



Ln 8429-AL

Supplemental Letter

OPERATORI I SISTEMIT TE TRANSMETIMIT

November 3, 2014

International Bank for Reconstruction and Development 1818 H Street, N.W. Washington, D.C. 20433 United States of America

Re: Loan No. 8429-AL (Albania Power Recovery Project) Performance Monitoring Indicators

Dear Sirs and Mesdames:

This refers to the provisions of Section II.A.1 of the Schedule to the Project Agreement of this date between Operatori i Sistemit te Transmetimit (Project Implementing Entity) and the International Bank for Reconstruction and Development (the Bank) for the above-captioned Project.

The Project Implementing Entity hereby confirms to the Bank that the indicators set forth in the attachment to this letter shall serve as a basis for the Project Implementing Entity to monitor and evaluate the progress of the Project and the achievement of the objectives thereof.

Very truly yours,

OPERATORI I SISTEMIT TE TRANSMETIMIT

By [Signature] Authorized Representative

PERFORMANCE MONITORING INDICATORS

Annex 1: Results Framework and Monitoring
Project Name: Power Recovery Project (P144029)

Results Framework

Project Development Objectives												
PDO Statement												
The project development objective is to improve reliability of power supply and financial viability of the power sector.												
These results are at	Project Level											
Project Development Objective Indicators												
Indicator Name	Core	Unit of Measure	Baseline 2013	Cumulative Target Values						Frequency	Data Source/ Methodology	Responsibility for Data Collection
				2014	YR1	YR2	YR3	YR4	2019			
Electricity losses per year in the project area	<input checked="" type="checkbox"/>	Percentage	45	40	33	26	22	18	14	Semi-annually	OShEE	PMU/OShEE
Total net injected power (Megawatt hour (MWh) - Sub-Type: Supplemental) - (Core)		MWh	7,145,000	7,250,000	7,360,000	7,470,000	7,590,000	7,720,000	7,850,000	Semi-annually	OShEE	PMU/OShEE
Electricity losses per year in the project area- Technical (Percentage - Sub-Type: Supplemental) - (Core)		Percentage	15.30	14.90	14.50	14.20	13.70	13.30	12.60	Semi-annually	OShEE	PMU/OShEE
Electricity losses per year in the project area- Non-Technical (Percentage - Sub-Type: Supplemental) - (Core)		Percentage	29.80	25.10	18.50	11.80	8.30	4.70	1.40	Semi-annually	OShEE	PMU/OShEE

Collection rate of distribution company	<input type="checkbox"/>	Percentage	78.0	85.0	88.0	90.0	91.0	92	93.0	Semi-annually	OShEE	PMU/OShEE
Reliability of MV level at Tirana area	<input type="checkbox"/>	Percentage overload at project areas	100	110	120	70	70	70	70	Semi-annually	OShEE	PMU/OShEE
Total amount of intercompany arrears	<input type="checkbox"/>	Number of days	1,200	800	775	750	650	600	550	Semi-annually	PMU/MEI	PMU/MEI

Intermediate Results Indicators

Indicator Name	Core	Unit of Measure	Baseline 2013	Cumulative Target Values						Frequency	Data Source/ Methodology	Responsibility for Data Collection
				2014	YR1	YR2	YR3	YR4	2019			
Number of medium voltage customers in deregulated market	<input type="checkbox"/>	Number	0.00	0.00	100	500	2000	4000	5000	Baseline, interim and completion	OST / OShEE	PMU/OShEE
Power sector reforms implemented	<input type="checkbox"/>	Text	No	Updated market model / Revision of renewable energy law	New market rules in place / Cost recovery tariff methodology approved						Ministry of Energy and Industry	PMU
Implementation of a new billing and collection management system	<input type="checkbox"/>	Text	No			New billing and collection system in place					OShEE	PMU
Implemented Risk management mechanism for weather related power imports	<input type="checkbox"/>	Text	No	No	Risk Mechanism designed	Risk Mechanism implemented	Risk Mechanism implemented		Risk Mechanism implemented		Ministry of Energy and Industry	PMU
Share of meters installed by OST	<input type="checkbox"/>	Percentage	0.00	10.00	60.00	85.00	100.00	100.00	100.00	Semi-annually	OST	PMU/OST
Debt Equity Ratio KESH and OST	<input type="checkbox"/>	Percentage			60:40	60:40	60:40	60:40	60:40	Semi-annually	KESH, OST	PMU

