

ALBGAZ sh.a.
COMBINED NATURAL GAS OPERATOR
COMPLIANCE OFFICER

Nr. _____ Prot

Tirana, on ____/____ 2021

ANNUAL COMPLIANCE REPORT
2021

**On the adoption of measures out for the implementation
of the Compliance Program in the Natural Gas Sector by
ALBGAZ sh.a.**

ALBGAZ Sh.a.
Combined Natural Gas Operator
Njësia Administrative Nr. 5, Rruga e Kosovarëve,
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Disclaimer on the English Translation

The present Annual Compliance Report is an unofficial English translation for convenient purposes only. Accordingly, any prospective reader should also refer to the official Albanian version, which is the prevailing document for all purposes.

This report was prepared based on information that was provided by ALBGAZ Sh.a. Natural Gas Transmission and Distribution System Operator to the company's Compliance Officer during the fulfillment of his responsibilities in 2020.

According to the requirements of Article 47, Article 16, point 7 of Law No. 102/2015, dated 23.09.2015, "On the Natural Gas Sector", as amended, as well as the ERE decision no.77, dated 26.05.2017, the annual report will to be published in two languages on the official website of the Transmission System Operator - ALBGAZ Sh.a (www.albgaz.al) within five days of its submission to the Albanian Energy Regulatory Entity (ERE). The report must be completed by 31 March each year.

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ABBREVIATIONS AND DEFINITIONS

ALBGAZ sh.a.: Combined Operator of Natural Gas Transmission and Distribution System

ALBPETROL sh.a: Public Company for Oil and Gas Production

ERE: Energy Regulatory Entity

OSSH / DSO: Distribution System Operator

TSO/TSO: Transmission System Operator

ENTSO-G: European Network of Gas Transmission Operators System

MIE: Ministry of Infrastructure and Energy

LNG: Liquid Natural Gas

ECRB: Energy Community Regulatory Board of Energy Countries

ACER: Agency for the Cooperation of Energy Regulators

CEER: Council of European Energy Regulators

MEDREG: Mediterranean Association of Energy Regulators

GRI SSE: Gas Regional Initiative for the South-South East Region

IGU: International Gas Union, we are members with full rights

OME: Mediterranean Observatory for Energy

UfM: Union for the Mediterranean

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PART ONE

1. Introduction

In support of law no. 102/2015 “On the Natural Gas Sector”, as amended (published in the Official Gazette No. 178, dated 15.10.2015), pursuant to the requirements of Article 47, the Compliance Program (Program) has been approved by the Board of the Energy Regulatory Authority (ERE) with Decision no. 77, dated 26.05.2017 "On the approval of the Compliance Program of the Transmission System Operator for Natural Gas", and especially pursuant to the provisions of Article 21 of Directive 2009/72/EC of 13 July 2009 "On common rules in the domestic energy market which repeals Directive 2003/54/EC", Mr. Elvis Ponari MBA, MSc (from now on as Officer), approved by Decision no. 233, dated 16.10.2018, "On the approval of" Minimum requirements for the Officer, professional criteria and other selection criteria "and prior approval of the Officer of the Natural Gas from ERE, drafted this annual report concerning the adaptation of measures by ALBGAZ (TSO) for the implementation of the Program.

This annual report of compliance is drafted **for the third time** as part of the legal competencies of the activity of the Officer. It aims to present the mechanism for the implementation of this Program, the definition of functional tasks and obligations of TSO's employees in relation to the Program, relying on monitoring and reporting on the implementation of this Program.

This annual compliance report sets out the monitoring and progress of the process according to the Compliance Program first approved in 2020 by the TSO Supervisory Council with Decision No. 18, dated 04.11.2020 on “approval of the compliance program of the transmission system operator for natural gas ”, but not yet approved by the ERE. ERE with decision no. 263 prot. dated 28.12.2020 requested the submission of the program for approval because in the decision of TSO it was stated “The decision had to be approved by the Assembly”.

*The program is aimed at ensuring the unbundling and independence, access and information, avoidance of discriminatory behaviors, implementing and using the program as well as the transposition of the procedures followed by it during the period **1.1.2020 - 31.12.2020**.*

The Officer confirms that TSO complies with industry standards, laws, by laws, and regulations set by ERE. During 2020, the Officer analyzed the company according to the Program and exercised his duty for the Program to be implemented by the company. Also, during 2020 the Officer has taken care that the company complies with international regulations. To meet any compliance requirements, the Compliance office together with TSO have actively established regulations, guidelines, and processes so that the company and its staff are as consistent as possible with the Program.

The 2020 report presented some recommendations that should have been met throughout 2020, to improve the work of TSO and meet the obligations of the Program. These recommendations will be reviewed in this report.

