selective application toward network users.

▪ Energy Balance Indicators

In accordance with the legal framework and the electricity market model, the Distribution System Operator ensures the energy required for supplying consumers connected to the distribution network, including consumers supplied under the Universal Supply Service.

Electricity in the distribution network is mainly injected from:

- the transmission system (OST);
- generation plants connected to the distribution network.

During 2025, the transmission system injected approximately 7,186 GWh of electricity into the distribution network, while generation plants connected to the network contributed approximately 1,065 GWh.

Total losses in the distribution network for 2025 amounted to 16.96%, marking an improvement compared to 2024, which reflects the continuation of measures for the reduction of technical and non-technical losses in the network.

▪ **Implementation of Internal Procedures and Those Approved by Authorities**

In implementation of the Procedure “On the Preparation of Operational Documentation”, Protocol No. 1866, dated 29.02.2024, as well as in accordance with the Service Level Agreement (SLA) between OSHEE Group JSC and DSO JSC, internal operational documents (“Work Instructions”) have been drafted and approved for the functioning of the respective structures of the company.

These documents aim to standardize work processes, clarify functional responsibilities, and ensure the compliance of the company’s activity with the legal and regulatory framework in force.

Within this framework, the operational documentation has been implemented by the relevant structures, including:

- the Energy Balance and Calculations Sector.
- the Forecasting and Energy Exchange Relations Sector.

DSO JSC has implemented the procedures and guidelines approved by the Energy Regulatory Authority (ERE), the Ministry of Infrastructure and Energy (MIE), the acts of the Council of Ministers, as well as acts of other competent authorities, in order to ensure the legal and regulatory compliance of the company’s activities.

15. MONITORING OF NETWORK OPERATION AND SECURITY OF SUPPLY

In accordance with the Distribution Code, the Energy Regulatory Authority Decision No. 181, dated 10.11.2017, “Regulation on Standard Criteria for Quality of Supply Service and Security Performance of the Electricity Distribution Network”, as well as other regulatory acts in force, during 2025 the operation of the distribution system and compliance with electricity supply security standards were monitored.

The organizational structure of the company ensured a functional separation between:

- the Operations Directorate;
- the Network Analysis, Code Monitoring and Regulatory Relations Directorate.

This functional separation contributes to the secure management of network operations and compliance with regulatory requirements for monitoring system performance.

▪ **System Operation and Institutional Coordination**

During 2025, the operation of the distribution system at the national level was carried out through the Central Dispatch Center (TL) and the regional TM/TU dispatch centers, ensuring continuous coordination with the Transmission System Operator (OST JSC), particularly in situations related to:

- outages in the 220 kV network;
- activation of system protection schemes;
- periods of high production from hydropower sources;
- management of maximum system loads.

Additionally, readiness plans for the winter and summer seasons were implemented, and procedures for the gradual and secure restoration of electricity supply following network faults were respected.

Operational processes were carried out in accordance with the principle of equal treatment of network users, with no evidence of preferential or discriminatory treatment.

▪ **Reporting Processes and Regulatory Relations**

During 2025, institutional communications and reporting processes were conducted with regulatory authorities and other system operators, including:

- communications and working meetings with the Energy Regulatory Authority (ERE) regarding issues related to quality of supply and network operation;
- continuous coordination with OST JSC regarding the operation of interconnected systems;
- exchange of information within the framework of Network Code implementation among operators and market participants;
- institutional communication with institutions and organizations representing the interests of network users.

During the reporting period, legal deadlines for handling requests and responding to official correspondence were respected.

▪ **Monitoring of Supply Quality Indicators**

In accordance with ERE Regulation No. 181/2017, during 2025 the quality of supply indicators were monitored and analyzed based on data from outages in the TL, TM, and TU networks.

The following activities were carried out:

- collection and processing of operational data;
- monthly and cumulative calculation of performance indicators;

- annual analysis of supply quality indicators.

The main indicators monitored were:

- SAIDI (System Average Interruption Duration Index);
- SAIFI (System Average Interruption Frequency Index);
- Average repair time;
- Energy not supplied.

The analysis of these indicators shows an improvement in system performance during 2025 compared to 2024, particularly at the TL and TM voltage levels, reflecting the impact of operational measures and investments implemented in the distribution network.

PERIOD January – December 2025 compared to the Year 2024						
Network naming	SAIFI		SAIDI		Change in % SAIDI	Change in % SAIFI
	Year 2024	Year 2025	Year 2024	Year 2025		
Total TL	6.29	4.52	11.63	9.11	21.7%	28.1%
Total TM	19.65	16.74	32.05	27.18	15.2%	14.8%
Total TU	1.33	1.37	1.45	1.50	-3.1%	-3.2%
Total DSO	27.26	22.62	45.13	37.77	16.3%	17.0%

The improvement of indicators at the TL and TM levels demonstrates the positive impact of operational measures and investments.

Performance analysis has highlighted the need for a further concentration of investments in TM and TU networks in order to achieve sustainable improvement.

▪ **Development of Operational Support Systems**

During 2025, the processes for the development and modernization of operational support systems for network operation continued, including the implementation of the SCADA system.

Within this framework, the following activities were carried out:

- Factory Acceptance Test (FAT) at Siemens, Vienna;
- Site Acceptance Test (SAT);
- installation and commissioning of the video wall system in the dispatch center;
- continuation of the implementation of local SCADA centers;
- preparation for the gradual integration of substations into the system.

The implementation of these systems is expected to improve real-time network monitoring, increase operational control, and enhance transparency in the management of the distribution system.

16. NETWORK DEVELOPMENT, INVESTMENTS AND MAINTENANCE

During 2025, DSO JSC carried out preventive and corrective maintenance activities, overhauls, fault repairs, and interventions in the network in accordance with the legal and regulatory framework in force, aiming to ensure the safe and stable operation of the distribution system.

In this context, activities were conducted in compliance with the relevant regulatory acts and documents, including but not limited to the Distribution Code, applicable technical regulations, the Regulation on New Connections, Law No. 43/2015 “On the Electricity Sector”, as amended, as well as other subordinate acts and operational agreements applicable to network operation and distribution service provision.

This activity adhered to the principles of technical safety, continuity of supply, documentation and traceability of interventions, and implementation of standardized procedures according to the functional responsibilities of the relevant structures.