Debt Service Coverage Ratio KESh and OST	<input type="checkbox"/>	Number			1.0	1.0	1.0	1.6	1.6	Semi-annually	KESH, OST	PMU
Debt Service Coverage Ratio OShEE	<input type="checkbox"/>	Number			0.6	0.6	0.6	1.0	1.0	Semi-annually	OShEE	PMU
OShEE monthly revenues used to pay for energy purchases to KESh and transmission fees to OST	<input type="checkbox"/>	Percentage	40%	50%	85%	95%	95%	100%	100%	Semi-annually	KESH, OST	PMU
Direct project beneficiaries	<input checked="" type="checkbox"/>	Number	0.00	0.00	50,000	100,000	150,000	200,000	200,000	Semi-annually	OShEE	PMU/OShEE
Female beneficiaries	<input checked="" type="checkbox"/>	Percentage Sub-Type/Sup	0.00	0.00	52.00	52.00	52.00	52.00	52.00	Semi-annually	OShEE	PMU/OShEE

Annex 1: Results Framework and Monitoring

Country: Republic of Albania

Project Name: Power Recovery Project (P144029)

Results Framework

Project Development Objective Indicators	
Indicator Name	Description (indicator definition etc.)
Total electricity losses per year in the project area	This indicator is calculated by dividing total electricity losses (i.e. the sum of technical and non-technical losses) by the total net injected generation in the project area. The baseline is the actual electricity losses in the distribution grid at the beginning of the project.
Collection rate of distribution company	This indicator is calculated by dividing the amount collected with the amount billed from the distribution company. Increased collection rate improves the financial viability of the whole sector.
Reliability of MV level at Tirana area	Sub-Transmission transformation capacity in Tirana area (MVA)
KESh/OST arrears in number of sales days equivalent	This indicator is calculated by expressing the total amount of KESh and OST receivables from OShEE divided by annual sales to OShEE times 365.
Intermediate Results Indicators	
Indicator Name	Description (indicator definition etc.)
Number of medium voltage customers in regulated market	This indicator measures the number of medium voltage customers that have been removed from the regulated market.
Power sector reforms implemented	This indicator measures progress towards improving the electricity market through market reforms, which will include the adoption of new market rules, new tariff methodology, updated market model and revision of renewable energy law.
Implementation of a new billing and collection management system	This indicator assesses the implementation of a new billing and collection management system, which will support the improvement in billing and collection of the DSO.
Implemented Risk management mechanism for weather related power imports	This indicator assesses the establishment of a risk management mechanism for weather related power imports, which would hedge risks of price volatility

	related to weather conditions.
Share of meters installed by OST	This indicator measures progress in installing meters financed under Component 3. The indicator is expressed in percentage of installed meter, i.e. based on the allocated value for metering.
Debt Equity Ratio of KESh, OST and OShEE,	This indicator measures the financial leverage of the power companies (KESh, OST and OShEE), calculated by dividing their debt by the amount of capital available, and converted as a percentage.
Debt Service Coverage Ratio of KESh, OST and OShEE	This indicator measures the companies' level of indebtedness relative to their income, calculated by dividing the total annual debt payments by annual income.
OShEE monthly revenues used to pay for energy purchases to KESh and transmission fees to OST	This indicator measures the level of payments made by OShEE to KESh for energy purchases and to OST for transmission fees, expressed as a percentage of energy sales by KESh and transmission fees invoiced by OST to the distribution company respectively.
Direct project beneficiaries	Direct beneficiaries are people or groups who directly derive benefits from an intervention (i.e., children who benefit from an immunization program; families that have a new piped water connection). Please note that this indicator requires supplemental information. Supplemental Value: Female beneficiaries (percentage). Based on the assessment and definition of direct project beneficiaries, specify what proportion of the direct project beneficiaries are female. This indicator is calculated as a percentage.
Female beneficiaries	Based on the assessment and definition of direct project beneficiaries, specify what percentage of the beneficiaries are female.