The recommendations were:

- Update the official TSO website to include the Compliance Program
- Improving the Code of Ethics, to include parts of the Compliance Program
- Guidelines: Compliance Program Principles
- Communication channel with the Officer
- Document Classification Policy Guide
- Update/amend the Program
- Application/mechanism for monitoring and reporting on the implementation of the Compliance Program.

According to the continuous communication between the Officer and TSO and with the return letter response "Providing information on the measures taken for the recommendations of the Annual Compliance Report for 2020" by TSO, Nr. Prot 189, dated 03.11.2020 states:

- 1 .Updating the official website is under construction and according to the data of the Officer it has been fulfilled as a task.
- 2 .Improving the Code of Ethics TSO requires a specification from the Officer as to which part of the Program to be included in it. During 2021 a working group will be established, work and depending on the situation and the pandemic will take place in 2021.
3. Manual work: Principle / Program Policy is exhausted after the Officer communicates with TSO and trains new staff for the program, TSO has forwarded to all the guide created by the Officer, the communication is very good. It is called exhausted.
4. Communication channel is exhausted as it is very well included in the TSO website.
5. Guide on information classification policies is called exhausted because it is included very well in the Code of Ethics. It should be reviewed in the coming years if it needs to be updating.
6. Updating the program is called out of date as it is a task that every year requires and needs to be updated laws and regulations. Must be taken into account by TSO and the Officer.
- 7.Application/mechanism for monitoring the reporting and implementation of the Program is called exhausted because it is reported and maintained very well and in detail to the Officer.

8. Introduction of new techniques and replenishment of human resources is complemented by TSO and should also continue as the gas sector constantly requires staff training and expansion.

Throughout 2020 I note the most important communication for TSO and in terms of compliance.

- It should be noted that ERE finally with Decision no. 263, dated 28.12.2020 "On the start of the procedure for the approval of the compliance program of the transmission system operator for natural gas," TSO "sh.a." approve the program.
- Also for the clear reasons it should be noted that TSO has failed to meet the requirements for licensing and certification, 2 times, requesting extension of deadlines for completing the relevant documentation according to the decision of ERE no.108 dated, 02.07.2020 "on the licensing of TSO " and the decision of ERE no. 109 dated 02.07.2020 "for the certification of TSO " and ERE decision no. 261 dated 28.12.2020 "on the licensing of TSO " and the decision of ERE no. 262 dated 28.12.2020 "for the certification of TSO ".
- It should also be noted that TSO has been applying for a storage license for years and has requested an extension, 2 times, for completing the documentation according to the decision of ERE no. 119 dated 17.7.2020 "on the postponement of the deadline for completing the documentation" and decision ERE no. 179 dated 04.11.2020 "for postponing the deadline for completing of the documentation".
- It should be noted that with decision ERE no. 215 dated 15.12.2020 the same tariff for gas was left in force, not changing for the market.
- It should be emphasized and re-mentioned that TSO and ALBPETROL have not been able to fulfill the contract for the supply of gas, even after some letters of TSO no. 178 dated 13.10.2020, no. 134 dated 6.7.2020, no. 94 dated 12.5.2020, no. 70 dated 4.3.2020 directed and reminded ALBPETROL for the amount of gas you need for 2020, TSO has not received a response. TSO without having a gas network and what it has has with minimum capacity one of its customers and the most important is ALBPETROL.
- The regulation on "initiating the procedure for reviewing and approving the procedures for granting the right of exemption for the new natural gas infrastructure" should be noted. ERE decision no. 148, dated 10.09.2020. A very important regulation for the development of the gas market and to guarantee non-discriminatory rules for the functioning of the natural gas market.
- It should be noted a reminder from the ERE for the regulation approved by decision ERE no. 100, date 21.06.2020 for the approval of the "regulation for determining the standard criteria and minimum requirements for the quality of service and supply of natural gas networks", TSO has requested the postponement as it cannot complete it until 21.06.2021.

- It should be noted that despite all that in most cases the opinion has not been taken into account or the Officer has been informed. In the ERE document no. 1161 prot. Date 2.11.2020 with the subject "invitation for opinion for monitoring the natural gas market" and letter no. 1160 prot. Date 02.11.2020 with the subject "invitation for opinion on the natural gas metering code" was not informed the Official despite the fact that TSO has continued to communicate with the ERE.
- A key point should be emphasized where one of the requirements for certification and licensing of TSO is touched upon in detail, which is - the transfer of competencies of TSO to the Ministry of Finance and Economy. With the letter of TSO no. 118 / 1prot. Date 09.06.2020 have quoted that by letters no. 68 dated 03.03.2020 and letter no. 92 dated 07.05.2020 addressed to the General Assembly of TSO "for the change of the owner of TSO ", have not received an official response.
- The letter should be emphasized which the TSO sent as a response to ERE with no. 54 prot dated 10.02.2020 "On the 10-year network development plan" the 10-year plan was forwarded but not approved by the Supervisory Council of TSO.
- The letter should be emphasized which the TSO sent as a response to ERE with no. 54/2 dated 10.06.2020 shows for which phases of the 10-year plan are being met but due to the situation not all have been met.
- The letter should be emphasized which the TSO sent as a response to ERE with no. 95/3 date 08/10/2020 “ information about the economic program for the year 2021”

For the completion and production of the documentation needed for the annual report, one of the requirements and tasks of the Officer requested from TSO there were delays for various reasons, but with the help of the Officer together with the TSO staff they were finalized on time. Below please find the data pertaining to the 2020 report.

