



# Determining an Uniform Tariff for Several DSO's

**Case Study by ALBANIA**

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ERE



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# Tariff Uniformity

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- *Reasons to have uniform tariff among several DSOs*
- *Ensures all customers pay the same price for electricity regardless of their location or the DSO that serves them. Also it reduces regional disparities and promotes fairness, especially for rural or remote consumers.*
- *Easier to understand and administer for regulators, consumers, and suppliers, because it avoids confusion in tariff structures and simplifies billing systems.*
- *Uniform tariffs streamline regulatory oversight and benchmarking across DSOs. Reduces administrative burden and costs associated with managing multiple tariff structures.*
- *With uniform network charges, energy suppliers face a level playing field, encouraging competition based on service and energy price, not location.*
- *Supports National Policy Goals as it helps implement nationwide electrification, renewable energy integration, or social subsidy schemes more uniformly.*



- *Reasons against having uniform tariff among several DSOs*
- *Different DSOs could face different operational costs (due to geography, customer density, network age, etc.). Uniform tariffs may mask true cost differences, reducing incentives for DSOs to be efficient or for consumers to use resources wisely.*
- *Consumers in low-cost areas may end up subsidizing those in high-cost areas. Could lead to perceptions of unfairness and dissatisfaction among users.*
- *DSOs in high-cost regions might struggle to recover costs under a uniform tariff. Could reduce incentive or ability to invest in infrastructure upgrades or maintenance.*
- *While tariffs may appear uniform, regulators may need complex compensation mechanisms (e.g., inter-DSO transfers) to balance financial outcomes.*
- *May distort locational signals, such as the true cost of connecting new customers or distributed generation in expensive areas.*

# Tariff Uniformity



- *In Albanian case, DSO network tariffs are nation-wide, since we have only one DSO, but these tariffs are determined based on the voltage level of connection. Albania has specific network tariffs, for customers connected at 35kV, at 20/10/6 kV and for those customers connected at LV.*
- *The electricity bill in Albania includes energy cost (set by supplier or approved by regulator), network charges (approved by regulator) and taxes and levies (e.g. VAT, renewable subsidies)*
- *DSO receive the network charge, which has been set according to a regulated price cap methodology, based on cost of capital and depreciation, operating expenses (OPEX), investments and service obligations.*
- *The differences are adjusted by the regulator in the next regulatory period, which in Albanian case is on annual basis for DSO, meanwhile for the TSO is a regulatory period of 3 years. .*

# The Role of Regulator

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- *The role of regulator is to set cost-reflective and transparent network tariffs for electricity and gas transmission/distribution tariffs. ERE reviews and approves investments plans and tariff proposals, ensuring fair pricing, efficiency, and investment recovery. Also, it monitors compliance and alignment with EU energy standards to ensure market transparency and consumer protection.*
- *ERE has approved the tariff methodologies for setting TSO and DSO network tariffs, by using the price cap regulation for the average revenues permitted of the electricity transmission/distribution service. ERE approves company-specific allowed revenues to ensure the operator can recover justified costs and earn a reasonable return. Regulatory adjustments in subsequent periods (tariff smoothing or carryovers) are foreseen by the methodologies to balance over/under-recoveries.*

# Impact

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- *In Albanian case, uniform network tariffs of electricity have a positive impact on retail competition by promoting fair and equal access to the electricity network for all suppliers, regardless of their location and also making it easier for new and smaller retailers to enter the market. This can lead to increased choices and competitive offers for the consumers.*
- *Negative impacts on cost reflectivity is that as consumers pay on the network tariff also for the electricity which is used to cover the losses, some areas which have lower level of losses pay also for the other part of country. On the other hand, to lower the level of losses, these consumers have attracted more investments on the grid than the rest and considering that these investments are included in DSO tariff, they have been paid by all consumers.*



**THANK YOU  
FOR YOUR ATTENTION!**

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# Topic description

## as per 2024-2026 workplan

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*This case study investigates the complexities of establishing a unified tariff structure for multiple Distribution System Operators (DSOs) within an electricity sector. With varying tariffs based on regulated costs and electricity volumes among DSOs, the study delves into international experiences to gain insights. Key areas of exploration include regulatory frameworks, revenue administration practices, cost allocation methodologies, and stakeholder engagement strategies.*