▪ Objectives Pursued and Achieved in 2025

Following technical planning and operational priorities, during 2025 DSO JSC pursued and achieved objectives related to:

- Increasing the safety and reliability of supply;
- Improving network resilience and flexibility of supply schemes;
- Reducing technical and non-technical losses;
- Gradual reinforcement of 20 kV networks and modernization of critical network elements;
- Improving voltage parameters and measurement accuracy;
- Increasing operational control and monitoring capabilities of the system.

▪ Technical Orientation of Investments and Priorities

Investments in 2025 were primarily focused on:

- Construction and reconstruction of substations and strengthening transformer capacities;
- Reconstruction of TL and TM networks, including replacement of depreciated equipment;
- Gradual upgrading of 6/10 kV networks to 20 kV;
- Investments in TU networks with ABC cables, aimed at increasing safety, reducing faults, and minimizing unauthorized interventions;
- Standardization of materials and strengthening monitoring and control support systems.

These investments were carried out in compliance with the regulatory framework for investment planning and approval by the distribution and transmission system operators, as well as the obligations arising from DSO JSC’s license and the Compliance Program.

• Implementation of Network Investments in 2025

During 2025, physical network investments were carried out and/or were in the process of implementation, focusing on improving supply quality, system safety, and technical performance.

Key activities included:

- Substations (construction/reconstruction): 4 units, focusing on increasing transformer capacity, replacing depreciated equipment, and improving protection and control schemes;
- High Voltage (TL) Lines: 19.7 km, with interventions for network reinforcement, conductor replacement, and improvement of supporting and insulation elements;
- Medium Voltage (TM) Lines;
- New construction: 207.6 km;
- Overhead reconstruction: 1,064.6 km;
- Cable Lines: 251 km, mainly in high-density urban areas;
- Electric Cabinets (new/reconstructed): 532 units.

These interventions contributed to reducing technical faults, improving voltage parameters, increasing operational flexibility, and stabilizing supply in the TM/TU segments.

▪ **2025 Investment Plan and Ongoing Projects**

The 2025 Investment Plan was approved by the company's relevant bodies and included priority items such as: substations, TL/TM lines, TM/TU networks, electric cabinets, priority investments in high-risk technical areas, monitoring and automation technologies, measurement and control systems, operational equipment, supporting items for project implementation.

The plan was prepared based on technical network analyses, new connection requests, load projections, service quality standards, and regulatory obligations in force.

Additionally, projects were initiated in 2025 that continue in various design, tendering, and implementation phases, aiming at network modernization, increasing resilience to loads, and improving the system's capacity to integrate new consumers and energy sources.

▪ **Communication with ERE on Investment Plans and the 5-Year Development Plan**

In accordance with the regulatory framework for submitting and reviewing investment plans, during 2024–2025, DSO JSC maintained institutional communication with the Energy Regulatory Authority (ERE) regarding:

- the annual investment plan for 2024.
- the initial investment plan for 2025.
- the update of the 5-year development plan for the distribution network covering the period 2023–2027.

The plans and accompanying information were submitted to ERE within procedural deadlines, and clarifications and additional information were provided as requested by the regulatory authority. At the time of reporting, the submitted plans remain under review and final approval has not yet been granted by ERE.

▪ **Investments in Tourist Areas**

To improve supply quality and manage seasonal load peaks, investment plans were also specifically focused on tourist areas, **in line with the recommendations of the Parliament Resolution for 2025.**

In this context, DSO JSC submitted to ERE the relevant information on planned investments and their implementation status by region and by investment category, ensuring transparency and institutional cooperation with the regulatory Authority.

▪ **Applications for New Connections and Capacity Increases during 2025**

During 2025, a total of **20,629** applications for new connections and capacity increases were registered in the OSSH JSC distribution network, reflecting a high demand for network access at the national level. Of these:

- ✓ 13,336 applications were approved (approximately 64.6%).
- ✓ 1,695 applications were rejected (approximately 8.2%).
- ✓ 5,598 applications remain in process (approximately 27.1%).

This distribution indicates a satisfactory level of application processing, as well as a considerable volume of applications still under review, mainly related to procedural stages, technical verifications, and completion of documentation.

In terms of implementation, during 2025 a total of 20,629 connections were processed and reflected in the network, distributed across regional directorates and voltage levels. From a regional perspective, the highest number of connections was recorded in the Tirana Regional Directorate, with 6,723 connections (approximately 32.6% of the total), followed by Durrës with 3,479 connections (approximately 16.9%) and Shkodra with 1,980 connections (approximately 9.6%). Together, these three regions account for approximately 59% of total connections, confirming the concentration of urban and economic development in these areas.

Other regions show a more balanced distribution, with Gjirokastra, Vlora, Elbasan, and Berat representing intermediate levels, while Kukës and Burrel record lower levels of demand, in line with their demographic and economic characteristics.

From a technical perspective, the structure of connections shows a clear dominance of low-voltage connections:

- ✓ 19,811 connections at LV level (approximately 96%).
- ✓ 818 connections at MV level (approximately 4%).

This ratio confirms that demand for new connections is primarily driven by residential consumers and small businesses, while medium-voltage connections remain limited and are mainly associated with customers with higher energy demand.

Regarding rejected applications, during 2025 a total of 1,666 applications were rejected, representing approximately 8.1% of total applications. The analysis of rejection reasons indicates that:

- ✓ 89.7% of cases (1,494 applications) are related to lack of documentation at the application stage.
- ✓ 6.8% (114 applications) are due to failure to meet the deadline for payment of the cost estimate.
- ✓ 3.5% (58 applications) are related to technical non-compliance between submitted documentation and on-site verification or failure to meet technical requirements.

These indicators demonstrate that rejections mainly result from applicants' failure to meet procedural and technical requirements, rather than deficiencies in the processing procedures of OSSH JSC, reflecting a consistent and impartial application of regulatory criteria.

Regarding the handling of complaints related to new connections, during 2025 a total of 132 complaints/requests were administered, all of which were handled in accordance with legal deadlines. Of these:

- ✓ 95 complaints (approximately 72%) were submitted through the Co-Governance platform.
- ✓ 37 complaints (approximately 28%) were submitted through the OSSH JSC Protocol Office.