2. The Company

TSO is a joint stock company with 100% of the shares owned by the state with shareholders of the Ministry of Infrastructure and Energy (MIE), established by Decision no. 848, dated 7.12.2016 of the Council of Ministers, “On the establishment of the company“ TSO ”sh.a. The central headquarters of the company is in the city of Tirana. The company also has a representative office in the city of Fier.

TSO was certified by ERE as a **Gas Transmitter and Distributor** by Decision of the ERE Board no. 179, dated 8.11.2017 "On the certification of the company as a Combined Operator of Natural Gas, " and decision no. 187, dated 10.11.2017 on Licensing TSO as a Company in Natural Gas Distribution Activity, and decision no.

188, dated 10.11.2017 on Licensing TSO as a Company in Natural Gas Transmission Activity. During 2020, TSO has had communication with its Board Nr.190, dated 25.11.2020 to receive the approval to apply for a license as a Gas Storage Company. Three of them were still unfulfilled and postponed for fulfillment in 2021. But with the Decision nr.204, dated 04.12.2020 “ On the start of procedure for approval of “Regulation for determining the criteria for the exercise of activity of natural gas storage”.

Momentarily TSO pipeline network is distributed throughout western Albania and ends at the ORC in Ballsh. The domestic gas network infrastructure in Albania has a larger scope than the oil infrastructure. TSO has informed that it is currently in the process of field identification, technical assessment of the integrity of technological lines and underground pipelines as well as environmental impact assessment, for the purpose of equipping with the Environmental Permit.

The gas fields extend from Durrës to Delvinë, thus creating an opportunity for consumers to connect to the network. The limited domestic gas infrastructure in Albania in some parts of it is out of operation and needs major rehabilitation works. TSO manages about 500 km of gas pipelines built more than 40 years ago. I think now that they are outdated, lost, not working or even rusted and hard to put back to life.

Currently the main object of activity of the TSO as a combined operator, it is to provide the transportation and distribution of natural gas through the transmission and distribution network, and in the future to also provide the activity of underground natural gas storage and liquefied natural gas plant.

TSO as a combined gas operator during 2020 has proceeded to finalize the legal requirements in terms of certification and licensing of the company. TSO with: ERE with letter no. 262 dated 28.12.2020 on “An amendment to the decision of the ERE Board No. 187, Dated 10.11.2017, amended by decision no. 261, dated 19.12.2018,“ On the licensing of the TSO in the distribution activity of natural gas ”, accepted and decided: to postpone the licensing of TSO until 20.12.2020, giving time for TSO in support of Article 24, point 2, and rules no. 102/2015, "On the Natural Gas Sector", to complete all missing documentation.

2. To approve the amendment of point 1, of decision no. 188, dated 10.11.2017, as amended, as below:

“To license the company "TSO”, in the activity of natural gas transmission, for a period of 30 years, with the condition that within 20.12.2020, in support of article 24, point 2, of law no. 102/2015, "On the Natural Gas Sector", to complete all missing documentation.

The documentation which had to be completed by the company "ALBGAZ" sh.a. until 20.12.2020, according to the decisions of the Board no. 187/2017 and No. 188/2017 quoted above, is as follows:

- Equipping with Environmental Permits and Authorizations (article 9, point 1, letter "d", vi), of the "Regulation on the procedures for submission and approval of the investment plan by the natural gas transmission and distribution operators".
- Submission to the ERE of a Security Certificate (article 9, point 1, letter "e", iv), of the "Regulation on procedures for submission and approval of investment plan by natural gas transmission and distribution operators".
- The letter of the company "TSO" no. 144/1 prot, Date 17.12.2020, protocolled in ERE with no. 1283 prot, dated 18.12.2020, "Request for entry within the sales deadline on the licensing of the company" TSO " 20.06. 2021.

This request comes from the impossibility of TSO to meet within the deadlines the conditions of licensing decisions, with reference to the Decision of the Council of Ministers no. 243, dated 4.03.2020, for the declaration of the state of natural disaster throughout the Republic of Albania as well as the measures that continue to be taken in the country to prevent the spread of this pandemic.

- The company's request for extension of the deadline for submission of the necessary documentation was filed before the end of the deadline set in the decision of the ERE Board, Nr. 108, dated 02.07.2020 and taking into account all the restrictions imposed during this period in order to prevent the spread of the epidemic caused by the virus COVID-19, we estimate that the company is in conditions of inability to provide the necessary documentation.

