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The following gives an overview of the Decision No.674, dated 23.01.2019, of the Albanian Competition Authority “On some recommendations to the Water Regulatory Authority (‘WRA’) on the application for changing the tariff level for Roskovec Water supply and Sewerage Enterprise Sh.A.”

WRA, through letter Nr. 444 prot., dated 06.12.2019, has informed the Competition Authority on the decision of the National Regulatory Commission (“NRC”) No. 79 prot., dated 26.11.2018, that it has started the procedure for reviewing the application for the changing of the tariff level of Roskovec Water supply and Sewerage Enterprise Sh.A., which has proposed through a draft decision, to apply the setting of a new level of service tariffs for the supply of drinking water, wastewater disposal and fixed network maintenance fee of water supply throughout the whole service area after reorganization.

The Competition Commission after reviewing the report on the application for the tariff level change for Roskovec Water Supply and Sewerage Enterprise Sh.A., among other, has noted that the application of the tariff change methodology has begun with cost analysis of the operation and maintenance, which must be justifiable, as well as with the analysis of performance indicators, which shows gradual tariff increases.

WRA states that the Roskovec Water supply and Sewerage Enterprise Sh.A. applies differentiated WRA-approved tariffs to the entire service area and seeks unification of tariffs for the entire area after reorganization based on:

- Decision No. 9, dated 21.04.2014 “On the approval of water tariffs for public consumption for Fier Water supply and Sewerage Enterprise Sh.A.”, part of which was partly until November 2017 for three of the administrative units, while for the other three units no service was provided by any water supply company, but they were administered by the respective municipalities and tariffs were set by the Municipal Councils;
- The application of the proposed tariffs for approval by Roskovec Water supply and Sewerage Enterprise Sh.A. has commenced since 2018 after being licensed by WRA through Decision No. 53, dated 23.11.2017.

Through the application, Roskovec Water Supply and Sewerage Company Sh.A. proposes to increase tariffs to allow for their legalized change, for the household customer in all areas at the value of 45 lek/m³, with an increase ranging from 12 ALL/m³ to 20 ALL/m³ for household customers; the tariff for public consumers increases from 30 ALL/m³ to 50 ALL/m³ for the whole area after the reorganization, while for private consumers the increase varies from 20 ALL/m³ to 30 ALL/m³. It is proposed a change of the fixed tariff through an increase from 20 ALL/month/connection up to 100 ALL/month/connection for the household customer, an increase from 50 ALL/month to 150 ALL/month/current tariff connection, fixed tariff for the public and private consumer grows. The volumetric tariff for wastewater removal is proposed to increase by 4 ALL/m³ up to 15 ALL/m³ for the household consumer, 12 ALL/m³ up to 25 ALL/m³ for the public and private consumers.

As for the above, the Competition Authority and WRA highlight that tariffs should be cost-oriented, avoiding the gain of Roskovec Water Supply and Sewerage Enterprise Sh.A., which has a dominant position, and the regulator should stimulate the reduction of these costs, achieving reasonable profits, as also the setting of tariffs at minimum levels, ensuring that consumers pay the right price for the product and service they are offered.

Since the enterprise does not have installed meters in production at the main points of the network, the level of administrative and real losses is very high. Therefore, it is recommended to analyze the debt history of non-payment of utility bills, as well as to compile a detailed plan for the collection of delayed debts. It also needs to properly manage and timely settle liabilities to suppliers in order to reduce the additional

costs associated with delayed interest while also benefiting from subsidies allocated by Government. All investments should be as transparent, convenient, efficient as possible and promote cost reduction from current levels and effective use of water resources.

From the evaluation of the competition, it results that Roskovec Water supply and Sewerage Enterprise Sh.A. has a dominant position and as such, has the obligation of orientation of prices towards cost. In applying the tariff increase, Roskovec Water supply and Sewerage Enterprise Sh.A. has not separated according to zones, the costs of water supply service from the wastewater removal service as well as the costs for the service provided by mechanical or with free fall.

As for the above, the Competition Authority has decided to recommend the WRA as follows:

- a. The amended tariffs to be approved by the WRA for Roskovec Water supply and Sewerage Enterprise Sh.A shall be cost-oriented and based on the principle of non-discrimination.
- b. WRA shall request from Roskovec Water supply and Sewerage Enterprise Sh.A the separation of costs for both offered services while notifying the Competition Authority in 90 days for the realization of this recommendation.
- c. The WRA shall perform an annual compliance audit in the cost accounting system. WRA shall make the description of the cost accounting system transparent.

Quick Summary

As seen from the content of the Decision No.674, dated 23.01.2019, of the Albanian Competition Authority, it seems that

Albanian authorities are reaching a certain level of sensibility as regards their accountability towards the market, consumers and competition wise. This easily results from the procedure followed by WRA, following the application for the change of tariff level from Roskovec Water supply and Sewerage Enterprise Sh.A.

Given that the latter has a dominant position in the market, WRA has decided to comply with the Albanian legislation on competition, as opposed to the past, when such practices were considered not only inexistent, but also unimportant. This is a positive indicator that Albanian authorities are taking seriously their role when in dominant positions, and are also doing progressive steps towards taking

the right measures not to harm the Albanian consumers.

On the other hand, the Competition Authority also seems to have proceeded with a detailed market study on the matter, which serves to show that it has not overseen the matter at hand. After carefully examining the current situation of the market, the Competition Authority has decided that the prices shall be cost-oriented and based on the principle of non-discrimination, while deciding that WRA shall be responsible not only for the transparency, as regards the cost accounting system, but also for the latter's annual implementation.

Overall, this decision is a positive sign that the compliance, from Albanian authorities, with competition legislation in Albania is headed in the right direction.



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