

Romania exclusive: Electricity trading revealed, traders run the game

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Romania exports electricity through traders. According to the laws in force, the producers can only export through these intermediaries, and considering their costs, they cannot do it on profit. There is one exception: the electricity from renewable sources, which enters the Romanian grid, but can also cross the border; only traders are allowed to export it, also using some kind of pool. In the current context, these traders are seen as “the new wise guys of energy.” One cannot be fool enough to export electricity from Romania to Serbia, Hungary, Bulgaria or Ukraine, if one is not a wise guy, too. How far does this wisdom go, and where does the state’s foolishness stop? Energy center Romania reveals the system.

Actually, the mechanisms of cross-border electricity trade are a little more complicated. We shall try explaining them, not before warning that even Romanian authorities, namely the manager of the energy system are among those who send misleading signals. Why? For whom? What are the risks? These are the questions raised at Energy Center Romania report on the electricity trading.

“The electricity producers in Romania have not yet grasped the opportunity raising from the difference between the price of the day-ahead market (PZU) and the price on foreign markets. Perhaps they’ll wake up; perhaps they’ll understand that fair profits are possible from buying and selling energy,” the National Power Dispatcher Manager Octavian Lohan declared to Economica.net. Before that, he also said, “Not a single [classic] electricity producer is exporting. This market is completely under the traders’ control. They have subsidiaries both here and in almost all the neighboring countries; they buy here very cheap, and sell abroad at high prices. Asked which kind of energy is most exported, Lohan was unequivocal: “aeolian.” The wind farm operators – and photovoltaic station owners, to a lesser extent – sell electricity in long-term contracts, but also have some for the day-ahead market. Their commodity is very cheap, between 70 lei/MWh during daytime and 10-15 lei/MWh at night. The average exchange market for constant deliveries under long-term contracts is 180 lei/MWh.”

Mr. Lohan’s declarations should elicit some skepticism, as there are many unknown elements behind them. This is why we dare starting a campaign against “disinformation,” as it can generate huge losses or profits on the electricity market.

To better understand the context, here is the point of view of a Romanian energy expert, Energy-Center’s collaborator Mr. Tudor Popescu, who has interpellated the Department of Energy on this matter. The official answer will follow, and after consulting several specialists, we will present our own point of view.

We don’t comment or change Mr. Popescu’s text, but we will get back to the topic. Here it is:

Wind electricity produced in Romania – an example of bad management of a good decision
Our thorough analysis of the energy production in Romania leads to an alarming conclusion: Romania produces, with a huge financial effort, wind electricity subsidized by approximately 350 lei per MWh, and does not use most of it.

Wind power is merely thrown across the border in a mechanism known to experts as **“system unbalance”** .

The energy experts use this term to define unsolicited production, which is injected into grids and is actually taken in by the network of producers and consumers, and through the frequency adjustment system distributed almost evenly across the system unload some generators on the territory of energy-integrated countries like Romania into the UCPT system in Central Europe. This results into the observation of the technically vital condition of equality of the production and consumption of electricity.

In Romania, the energy production is coordinated by the DEN (National Power Dispatcher), which's major concern is to balance the production and the consumption to ensure the continuous and secure supply to consumers.

The national transmission system is provided by a state-owned independent company, TRANSELECTRICA, which permanently releases the operational data of the electricity grid.

OBSERVATIONS:

No known energy consumer buys random amounts of electricity as it comes from the producer. Such a consumer would not be able to organize any production, therefore no one buys such a commodity.

EC not managed to identify any end user of wind power with a system of power generation of its own, similar to the hospitals' emergency generators; should there be any, additional contracts would be necessary between the wind power producers and the end user, with the former contributing to the latter's additional expense under this system.

I have not managed to identify any end user of wind power who had an equivalent reservation contract of fast production to compensate for the lack of wind power when wind falls. This is left to the DEN, which orders the reservation of a major system adjustment component (a large amount of electricity at DEN's disposal, to be turned on or off for balancing; this adds to the Romanian consumers' bills, with serious economic consequences).

note: the three observations above expose the amateurism of ANRE [the Romanian energy regulatory authority], the author of Law 220/2008. (this law has been mostly analyzed by ANRE's management structures, under the Ministry of Economy.) In these sectors, politicization has replaced – due to high wages – the experts with people close to politicians, which resulted in an overall degeneration of the system's operation, and causing economic damage to Romania, especially in the case studied here.

EC note a quantitative difference between the two chart lines; it comes from the amount of wind power kept in Romania in compensation of the hydro power. The national power dispatcher makes great efforts to unload the hydro power plants and some of the thermal power stations, to keep in Romania as much wind power as possible. The result is sizeable,

around 500 MW of power, at even levels.