ERE with this decision decided to approve the change of point 1, of decision no. 187, dated 10.11.2017, as amended, as follows:

To license the company "Albgaz" sh.a. in the natural gas distribution activity, for a period of 30 years, provided that within 20.06.2021, pursuant to Article 24, point 2, of law no. 102/2015, *"On the Natural Gas Sector", to complete all missing documentation. To approve the amendment of point 1, of decision no. 188, dated 10.11.2017, as amended, as follows: - To license the "TSO" company . in the natural gas transmission activity, for a period of 30 years, provided that within 20.06.2021, pursuant to Article 24, point 2, of law no. 102/2015, "On the Natural Gas Sector", to complete all missing documentation.*

And with decision ERE decision no. 261 dated 28.12.2020 on "on some changes in the decision of the ERE board no. 189, dated 08.11.2017, "on the certification of the TSO company ". It was decided that ALBGAZ take measures to meet the condition set out in point 5.2 of decision no. 179, dated 08.11.2017, "On the certification of the company" Combined Natural Gas Operator "TSO" as amended, within the date 20.06.2021.

3. The Compliance Program

Principles of the program that govern the activity of TSO according to the TSO nr. 142/5 Prot. Dated, 18.10.2020 “return of the letter response nr. 142/4 prot dated, 14.10.2020”

Monitoring the fulfillment of the obligations rising from the Program, is based on the four basic principles, (unbundling and independence, access and information, avoidance of discriminatory behaviors, implementing and using the program) according to the Decision of the ERE Board No. 77, dated 25.06.2017 "On the Approval of the Compliance Program of the Operator of the Transmission System for Natural Gas", it is examined how the activity of TSO should be governed by the standards set by the legislation in force.

This annual compliance report sets out the findings acquired by monitoring and progress of the process according to the Compliance.

The following regulatory requirements and principles should be considered a priority for TSO and any of its structures is obliged to implement and require compliance with these requirements and principles.

A. TSO unbundling and independence

1. Unbundling of TSO

After the investigation was completed, it was noticed:

According to the conditions and requirements of the paragraphs of the Compliance Program and letter nr. 142/5 Prot dated, 18.10.2020 “return of the letter response nr. 142/4 prot dated, 14.10.2020”.

- **TSO meets the requirements of the program** as it is a TSO that develops its activity separated from other activities that are not related to the transmission of natural gas in accordance with Article 36 of Law no. 102/2015 “For the Natural Gas Sector”. Also, TSO is a separate legal entity that is not part of a vertically integrated companies or part of the corporate structure and does not perform or engage in the activities of production and/or supply of natural gas and electricity. **However, it should be reconsidered that the owner of ALBGAZ be changed as soon as possible in accordance with the law and energy directives.**
- TSO according to the conditions and requirements of the paragraphs of the Compliance Program and the letter nr. 142/5 Prot dated 18.10.2020 “**return of the letter response nr. 142/4 prot dated 14.10.2020**”: has ensured and guaranteed the proper division of TSO, taking measures that the same person or the same persons appointed as members of the supervisory board, board of directors or bodies legally representing TSO do not have the right to exercise

control at the same time directly or indirectly on the decision-making of the entity that performs the activities of production or supply of natural gas and be members of the supervisory board, board of directors or other bodies representing themselves to other licensed persons performing the activity of production or supply of electricity of natural gas and the activity of TSO or transmission network.

2. Managerial Independence of the TSO

After the investigation was completed, it was noticed:

- According to the conditions and requirements of the paragraphs of the Compliance Program approved by the Decision of the ERE Board No. 77, dated 26.05.2017, and its sub-items, as well as letter **nr. 142/5 Prot dated, 18.10.2020 “return of the letter response nr. 142/4 prot datet 14.10.2020”** as TSO meets **the requirements of the Program** by taking measures that the independence of the leaders has been achieved. In terms of the independence of TSO executives, such as the Supervisory Board Members, the Administrator, the chairperson, and the leading staff (heads of structural units), are independent to vertically integrated companies or are not part of them. To this end, the following requirements have been met:
- TSO executives are not professionally affiliated with vertically integrated companies or any part of them.
- TSO executives have no interest or receive financial benefits directly or indirectly, from vertically integrated companies or any part of them.
- Salaries of executives in TSO are determined based on predetermined elements related to the performance of TSO, as specified in the employment contract and / or in the employment instructions.
- The transfer of TSO executives to vertically integrated companies or any part thereof, and vice versa, is foreseen to be done under transparent conditions clearly set out in the TSO Statute and will be followed regularly, and none of these transfers should be predetermined from the beginning. TSO executives do not have shares at vertically integrated companies or any part of them, and there are no potential conflicts of interest related to these shares.