All complaints (100%) were addressed and resolved within the legal timeframes, demonstrating a high level of efficiency in complaint handling and the effective functioning of customer service mechanisms.

Overall, these indicators confirm that during 2025 the process of new connections and capacity increases was carried out in compliance with the applicable legal and regulatory framework, ensuring transparent, non-discriminatory treatment based on clearly defined technical and procedural criteria, as well as a high level of accountability towards network users.

Tariffs Approved by ERE for New Connections:

During 2025, OSSH JSC applied tariffs for new connections and capacity increases in accordance with ERE Board Decision No. 145, dated 19.07.2024, "On the Approval of the Regulation on New Connections to the Distribution System".

The tariffs applied during the reporting period remained those approved by ERE and did not undergo any changes during 2025. OSSH JSC did not apply any tariffs outside the approved regulatory framework and implemented the cost calculation methodology in accordance with the applicable regulation.

For low-voltage connections (0.4 kV), tariffing was applied according to the requested capacity categories, and cost estimates were prepared based on actual technical costs, in line with the methodology approved by ERE.

Generation Sources, Self-Producers and Distribution Capacities:

During 2025, the activity of the responsible structures for generation sources focused on the integration of self-producers into the OSSH distribution network, the processing of applications for new generation sources, and the approval of connection points, in accordance with legal and regulatory requirements for transparent, non-discriminatory, and technically secure network access.

Self-Producers

During 2025, a total of 1,261 applications for self-production were registered, with a total requested capacity of 94,969 kW. Out of these, 1,184 applications were approved, with a total installed capacity of 90,737 kW, representing approximately 93.9% of applications and 95.5% of the requested capacity.

The structure by category is as follows:

- ✓ Private: 808 applications with 88,092 kW requested capacity, of which 763 applications were approved with 84,337 kW, representing approximately 64.1% of total applications and over 92% of total installed capacity.
- ✓ Residential (Household): 433 applications with 5,542 kW, of which 404 applications were approved with 5,308 kW, accounting for approximately 34.3% of applications, but only about 5.9% of total installed capacity, reflecting small-scale installations.
- ✓ Budgetary: 18 applications with 1,325 kW, of which 15 applications were approved with 1,082 kW, representing a limited share of the total system.
- ✓ Non-budgetary: 2 applications with 10 kW, fully approved, with minimal impact on the overall structure.

Regional distribution shows a higher concentration in the Tirana and Durrës regions, which account for many applications and installed capacities, reflecting higher economic activity and consumption levels.

The integration of these producers has been carried out in compliance with system security and stability requirements, while continuously monitoring the impact of generation sources—particularly photovoltaic—on the energy balance and net load of the network.

Overall, these developments confirm a steady increase in self-production, mainly driven by private investments and increasingly by residential consumers, requiring careful planning of distribution network capacities to ensure service quality and system security.

Preliminary Opinions for New Generation Sources:

In accordance with Council of Ministers Decision No. 822/2015, during 2025 OSSH JSC issued 2 preliminary opinions for new generation sources, with a total assessed capacity of 22.4 MW.

Approval of Connection Points:

During 2025, 4 approvals for connection points were granted for new generation sources, all for photovoltaic plants, with a total approved capacity of 8 MW.

Generation Sources Connected to the Network:

During 2025, a total of 16 generation sources were connected to the distribution network, with a total capacity of 40.93 MW, mainly:

- Fier: photovoltaic plants
- Elbasan and Berat: hydropower plants

These developments confirm the increasing integration of renewable energy sources and the need for careful planning of distribution capacities.

Electric Vehicle Charging Points:

In the context of the development of electric mobility and the increasing number of charging points in Albania, during 2025 the development of this infrastructure and its impact on the distribution network has been monitored.

According to the applicable regulatory framework, starting from 1 November 2025, for commercial charging points with installed capacity above 11 kW, connected at the 0.4 kV level, a tariff of 22 ALL/kWh is applied.

This tariff mechanism aims to regulate the market, clearly distinguish between residential and commercial charging, ensure a level playing field for operators, and reflect the actual costs of supply and network usage.

During 2025, at the national level there are:

- ✓ 225 charging points installed.
- ✓ 20,799 kW total installed capacity.

The highest concentration of charging points is observed in the Tirana region, followed by Durrës, while other regions show more limited distribution, reflecting differences in electric vehicle penetration, economic activity, and infrastructure development.

17. IMPLEMENTATION OF THE COMPLIANCE OFFICER'S RECOMMENDATIONS

This section presents the measures undertaken by DSO JSC in implementing the recommendations of the Compliance Officer during the 2025 reporting period, with the aim of strengthening compliance with the legal and regulatory framework, ensuring functional separation, improving internal processes, and increasing institutional transparency.

Implementation of Recommendations Provided in Previous Reports

1. Update of the Official DSO Website (www.DSO.al)

The redesign and update of the official website were carried out in cooperation with the relevant structures of DSO and OSHEE Group, with the aim of increasing transparency and accessibility of information for the public and market participants.

The following are published in a structured manner:

- primary and secondary legislation;
- regulatory documentation;
- operational notices;
- procedures for new connections and renewable energy sources;
- institutional documents.

The website has been aligned with information system security standards.

- ✓ Status: Fully implemented.

2. Publication of the Compliance Program and Annual Report

The Compliance Program and the Annual Report have been published in Albanian and English on the official website, ensuring transparency.

- ✓ Status: Fully implemented.

3. Creation of the “Notify/Report to the Officer” Section

A dedicated communication channel has been created and made operational on the website for confidential reporting of:

- conflicts of interest;
- leakage of sensitive information;
- discriminatory treatment;
- non-compliance with the Compliance Program.

The mechanism guarantees anonymity and handling in accordance with the internal procedures of the Compliance Officer.

- ✓ Status: Fully implemented.

4. Training and Information Sessions with Staff

Within the framework of implementing the Compliance Program and increasing institutional awareness regarding obligations arising from the legal and regulatory framework in the electricity sector, informational meetings and training sessions with the company's staff were conducted during the reporting period.

These activities aimed to inform and raise awareness among employees regarding the principles and obligations arising from the Compliance Program, particularly related to the principle of non-discriminatory treatment of network users, the protection of commercially sensitive information and the compliance with functional separation and independent decision-making of the distribution system operator.

