

Romania: E.ON rejects accusation of grid underinvestment's, gas market development halted

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Criticism of electricity and gas distributors have increased in the last year, several suppliers and consumers criticized operators that they don't invest enough in the network while benefiting from rising prices.

Hajdinjak Frank, managing director of E.ON Romania, has rejected accusations of underinvestment. E.ON Romania invested each year between 90 and 100 million in gas distribution networks and energy. For 2015 E.ON has planned to increase the annual investment budget but has not yet received approval from the group. So far, E.ON has invested a total of 1.1 billion euros on the Romanian market and 1.2 billion yet paid for taxes. The company has rehabilitated over 5,000 km of gas and about 7,000 km of grid network which was in a very bad condition.

E.ON CEO noticed that gas consumption fell 20% in recent two years, but the network remained the same, and the company has the same cost of maintenance. Regulated tariffs for gas and electricity distribution are calculated on volumes handled. Hajdinjak Frank explained that the pricing method has changed. To have a fair allocation of costs to the customers E.ON introduced binomial charges. With this type of pricing the costs do not change but the costs are correctly allocated.

E.ON Romania Chief claims that E.ON had two years of discussions on this topic with ANRE (market regulator). He hopes that will reach an agreement and that all market participants will agree to the new pricing system.

Hajdinjak Frank said in a conference that he is dissatisfied with the current level of market transparency of gas market trading and it would be better for the authorities to require manufacturers to sell, after providing available quantities to public users and not only a quarter of quantity which remains on the free market. He said that in the current system, few transactions are ending on small quantities.

E.ON Romania Chief said that the initiative of the authorities to suspend the increase in gas prices for households and small businesses is not in line with market development but small businesses are still on a regulated market to remain captive and after January 1, 2015: If the conflict Russia-Ukraine worsens and Gazprom stops the gas supply, then prices on the free market will explode.