3. Operational and decision-making independence of TSO

After the investigation was completed, it was noticed:

- According to the conditions and requirements of the paragraphs of the Compliance Program approved by the Decision of the ERE Board No. 77, dated 26.05.2017, TSO **nr. 142/5 Prot dated, 18.10.2020 “return of the letter response nr. 142/4 prot dated, 14.10.2020”**: **TSO has total functional and decision-making independence**, TSO based on Law no. 102/2015 on the

Natural Gas Sector, as well as other legal acts and the Transmission Network Code is responsible for providing access to third parties, including the collection of obligation access and congestion obligations, for the operation, maintenance and development of the transmission system as well as to provide a long-term opportunity of the transmission system to meet reasonable requirements through investment planning. With the development of the transmission system, TSO is responsible for planning (including authorization procedure), construction and authorization of new gas infrastructure. TSO is independent in planning investments regarding the transmission system according to the requirements of Law 102/2015 and other applicable legal acts and must be matched with the approved ten-year plan for the development of the transmission network and be monitored by ERE. TSO makes available the required financial, technical, physical, and human resources to perform the tasks of the natural gas transmission system operator.

On November 15, 2020, the TAP Project ended. The Moment of Commercial Commissioning Date on November 15, marks the beginning of a 25-year period of exclusion from third party access, tariff adjustment and segregation of ownership. From this date onwards, TAP Carriers must pay tariffs, as defined by the TAP Tariff Code and published on the official TAP website.

Market Capacity Test has already started. It is harmonized with the provisions of the Opinion Joint Final of the Energy Regulators on the Exemption Application of TAP AG, dated 6 June 2013, issued by the Authorities according to Directive 2009/73 / EC, ('Final Joint Opinion') of the TAP Tariff Code with EU Regulation 2017/459 establishing the network code on Capacity Allocation Mechanisms in gas transport systems ("CAM NC").

For its initial capacity, TAP is exempt from third party access provisions, regulated tariffs and segregation of ownership under the terms of the Joint Final Opinion. Exemption from regulated tariffs and ownership segregation also applies to TAP's current built capacity.

Market testing is a transparent, open and non-discriminatory procedure. The process reflects the unique and specific Regulatory context of the Carrier and includes guidance on how TAP will participate in the broader capacity building process set out in Chapter V of the Grid Code Capacity Allocation Mechanism.

Should be mentioned:

- Decision no.145, dated 28.08.2020 "On the initiation of the procedure for the approval of the draft" General conditions of the contract for the supply of natural gas for end customers who benefit from the public supply service ".

- Decision no.68, dated 22.04.2020, "On the approval of the" Natural Gas Transmission Network Code "in Albania".
- Decision no.218, dated 15.12.2020. "On the initiation of the procedure for the approval of the standards for handling the complaints of the customers of electricity and natural gas by the licensees in the supply activity".

TSO has carried out many other activities in the domestic sector and it is worth mentioning where in the capacity of Combined Natural Gas Operator in the Republic of Albania, whose activity is licensed and regulated according to the provisions of law 102/2015 "On the Natural Gas Sector", we present the main developments during 2020 as follows:

First, during 2020, TSO has conditioned as never before the operational progress of the company and has been forced in the suspension or postponement of projects deriving from "Gas Masterplan", reflected these through DCM no. 87/2018.

Although the pandemic year posed unprecedented challenges for various departments, some achievements were made mainly in the regulatory framework, capacity building and both projects as follows:

1. Cooperation for the Transmission Network Code
2. Application for a License as a Storage Systems Operator.
3. Natural Gas Metering Code
4. Capacity building of TSO, has been undertaken by the agreed consultant Economic Consulting Associates Ltd
5. TSO carried out the procedures for the design and construction of two TAP Pipeline maintenance centers in Albania, namely: Maintenance Center in Fier (in operation) and Maintenance Center in Korca under construction, after the completion of tendering procedures. These projects were implemented within the agreement between TAP AG and TSO with the object of implementing the pipeline maintenance service through the joint venture Albanian Gas Services Company JSC.
6. Other potential projects which did not continue in the subsequent phases.
 - a) The PIP01 project, Fier CP-Vlora TPP, continues to be pursued by TSO with great interest, as the project potentially directly involves the company as a transmission network operator.
 - b) Follow-up and implementation of requirements arising from the procedures for the establishment of the Ionian Adriatic Pipeline (IAP) project.
 - c) Following the work after the feasibility study for the interconnection project with Kosovo, ALKOGAP.
7. TSO is involved in the Technical and legal negotiation process regarding the agreement regarding the connection point in Korça (Exit Point) with TAP, a process which is ongoing and in full coordination with other stakeholders

including the Ministry of Infrastructure and Energy, as a representative of the interests of the Albanian state.