In this context, in addition to communications and information sessions conducted at the central level, informational and training activities were also organized in several operational structures of the company, including a training session held in one of the largest regional directorates of DSO JSC, attended by a considerable number of employees from both field technical structures and administrative staff.

During these sessions, issues related to the practical implementation of the Compliance Program, the responsibilities of the relevant structures, the procedures for reporting potential violations, and the importance of respecting transparency and impartiality principles in relations with network users were addressed.

Relevant documentation was distributed to staff, and written confirmations were obtained acknowledging awareness and understanding of the obligations arising from the Compliance Program.

- ✓ Status: Fully implemented.

5. Approval of the New Organizational Structure

In implementation of legal requirements for functional separation, the Supervisory Board, through Decision No. 32, dated 24.06.2024, approved the new organizational structure of DSO JSC.

The structure ensures:

- clear functional separation;
- transparency in reporting lines;
- compliance with the principles of independence and unbundling.

- ✓ Status: Fully implemented.

6. Digitalization of Services and Advanced Monitoring of Processes

Following the recommendations addressed by the Compliance Officer in the previous year's report, and in accordance with the requirements defined in the Draft Resolution of the Parliament on the

assessment of the activity of the Energy Regulatory Authority for 2024, during 2025 DSO JSC undertook concrete steps toward the implementation of advanced technologies for monitoring and managing operational processes and consumer services.

➤ Digitalization of Complaint Handling

In this framework, the Information Technology Department implemented a digital platform for the online handling and tracking of consumer complaints, which:

- enables electronic registration of requests and complaints;
- ensures full traceability of each case;
- allows real-time verification of the complaint status by the consumer;
- provides accessible interfaces both via web and mobile application;
- improves transparency and reduces response time.

This platform meets the requirement for establishing a simplified and accessible mechanism for consumers, strengthening the protection of their rights and increasing institutional accountability in complaint handling.

➤ Real-Time Monitoring and Fault Management

In parallel, steps were taken to integrate advanced technologies for network monitoring and real-time fault detection, aiming to:

- enable immediate identification of outages and technical issues;
- accelerate operational response;
- reduce unnecessary interruptions;
- increase the resilience and reliability of the distribution network across the entire territory.

The implementation of these technological solutions represents a key step toward modernizing network management, improving service quality, and strengthening transparency in relations with consumers and suppliers.

Implementation Assessment:

Monitoring results indicate that the recommendation for service digitalization and strengthening real-time monitoring was implemented during 2025, in accordance with the guidance of the Parliament Resolution and the Energy Regulatory Authority (ERE).

The Compliance Officer will continue to monitor the performance of these systems and their effectiveness in increasing transparency, ensuring non-discriminatory treatment, and improving customer service.

- ✓ Status: Fully implemented.

7. Finalization of the New Distribution Code

The recommendation regarding the finalization of the new Distribution Code was not completed within the declared timeframe for 2025, due to objective reasons related to the termination of the technical assistance contract and the completion of funding from the supporting program.

However:

- alternative financing has been secured from the EBRD;
- a contract has been signed with a new consultant (2025);
- working groups have been established;
- the process is ongoing with an expected completion deadline during 2026.

Status: In progress (with justified delay by DSO/OSHEE).

Overall Assessment

Based on the above analysis, it appears that the recommendations of the Compliance Officer have been implemented for the most part, with the exception of the finalization of the new Distribution Code, which is currently under implementation.

This demonstrates the institutional commitment of DSO JSC to effectively fulfill its legal and regulatory obligations, as well as to strengthen transparency standards, functional separation, and the independence of the distribution system operator.

Recommendations of the Compliance Officer for 2026

In order to ensure the continuous improvement of internal processes, the consolidation of functional unbundling, and full compliance with the applicable legal and regulatory framework, the Compliance Officer addresses the following recommendations for the year 2026:

1. Continuation and acceleration of the new Distribution Code process

It is recommended to prioritize the continuation of the drafting, public consultation, and submission for approval of the new Distribution Code, in compliance with:

- Law No. 43/2015 “On the Electric Power Sector”, as amended.
- the requirements and regulatory acts of the Energy Regulatory Authority (ERE).
- the recommendations of the Energy Community Secretariat.
- the principles of transparency and non-discriminatory access to the network.
- the requirements deriving from the EU acquis in the field of electricity.

During the monitoring activities carried out, the Compliance Officer has engaged with the relevant structures and responsible management within the company to support progress and facilitate the development of a comprehensive and implementable Distribution Code.

In this context, it is recommended that the company intensify its efforts to finalize this process within 2026, in line with its legal and regulatory obligations.

The Compliance Officer will continue to periodically monitor the progress of this process, in order to verify compliance with the applicable legal and regulatory framework and will report on its implementation until the full finalization and enforcement of the new Distribution Code, without interfering with the operational responsibilities of the relevant structures.

2. Improvement of complaint and customer request management

It is recommended to continue strengthening the monitoring and reporting mechanisms for the timely, transparent, and non-discriminatory handling of customer complaints and requests, in accordance with the applicable regulatory framework and service quality standards.

Based on the monitoring carried out, it is observed that the complaint handling process is implemented in accordance with the established procedures and deadlines. However, in the interest of continuous service improvement and increased operational efficiency, it is recommended that the responsible structures assess and, where appropriate, implement measures to:

- further standardize and harmonize practices across all regional directorates, ensuring consistent and equal treatment.
- optimize handling times within the prescribed deadlines, with the aim of improving efficiency and customer experience.
- conduct periodic analyses of complaints to identify recurring issues and potential systemic risks, supporting preventive actions and process improvements.

The Compliance Officer will continue to independently monitor this process to ensure compliance with the principles of transparency and non-discriminatory treatment of network users, without interfering with the operational responsibilities of the relevant structures.

This recommendation aims to further improve service quality and strengthen consumer trust in the operator.

3. Formalization of mechanisms for identifying and reporting conflicts of interest

It is recommended to continue strengthening internal procedures for identifying, declaring, and managing conflict of interest situations, in accordance with the applicable legal and regulatory framework.