8. TSOs activity is a complex, time-consuming process, because activities such as those in the gas sector are very intensive in "capital investments", Both in design and financing volumes, as well as in time span, but their expected and gradual final result is:
9. Technical-Financial Research for the realization of a "pilot project" of LNG on a "small scale" (small scale LNG);
10. Creating conditions for obtaining foreign direct investments in this segment of the economy;
11. Increasing employment in the sector and in industries that have an impact from the gas sector;
12. Improving energy supply at the industrial, service and residential levels;
13. Creating conditions for sustainable industrial development and reduction of energy costs at the level of production of "goods and services";
14. General reduction of the "energy bill" of the final household consumer;
15. Capacity building in the country in terms of pre-design, design, investment management resulting in effective implementation and efficient activities in the gas industry;
16. Consolidation of institutional cooperation with European agencies such as ENTSO-G, GIE and the ECS Energy Community Secretariat.

The year 2021 awaits TSO with the development in the field of gas as:

- Cooperation with the Energy Regulatory Entities of the neighboring countries, Greece and Italy, as two EU member states, coordination of all bylaws and regulations in accordance with Directive 2009 / EU and Regulation 715 / EU and a number of other regulations related to transparency, discrimination against third parties and joint decision-making for this purpose
- Cooperation with the Secretariat of the Energy Community in Vienna for other bylaws and improvement of existing ones as well as ongoing consulting on problems that arise during the implementation of Directives and Regulations
- Cooperation with the Ministry of Line (MEI) on the necessity of building gas infrastructure, as an urgent need for the opening of the natural gas market in our country. Gas is currently present and we need to start using it. Five priority projects have been identified and approved by the Council of Ministers, and the start of their construction is required, certainly according to the priority they have.
- Cooperation with the Ministry of Line (MEI) for the amendment of law no. 102/2015 "On the Natural Gas Sector", as amended, to meet the certification conditions of the Natural Gas Transmission Operator, TSO.
- Cooperation with TSO in regulatory terms, for all problems encountered for the opening of the natural gas market, qualification, transparency and improvement of the necessary acts.

- Cooperation with National and International Institutions on gas problems such as; CEER (European Council of Energy Regulators), ACER (Agency for the Cooperation of Energy Regulators) Energy Regulatory Cooperation Agency for Europe), GRI SSE, SOUTH SOUTH-EAST GAS REGIONAL INITIATIVE (GRI SSE, (Gas Regulatory Initiative for the South East Region), MEDREG, Working Group Natural Gas, Association of Energy and Natural Gas Regulators for the Mediterranean region, ENTSO-G (Observatory in the European Gas Transmission System Association), IGU (International Gas Union), OME (Energy Observatory in the Mediterranean and Europe), ECRB, Gas Working Group, Energy Regulatory Board of Energy Community countries, participate in their studies and absorption potential of foreign investment for infrastructure development in our country.

B. Exclusion of discriminatory conduct

The conditions and procedures are set in relation to the provision of Gas Transmission Services, to prevent any discriminatory treatment by the TSO.

1. Access to the transmission system

After the investigation was completed, it was noticed:

- According to the conditions and requirements of the paragraphs of the Compliance Program approved by the Decision of the ERE Board No. 77, dated 26.05.2017, letter **nr.142/5 prot. dated 18.10.2020** and **“return of the letter response nr. 142/4 prot dated, 14.10.2020 TSO meets the requirements of the Program** by taking measures to ensure equal and non-discriminatory access.

2. Competition and commercial relations

After the investigation was completed, it was noticed:

- According to the conditions and requirements of the paragraph of the Compliance Program approved by the Decision of the ERE Board No. 77, dated 26.05.2017, and the letter **nr.142/5 prot. dated, 18.10.2020 “return of the letter response nr. 142/4 prot. dated, 14.10.2020”**: **the activities of TSO meet the requirements of the program**. Regarding competition and commercial relations, during 2020 no violations or mismanagement of commercial activity were reported, both in general and in relation to specific cases. TSO's activities do not limit or affect fair competition in the natural gas market

3. Conflict of interest

After the investigation was completed, it was noticed:

- According to the conditions and requirements of the paragraphs of the Compliance Program approved by the Decision of the ERE Board No. 77, dated 26.05.2017, and **letter nr.142/5 Prot dated, 18.10.2020 “return of the letter response nr. 142/4 Prot dated, 14.10.2020”: TSO meets the requirements of the Program.** Regarding conflicts of interest, during 2020, there is no violation or abuses from TSO employees or by the Whistleblower or any other internal or external individual of the company has been signaled.

C. Information policy of the TSO

TSO has undertaken a series of actions to ensure information, confidentiality and transparency to the public by providing equal access to users in all available documentation as it is obliged to publish on the official website of the corporation, according to the regulatory framework governing its activity .

1. Provision of information

After the investigation was completed, it was noticed:

- According to the conditions and requirements of the paragraphs of the Compliance Program approved by the Decision of the ERE Board No. 77, dated 26.05.2017, and **letter nr. 142/4 Prot dated, 18.10.2020 “return of the letter response nr.142/4 Prot dated, 14.10.2020”: TSO meets the requirements of the Program.** Even though, TSO currently has only one user of the gas transmission network, TSO provides all users of the network with the necessary information for efficient and unrestricted access to the transmission system. This information is provided in a fair, transparent, and non-discriminatory manner according to the terms and conditions set out in Law No. 102/2015 on the Natural Gas Sector.

2. Confidentiality of information

After the investigation was completed, it was noticed:

- According to the conditions and requirements of the paragraphs of the Compliance Program approved by the Decision of the ERE Board No. 77, dated 26.05.2017 and **letter nr.142/5 prot dated, 18.10.2020 “return of the letter response nr.142/4 prot dated, 14.10.2020”: TSO meets the requirements of the Program.** Through the individual employment contract and other legal mechanisms, TSO ensures the confidentiality of sensitive commercial, financial, or technical information provided to the leaders or employees of the company during the performance of their professional activity. TSO stores confidential information classified as such under contracts with suppliers of products and/or services. These suppliers must ensure that their executives and employees, who receive this confidential information from TSO, maintain the confidentiality regarding this information. The company's staff has taken all measures to protect

materials that have sensitive commercial information such as (documents, electronic data archives, computers, tablets, telephones, etc.) based on workplace protocols. TSO also does not distribute sensitive commercial information to any third party, except when: Distribution of information is expressly required by law, ensuring that this distribution is carried out in a manner prescribed by law. All TSO executives and employees, authorized representatives, auditors, and advisors do not distribute or have disseminated sensitive commercial information to any third party during their appointment, employment, or cooperation with TSO and for at least the next 3 (three) years after the termination of employment, and co-operation (only in cases cited in law). In accordance with the transparency requirements of TSO, it ensures that all participants and users of the network are treated in a non-discriminatory manner and under the same conditions when functional information is provided, and other information related to TSO activities. If any sensitive commercial information is to be published, it must be ensured that this information is available to all participants and users of the network by publishing it on the TSO website. *The Officer together with the TSO are drafting new guidelines and trainings to meet these requirements.*

3. Public information

After the investigation was completed, it was noticed:

- According to the conditions and requirements of the paragraphs of the Compliance Program approved by the Decision of the ERE Board No. 77, dated 26.05.2017, and **the letter nr.142/5 Prot dated, 18.10.2020 “return of the letter response nr. 142/4 Prot dated, 14.10.2020 “: TSO meets the requirements of the Program.** TSO has published on its website information that is not classified as confidential or sensitive commercial information by making available to all participants, network users and third parties information related to the list of services provided by TSO. Published we find information on fees and other conditions for the provision of these services, including technical conditions for access and connection to the transmission system.

D. Implementation of the Compliance Program

The Compliance Program approved by the Decision of the ERE Board No. 77, dated 26.05.2017, is designed to have the form of a regulation, or instruction with mandatory commitments for all managers and employees, as well as authorized representatives of TSO, such as auditors, advisors, contractors, network participants and users as well as other third parties.

After the investigation was completed, it was noticed:

- According to the conditions and requirements of the paragraphs of the Compliance Program approved by the Decision of the ERE Board No. 77, dated 26.05.2017, and **the letter nr. 142/5 Prot dated, 18.10.2020 “return of the letter response nr. 142/5 prot dated, 14.10.2020”**: **TSO meets the requirements of the Program.** Referring to the decision No. 78 dated 26.05.2017 of ERE, the continuous monitoring for the proper implementation of the Program was carried out by the Officer who has functioned on the basis and according to the competencies offered according to Law No. 102/2015 “On the Sector of Natural Gas” and the contract concluded between the TSO and the Officer. The Officer has exercised sufficient authority in the appropriate financial and organizational conditions that have enabled him to propose measures to ensure the implementation of this Program and to seek the cooperation of TSO leaders and staff to ensure compliance with this Program. The Officer has had unlimited access to the necessary data in the TSO offices and to all the information he needed in order to perform his duties. The Officer has had access to the TSO offices without the need for a prior notice. The Officer has attended a large number of meetings of the TSO, including the general assembly, supervisory and governing bodies, which have informed the Officer in advance of the scheduled meetings and have provided to the Officer all the information and materials needed to attend the meetings. In carrying out his activities, the Officer has given his opinion regarding some internal documents and opinion regarding TSO’s actions concerning their compliance with applicable legal and sub-legal acts. All TSO executives and employees, authorized representatives, auditors, and advisors have confirmed in writing that they are aware of the Program and will implement it. All TSO executives and employees are regularly instructed to implement this program at least once a year. New executives and employees are instructed by the Officer about the Program before starting their term.