Based on the monitoring carried out, no cases of conflict of interest have been identified that would compromise functional unbundling or the integrity of the company's operations. However, in order to enhance internal control mechanisms and prevent potential risks, it is recommended that the structures responsible assess and, where appropriate, implement measures to:

- introduce periodic declarations of conflicts of interest by staff through standardized forms.
- verify potential incompatibility situations, including parallel employment or other engagements that may give rise to conflicts of interest.
- formalize and document procedures for reporting and handling such cases through the Compliance Officer, in accordance with internal acts in force.
- utilize existing communication channels, including the dedicated section on the company's official website ("Report to the Compliance Officer"), as a mechanism for confidential reporting of potential conflict of interest situations.

All such reports should be handled confidentially and in accordance with internal procedures and the applicable legal framework.

The Compliance Officer will continue to independently monitor this process to ensure compliance with the principles of functional unbundling and to prevent any situation that may affect impartiality and operational integrity, without interfering with the operational responsibilities of the relevant structures.

4. Strengthening information security standards and ISO/IEC 27001 certification

It is recommended to continue and strengthen measures to ensure information security standards and to fulfill the requirements for certification under the international standard ISO/IEC 27001, in accordance with Article 10 of the amended Cybersecurity Regulation (Decision No. 79, dated 14.04.2025).

In this context, it is recommended that the responsible structures continue and, where appropriate, intensify efforts to align information security policies and procedures with the requirements of this standard, strengthen cyber risk management mechanisms and access control systems, and enhance staff awareness regarding data protection and information security practices.

The Compliance Officer will continue to independently monitor the progress of this process in order to verify compliance with the applicable regulatory framework, without interfering with the technical and operational responsibilities of the relevant structures.

The implementation of this standard contributes to strengthening the protection of information systems, reducing cybersecurity risks, and increasing the reliability of the company's digital infrastructure.

5. Monitoring of the “New Connection” process and performance indicators

To ensure non-discriminatory access to the network and equal treatment of all users, it is recommended to strengthen the monitoring mechanisms of the “New Connection” process by establishing a structured and analytical approach to periodic monitoring by the responsible structures.

In this context, it is recommended that the relevant structures assess and, where appropriate, implement measures to:

- publish and periodically analyze performance indicators (such as processing times, number of completed applications, and delayed cases), to enhance transparency and institutional accountability;
- systematically analyze unresolved or delayed cases to identify root causes and improve processes.

The Compliance Officer will continue to independently monitor this process to verify compliance with the principle of non-discrimination and equal treatment of network users, without interfering with the operational responsibilities of the relevant structures.

This recommendation aims to increase transparency, ensure process traceability, and minimize the risk of unequal treatment of applications.

18. DETAILED REPORTING IN RESPONSE TO ERE REQUIREMENTS

Correspondence and reporting with the Energy Regulatory Authority (ERE) during 2025 were carried out in accordance with Articles 16 and 72, paragraph 3, letter “b” of Law No. 43/2015 “On the Electricity Sector”, as amended, Article 11 of the Compliance Program of DSO JSC, approved by ERE Board Decision No. 257, dated 21.12.2020, as well as Article 15 of the Regulation on the Organization, Functioning and Procedures of ERE, approved by Decision No. 96, dated 17.06.2016.

Within this framework, the Compliance Officer fulfilled the legal obligation for the submission, reporting and monitoring of the implementation of the Compliance Program, ensuring transparency, documented institutional communication and full cooperation with the regulatory authority.

Evaluation of the 2024 Annual Report by ERE – Decision No. 187, dated 07.08.2025

Through Decision No. 187, dated 07.08.2025, the ERE Board, in exercising its supervisory function over the functional and organizational independence of the distribution system operator, reviewed and evaluated the Annual Report of the Compliance Officer of DSO JSC for 2024.

In this decision, ERE noted, among other things:

- ✓ fulfillment of the legal obligation to submit the report in accordance with the legal framework in force;
- ✓ submission of the report on 26.03.2025, within the prescribed deadlines;

- ✓ preparation of the report in Albanian and English;
- ✓ publication of the report on the official website of DSO JSC, in accordance with public transparency requirements;
- ✓ the use of a structured control methodology for the collection and analysis of information;
- ✓ monitoring of decision-making processes, contracts, complaints and data reported by internal structures;
- ✓ clear functional and organizational separation of DSO JSC from vertically integrated structures;
- ✓ strengthening of operational independence through the approval of the new organizational structure;
- ✓ improvement of transparency, public communication and consumer services.

At the conclusion of the review, the ERE Board decided:

- ✓ to approve the Annual Report of the Compliance Officer for 2024;
- ✓ to approve the recommendations for 2025;
- ✓ to notify the Ministry of Infrastructure and Energy, DSO JSC, the Compliance Officer, and the Energy Community Secretariat.

Review Process and Official Correspondence during 2025

Within the framework of reviewing the compliance report and institutional communication with ERE during 2025:

- ✓ On 12.05.2025, a hearing session was held at ERE with the Compliance Officer.
- ✓ Through letter No. 1426/5 prot., dated 19.06.2025, ERE requested additional information on specific issues.
- ✓ The requested information was provided through letter No. 3182/2, dated 01.07.2025, within the specified deadline.

All communications with ERE were administered and archived in accordance with internal documentation procedures, ensuring full traceability, proper documentation and accessibility for regulatory verification.

Implementation of ERE Recommendations for 2025

With the aim of improving the implementation of the Compliance Program during 2025, and in implementation of the recommendations approved by ERE Board Decision No. 187, dated 07.08.2025, the Compliance Officer carried out documented monitoring and undertook concrete measures to strengthen control mechanisms, structure reporting, and focus analysis on the key provisions of the Compliance Program, as follows:

1. Focus on Key Issues of the Compliance Program

In accordance with ERE's recommendation, the 2025 reporting structure was organized to focus directly on the implementation of the fundamental provisions of the Compliance Program, with particular emphasis on:

- ensuring the functional and organizational separation of DSO JSC;
- the independent exercise of operational and decision-making competencies;
- equal and non-discriminatory treatment of distribution system users;
- prevention of any form of discrimination or preferential treatment;
- protection and management of commercially sensitive information.

The structure of the 2025 report therefore directly reflects the implementation of the Compliance Program provisions, identifying for each provision the measures taken, the applied control mechanisms, and the level of compliance.