PART TWO

4. Recommendations of the Officer

In the 2020 report, ALBGAZ has met all the recommendations, but the following recommendations will always be active and coherent.

- **Introduction of new techniques for staff training**

The official recommends TSO that every year should do and hold various trainings for the staff both from inside and outside to do up skilling of the staff. The Officer will also train for his part.

- **Update/improvement of Program**

The program is a new product and it requires according to time to be updated and to be considered and as coherent as possible with industry standards.

- **Improving the Code of Ethics and including parts from the Compliance Program**

The current Code of Ethics used by TSO is very good but requires an improvement by adding parts from the Compliance Program to it. This recommendation will be reconsidered in 2021.

- **Mechanism for Monitoring and Reporting of the Compliance Program Implementation.**

At the right time and moment, I think this recommendation would be very valuable.

PART THREE

6. Specific tasks left by ERE after the approval of the 2020 Report.

Below are some tasks for the future development of the natural gas sector, which will have to be handled by the Officer:

- Cooperation with the Energy Regulatory Authorities of neighboring countries, Greece, and Italy, as two EU member states, coordination of all bylaws and regulations in accordance with Directive 2009 / EU and Regulation 715 / EU, and a number of other regulations dealing with transparency, discrimination against third parties as well as joint decision-making for this purpose]
- Cooperation with the Secretariat of the Energy Community in Vienna for other bylaws and improvement of existing ones as well as ongoing consultation on problems that arise during the implementation of Directives and Regulations.
- Cooperation with the Ministry (MEI) on the necessity of building gas infrastructure, as an urgent need to open the natural gas market in our country. Gas is currently present, and we need to start using it. Five priority projects have been identified and approved by the Council of Ministers, and the start of their construction is required, certainly according to the priority they have.
- Cooperation with the Ministry (MEI) for the amendment of law no. 102/2015 "On the Natural Gas Sector", as amended, to meet the certification conditions of the Natural Gas Transmission Operator, Albgaz sh.a.

- Cooperation with Albgaz sh.a., in regulatory terms, for all problems encountered for the opening of the natural gas market, qualification, transparency and improvement of the necessary acts.
- Cooperation with National and International Institutions on gas problems such as; CEER (European Council of Energy Regulators), ACER (Agency for the Cooperation of Energy Regulators), GRI SSE, SOUTH SOUTH-EAST GAS REGIONAL INITIATIVE (GRI SSE, (GRI SSE Initiative) Gas Group for the South-East Region), MEDREG, Working Group Natural Gas, Association of Energy and Natural Gas Regulators for the Mediterranean Region, ENTSO-G (Observatory of the European Gas Transmission System Association), IGU (International Gas Union), OME (Energy Observatory in the Mediterranean and Europe), ECRB, Gas Working Group, Energy Regulatory Board of Energy Community countries, participate in their studies and the possibility of attracting foreign investment for infrastructure development in our country.

PART FOUR

7. Conclusions

The report analysis determines that, in 2020 (the third year of implementation of the Compliance Program), TSO has started and continued with the implementation of the Compliance Program accurately since the day of its certification. The leaders and staff of the company have largely adopted the rules and followed the specific regulatory framework of the Program.

The report of 2020 does not highlight any violations or does not ascertain that TSO has violated or has not fulfill the request for compliance of the company. During 2020, many changes and improvements have occurred in the operation of the ALBGAZ company. We can say that 2020 has left open the only problem - certification and licensing of ALBGAZ.

It should be noted that TSO, under the knowledge of the Officer, is in continuous communication with the ERE to meet the legal requirements. The Officer has dealt with the coordination of communication with the ERE, with other competent authorities, participants or with third parties related to the implementation of this Program. TSO also has good communication with the Officer for the implementation and consideration of the program, whenever any form of communication or cooperation between them was required, as part of the tasks arising from the Program. **But more communication and information are required to the Officer regarding the implementation of the**

program. This is one of the suggestions that TSO needs to improve regarding law enforcement and compliance program.

I should conclude that, given the gas market conditions, to develop the “TSO activity” and to develop the gas market, it is a complex, costly, and time-consuming process. Because such activities in this sector are very intensive and demanding in capital, labor, and time. But to achieve these objectives TSO should:

- Create the conditions for obtaining foreign direct investment in this segment of the economy.
- Increase employment in the sector and in the industry to have an impact on the gas sector.
- Improve energy supply at the industrial, service and residential levels;
- Create conditions for sustainable industrial development and reducing energy costs at the production level of "goods and services";
- Reduce in general of the “energy bill” of the final household consumer.
- Create human capacity in the country in terms of pre-design, design, investment management resulting in effective and efficient implementation of relevant activities in the gas industry.

Tirana, 31.03.2021

Elvis Ponari, MBA, MSc

Compliance Officer, ALBGAZ Sh.a.