Monitoring was carried out through official requests for information addressed to relevant structures, analysis of internal procedures and operational documentation, verification of processes with potential discrimination risk, review of decisions of governing bodies and analysis of complaints and communications from system users.

This process was conducted based on documentary evidence, through working meetings, official electronic and written communications, and internal reports, ensuring traceability, proper documentation and transparency in reporting to the regulatory authority.

2. Monitoring of the Employee Transfer Process

In accordance with ERE's recommendation, the Compliance Officer carried out documented and impartial monitoring of staff transfers, appointments and movements, in order to ensure compliance with the legal framework and maintain the functional independence of the operator.

Monitoring during 2025 focused on:

- internal staff transfers;
- appointments to managerial positions;
- horizontal and vertical movements within the structure;
- the impact of organizational changes on the functioning of the structure.

This monitoring was conducted through verification of formal decisions of management structures, review of supporting documentation, and analysis of the compliance of procedures followed by the Human Resources Department with the legal framework in force, including the relevant provisions of the Labor Code and internal company rules.

The process of administering personnel transfers and movements was handled by the responsible HR structures, while the Compliance Officer exercised control over their procedural compliance, without interfering in their operational competencies.

3. Preservation of Independence and Integrity in the Exercise of the Function

In accordance with ERE's recommendation, the Compliance Officer continued to perform the function independently, objectively and professionally, in compliance with the legal framework and the Compliance Program.

During 2025, functional independence was ensured through:

- direct reporting to ERE;
- full and unrestricted access to the information necessary for monitoring;
- participation in monitoring processes without hierarchical dependency on operational structures.

Within the exercise of the function, the Compliance Officer participated in working meetings with management and regional structures of DSO JSC to monitor decision-making processes with potential discrimination risk, follow the implementation of activities related to the Compliance Program, and strengthen transparency in operational processes.

This participation had a monitoring and advisory character, without exercising executive or decision-making authority in technical or commercial processes.

Professional integrity, discretion and confidentiality of commercially sensitive information were maintained throughout 2025. No cases of interference, limitation or conflict of interest affecting the independent exercise of this function were identified.

The "Notify/Report to the Officer" mechanism also continued to operate, allowing confidential or anonymous reporting of potential violations, handled in accordance with internal procedures.

4. Monitoring of the Investment Plan and Network Development

In implementation of the recommendation of the Energy Regulatory Authority (ERE), the Compliance Officer strengthened the monitoring of the implementation of the investment plan and the development of the distribution network, with the aim of verifying their compliance with the documents submitted to ERE and with the regulatory framework in force.

Monitoring was carried out in a supervisory capacity, without interfering with the technical and operational competencies of the structures responsible for planning and implementing investments.

Within this framework, information was requested regarding:

- the status of projects and their stage of implementation;
- the physical progress of investments;
- compliance with the investment plan;
- adherence to declared timelines;
- potential changes or deviations;
- the impact of projects on network capacity and security.

Based on the review of the documentation made available during 2025, it results that monitoring was conducted in a documented manner, aiming to ensure that the planning and implementation of

investments do not create preferential or discriminatory treatment toward system users or specific supply areas.

5. Monitoring of Metering and Smart Metering Projects

In implementation of ERE's recommendation, during 2025 the Compliance Officer strengthened control and reporting regarding smart metering projects, verifying the implementation status, network coverage and alignment with the operator's development strategy.

Based on information verified from the responsible structures of DSO JSC and OSHEE Group, the installation of smart meters continued at 35/20/10/6 kV voltage levels, as well as within the balance metering system in TM–TU substations.

During 2025, approximately 71% of the energy distributed in the medium-voltage network was measured through smart metering systems.

In total, 11,814 smart meters were installed during 2025, of which 7,297 at consumer premises, 4,517 within the balance metering system of substations, feeders and generators connected to the network.

Additionally, the strategic "Smart Meters" project was monitored. This project is developed as part of the OSHEE Group modernization program and includes AMI (Advanced Metering Infrastructure), MDMS (Meter Data Management System), integration with the billing system and gradual alignment with the ERP system.

During 2025, the feasibility study was completed, and the project entered the preparatory phase toward procurement.

The implementation of smart metering systems is aligned with the objectives of modernizing the distribution network, improving measurement accuracy, reducing technical and commercial losses, improving billing processes, increasing data transparency, strengthening operational control of the network.

6. Monitoring of Supplier Switching Procedures

In implementation of ERE's recommendation, the Compliance Officer strengthened the monitoring of supplier switching procedures, aiming to ensure the fair, transparent and non-discriminatory implementation of requests submitted by consumers, in accordance with the relevant regulation.

Verification of documentation and information administered by the responsible structures shows that during 2025 supplier switching procedures were carried out within the maximum deadline of 15 days provided by the regulation.

The average processing time of applications was approximately 5 calendar days, while in a limited number of cases the process lasted 5–10 days, mainly due to delays in obtaining supporting documentation from the current supplier.

Until the completion of the Supplier Management Platform testing phase, applications were administered through written or electronic correspondence, in accordance with the procedure defined in the regulation.

Monitoring conducted during 2025 did not identify complaints or elements affecting the principle of equal treatment or creating discrimination in the supplier switching process.

7. Status of Finalization of the New Distribution Code and Analysis of Its Impact on Functional Unbundling

In implementation of point 7 of the “RECOMMENDS” section of ERE Board Decision No. 187, dated 07.08.2025, and following repeated recommendations of the Energy Community Secretariat, the Compliance Officer monitored the progress of the process for finalizing the new Distribution Code and its impact on the objectives of functional unbundling of the operator.

Status of the Finalization Process

The previously declared deadline for completing and submitting the new Distribution Code for approval by December 2025 was not met due to objective reasons related to the termination of the technical assistance contract with the previous consultant Neoadvisory in January 2025, following the completion of financing from the USAID support program.

Following this situation, concrete measures were undertaken to continue the process:

- alternative financing was secured through a grant from the European Bank for Reconstruction and Development (EBRD) under the OSHEE Sustainability Agreement;
- the international procurement procedure was completed and GOPA Tech GmbH was selected as the consultant for drafting and updating the new Distribution Code;
- during December 2025 – January 2026, the official project kick-off meeting was held with representatives of DSO JSC, OSHEE Group, EBRD and the consultant;
- the expected duration of the project is 8–9 months from the start, projecting completion of the draft within 2026.

At the same time, DSO JSC, in cooperation with OSHEE Group, established interdisciplinary working groups involving technical, legal and planning structures to support the process of reviewing, harmonizing and aligning the Code with the legal framework and developments in the liberalized market.

Legal Framework and Objectives of the Revision

The new draft Distribution Code is being prepared in accordance with:

- the Energy Community acquis;
- Directive 2009/72/EC;
- Law No. 43/2015 “On the Electricity Sector”, as amended;

- by-laws and regulations approved by ERE;
- recent developments in the regulatory framework and market liberalization process.

After completion of the draft, public consultation procedures, hearing sessions and submission for approval to ERE will be conducted in accordance with regulatory requirements.

Impact on Functional Unbundling

The new Distribution Code is considered a fundamental instrument for consolidating functional unbundling and strengthening the operational independence of DSO JSC.

Its approval is expected to contribute directly to:

- formalizing and standardizing non-discriminatory network access procedures;
- increasing transparency, traceability and predictability in network connection and usage processes;
- defining more detailed rules for the handling and protection of commercially sensitive information;
- harmonizing operational practices at national level;
- reducing the risk of potentially discriminatory or non-uniform behavior in network operation.

In this context, finalizing the new Code represents a structural measure of particular importance for the regulatory compliance of the operator and for fulfilling obligations arising from the national legal framework and the Energy Community acquis.

Monitoring by the Compliance Officer

The Compliance Officer will continue monitoring this process until the finalization and submission of the new Code for approval to ERE, tracking implementation progress, compliance with declared deadlines, and any element that may affect the objectives of functional unbundling, non-discriminatory treatment and regulatory compliance of DSO JSC.

8. Monitoring of the Supplier Management Platform

In implementation of point 8 of the “RECOMMENDS” section of Decision No. 187, dated 07.08.2025 of the Board of the Energy Regulatory Authority (ERE), the Compliance Officer monitored the development, operationalization and functioning of the Supplier Management Platform, as an instrument of particular importance for ensuring transparency, traceability and non-discriminatory treatment in supplier switching procedures.

The platform, which according to preliminary declarations was expected to become operational in July 2025, was fully put into operation on 19.11.2025 at the designated electronic address.

Verification of Functionality

Following its operational launch, the Compliance Officer verified that the platform:

- operates in accordance with the procedures defined in the “Regulation on the Switching of Electricity Suppliers”;
- complies with the deadlines established for the administration of requests;
- ensures full traceability of applications and transparency regarding their status.

The first cases of platform use by final customers, the current supplier and the new supplier were also monitored. Based on this monitoring, the average processing time of procedures was approximately 5 days, therefore within the deadlines provided by the regulation.

Supporting Documentation and Control Mechanisms

Within the monitoring process, it was verified that the operationalization of the platform was accompanied by:

- internal regulatory documentation and operational procedures;
- user manuals and technical guidelines;
- control mechanisms for administration, validation and follow-up of requests;
- electronic logging of actions (logs) enabling full traceability of the process.

In addition, the functioning of data exchange mechanisms, automated notifications, periodic reporting and transparency features of the platform was monitored to ensure a standardized and verifiable process for all participants.

The monitoring carried out indicates that the platform represents a positive development in the standardization of supplier switching procedures, the increase of transparency, the reduction of the risk of preferential treatment, and the strengthening of process traceability.

Its operationalization contributes directly to ensuring equal treatment of customers, as well as strengthening the functional separation between distribution and supply activities.

Continuation of Monitoring

The Compliance Officer will continue monitoring the performance, transparency and compliance of the platform, reporting on any development, improvement, operational limitation or incident that may affect the guarantee of a non-discriminatory, transparent and controllable process.

9. Monitoring the Fulfilment of Cybersecurity Obligations

In implementation of point 9 of the “RECOMMENDS” section of Decision No. 187, dated 07.08.2025 of the ERE Board, and in accordance with the obligations arising from the “Regulation on Cybersecurity of Critical Infrastructures in the Electricity Sector”, approved by Decision No. 126, dated 30.07.2020, as amended by Decision No. 79, dated 14.04.2025, the Compliance Officer continued monitoring the fulfilment of regulatory requirements in the field of cybersecurity.

This monitoring was conducted on a documentary basis and through verification of information submitted by the responsible structures of OSHEE Group JSC, through official communications, electronic exchanges, working meetings and institutional meetings between the relevant structures of DSO JSC and OSHEE Group.

Measures Implemented During 2025

Based on the information administered and verified, during 2025 structured measures were undertaken to protect critical information infrastructures and strengthen cybersecurity capacities, including among others:

- incident management and continuous monitoring through an integrated architecture of SIEM, UEBA, PAM and EDR, supporting the documented Incident Response process;
- training and awareness programs for staff regarding cyber risks and threats;
- idAuthority and access control based on the Zero Trust architecture and periodic access audits;
- strengthening of network security through VLAN segmentation, SD-WAN implementation, DTMPN and secure site-to-site VPN connections;
- application security through periodic vulnerability testing and the implementation of protection mechanisms including WAF and anti-DDoS;
- vulnerability management and patch updates for network devices, servers and operating systems;
- ensuring service continuity through Disaster Recovery and Cyber Recovery plans;
- continuous auditing and improvement of information security processes.

ISO/IEC 27001 and Requirements of the Amended Regulation

Following the amendments approved by Decision No. 79, dated 14.04.2025, and in accordance with Article 10 of the amended regulation, which requires obtaining ISO/IEC 27001 certification within 18 months from the entry into force of the amendments, progress toward fulfilling this obligation has been monitored.

Based on the verified information, the responsible structures have initiated the alignment process with ISO/IEC 27001 requirements, including the preparation of relevant documentation, gap assessment, and the development of an action plan for certification during 2026.

Continuation of Monitoring

The Compliance Officer will continue monitoring the fulfilment of these obligations, with particular focus on:

- full implementation of the requirements of the amended regulation;
- progress of the ISO/IEC 27001 certification process;
- documentation and verifiability of the measures implemented;
- their impact on the protection of commercially sensitive information and the integrity of the operator's critical processes.

10. Reporting on Self-Producers and Generating Sources

In compliance with the recommendation of the ERE Board, the Compliance Officer has included in the 2025 annual report information on self-production and generation sources connected to the distribution network, with a focus on installed capacity, regional distribution, key developments during the reporting year, and their impact on system operation and net load.

This reporting has been prepared in accordance with Law No. 43/2015 “On the Electricity Sector”, Law No. 7/2017 “On the Promotion of the Use of Energy from Renewable Sources”, Council of Ministers Decision No. 822/2015, Instruction No. 3 dated 20.06.2019, as well as the applicable technical and regulatory framework governing the connection and operation of such sources within the distribution system.

Self-Producing Customers (Prosumers)

During 2025, a steady increase has been observed in the number of customers applying for connection to the network as self-producers of electricity, primarily from photovoltaic sources, in accordance with Article 15 of Law No. 7/2017.

During this year, a total of 1,261 applications for self-production were registered, with a total requested capacity of 94,969 kW. Out of these, 1,184 applications were approved, with a total installed capacity of 90,737 kW, representing approximately 93.9% of the total number of applications and 95.5% of the requested capacity.

The structure by category is as follows:

- ✓ Private: 808 applications with requested capacity of 88,092 kW, of which 763 applications were approved with 84,337 kW, representing approximately 64.1% of total applications and over 92% of the total installed capacity;
- ✓ Residential (Household): 433 applications with 5,542 kW, of which 404 applications were approved with 5,308 kW, accounting for approximately 34.3% of applications, but only about 5.9% of total installed capacity, reflecting the small-scale nature of these installations;
- ✓ Budgetary: 18 applications with 1,325 kW, of which 15 applications were approved with 1,082 kW, representing a limited share in the total system;
- ✓ Non-budgetary: 2 applications with 10 kW, all fully approved, with minimal impact on the overall structure.

The regional distribution continues to show a higher concentration in the Tirana and Durrës regions, which account for the majority of applications and installed capacities, reflecting the higher economic activity and energy demand in these areas. Other regions such as Elbasan, Shkodra, and Berat have also shown a steady increase in interest in self-production.

The integration of this category of producers into the network has been carried out in compliance with system security and stability criteria, while continuously monitoring the impact of generation sources—particularly photovoltaic—on the energy balance and net load of the distribution network.

In this context, the development of self-production has contributed to:

- a reduction of net consumption from the grid during peak solar generation hours;
- an increase in reverse power flows in certain segments of the medium and low voltage network;
- a growing need for advanced monitoring of voltage levels and load balancing.

Issuance of Preliminary Opinions for New Generation Sources:

In accordance with Council of Ministers Decision No. 822/2015, during 2025 OSSH JSC has processed applications for preliminary opinions for new generation sources, as part of the procedure for assessing the feasibility of connection to the distribution system.

During the reporting period, 2 preliminary opinions were issued, with a total assessed capacity of 22.4 MW.

These opinions represent the initial stage of the approval process and confirm the preliminary technical compliance of the projects with the requirements of the distribution network.

Approvals of Connection Points for Generation Sources:

During 2025, 4 approvals for connection points were granted for new generation sources, all related to photovoltaic installations, with a total approved capacity of 8 MW.

This development reflects the growing interest in integrating renewable energy sources into the distribution network and requires continuous assessment of their impact on voltage levels, transformer capacities, energy flows, and operational security.

Generation Sources Connected to the Network during 2025:

During 2025, a total of 16 generation sources were connected to the distribution network, with a total installed capacity of 40.93 MW.

The distribution by region and technology is summarized as follows:

- Fier: photovoltaic plants – 12 sources / 24 MW;
- Elbasan: hydropower plants – 2 sources / 2.73 MW;
- Berat: hydropower plants – 2 sources / 14.2 MW.

Overall Assessment

Monitoring results indicate that the integration of self-production and generation sources into the distribution network during 2025 has been carried out in compliance with the applicable legal and regulatory framework and based on objective and non-discriminatory technical criteria.

The increase in the number of self-producers and new generation capacities has led to a growing need for enhanced technical monitoring and continuous assessment of their impact on the net load of the network, energy balance, voltage parameters, and system hosting capacity.

In this context, OSSH JSC continues to strengthen its monitoring and technical analysis mechanisms to ensure the safe, efficient, and non-discriminatory integration of these sources into the distribution system..

19. KONKLUZIONE

The Annual Compliance Report for 2025 presents, in a structured manner, the assessment of the implementation of the Compliance Programme at OSSH sh.a., in accordance with Article 72 of Law No. 43/2015 “On the Electricity Sector”, the relevant secondary legislation, and the decisions of the Energy Regulatory Authority (ERE).

This report has been prepared based on the information, documentation, and data submitted to the Compliance Officer by the respective departments and structures of OSSH sh.a., as well as by the responsible structures of OSHEE Group sh.a., for the purpose of monitoring the implementation of the Compliance Programme.

The analysis indicates that during 2025, OSSH sh.a. carried out its activities in compliance with the applicable legal and regulatory framework, respecting the principles of functional independence, transparency, non-discriminatory treatment of network users, and the protection of commercially sensitive information. During the reporting period, no breaches of a substantive nature that could undermine these principles were identified.

Building on the progress achieved in previous years, the implementation of the functional unbundling principles of the distribution system operator was further consolidated during 2025, in line with the requirements of the national legal framework and the obligations arising from the Energy Community Treaty.

The Compliance Officer positively assesses the cooperation with the structures of OSSH sh.a., OSHEE Group sh.a., and the Energy Regulatory Authority (ERE), which has contributed to ensuring a transparent and well-documented process of monitoring and implementing the Compliance Programme during 2025.

In order to further strengthen transparency and ensure non-discriminatory treatment, all network users are encouraged, in cases where they identify or suspect unequal treatment, restriction of rights, or any deviation from the regulatory framework, to address their concerns through the official communication channels of OSSH and OSHEE sh.a., including the “Report/Denounce to the Compliance Officer” platform and the contact points made available by the company. All notifications are handled in a confidential, impartial, and timely manner, with the aim of ensuring a fair and effective resolution.

DSO/OSSH sh.a. remains committed to the continuous improvement of its operational standards and to further strengthening the culture of compliance, in alignment with the European Union acquis and the requirements of the Energy Community.

Ervis Hazizi

Compliance Officer, DSO JSC

Tirana, March 2026