As EC continued monitoring the behavior of the two energy amounts, namely the wind power production and the electricity export as reported daily by Transelectrica, EC noted a special case on March 16-17, 2014, shown in Figure 2. On that day, in the context of unfavorable weather conditions and flood forecasts, the DEN managed to take in the wind power in special unloading conditions for classic producers. Between 6 a.m. and 8 a.m. on March 17, as wind dropped dramatically, the aeolian electricity production got down to nearly zero. Romania's export dramatically dwindled, while the classic production capacity were unloaded following previous instructions from the DEN, in order to take in as much wind power as possible. This quick decrease turned Romania from an electricity exporter into an importer.

Observations:

Under cross-border contracts for electricity delivery, an interruption event is considered a failure, which results in reverse invoicing, i.e. by the consumer to the producer, for amounts as high as twofold the ones usually paid by the consumer. Such a scandal did not occur on that occasion.

The existence of a cross-border contract for electricity is usually shown by a preferential transmission of electricity between the two partners. Energy is dispatched along the shortest possible route, to avoid grid losses. Dispatchers use a possible detour only if system congestions occur, which virtually never happens in the present context of economic contraction. Thus, none of the cross-border transmission lines appears as an export supplier. A constant electricity transmission is usually seen from Ukraine to Bulgaria through the nodes of Mucachevo and Kozloduy, or Mukachevo-Djerdap, which confirms the existence of a compensation export for energy not delivered from the reactors of Kozloduy. While the Energy Holding – Rudnap was operating, it showed in the constant power transmission between Gura Vail and Djerdap, where the power never fell below 300 MW. So this is how the energy export was seen.

None of our investigations to identify a trader who asked a VAT refund for a possible export was successful, which pleads for the inexistence of organized export.

Reporters of BURSA newspaper conducted an unsuccessful investigation to identify any electricity producer signatory of an electricity export contract; all the producers legally deliver to OPCOM's [Electricity and Gas Market Operator] market.

The cross-border energy circuit constantly monitored by ACER [Agency for the Cooperation of Energy Regulators] is not functional, as Romania has not yet joined the 5 M-MC (five-market market coupling), the common energy day-ahead market of the Czech Republic, Slovakia, Hungary, and Poland, which brought a one-million euro fine to OPCOM.

As a general conclusion based on the above reasoning, Romania subsidizes an energy which it does not use, thus actually breaching its commitment of replacing the environmentally toxic energy production by clean energy, according to the European Council's commitments in the 20-20-20 program.

Romania loses more than one billion euros each year in false subsidies of unused wind power, lying to its European partners about the 20-20-20 program, although article 3 of the law stipulates, **the stimulus program for the production of energy from renewable sources set up by this law does not apply to the following:**

a) exports of electricity from renewable sources that got green certificates; this article shows that the lawmakers did not stipulate the green certificate subsidies for producers by compelling the buyers to pay for them at the level stipulated in the law.

NOTE: ANRE is responsible for the monitoring of the operation of electricity markets and of the production-consumption balances; this institution, due to the politicization of the employment policy, has continuously degenerated, to alarming current levels, visible in the financial losses of consumers – both household ones, due to unjustifiable higher bills, or industrial, due to competitiveness losses with devastating effects on Romania's overall economic growth. ANRE is incapable of solving the problems of wind power because it lacks appropriately trained staff. This is precisely the reason for which ANRE does not publish on its website the resumes of its managers, as required by law. Remarkably, ANRE is also incapable of building a team of external collaborators with the necessary expertise to correct the imperfect secondary legislation nearly all the regulated fields. Romania has an energy research institute set up precisely for solving such problems.

We mention that the lawmakers have provided for a consulting council within the ANRE to highlight the issues throughout the lawmaking process; this council, however, was born politicized in favor of producers and distributors, which were and still are unprepared for this role. As a result, the CONSULTING COUNCIL operates like a specialized cénacle. Actually, ANRE does not have a list of problems to be solved so that the secondary legislation is corrected, also because it does not have the competent experts to identify these problems.

As an example of solution for solving wind power problems, it would suffice to apply the node theory for the control of Romania's 400 kV grids; after monitoring the uncontrolled electricity export for a couple of months and bringing it to the domestic consumers, with all the benefits introduced by the European Council in the 20-20-20 program. Surely the level of subsidies for the production of wind power should have linked by the Law No. 220 to the guarantee of a continuity level. This would have compelled the RWEA (Romanian Wind Energy Association) to contribute to the building of the pumping station in TARNITA, which IS NOT PROFITABLE if subsidized by the public budget, directly or indirectly, from the same money, through the budget of classic producers.

One question persists, however: how comes that the path of wind power cannot be traced using the PRODUCTION-CONSUMPTION balance system, as we have electrical meters all along? Our conclusion involves the uncertainty of the ANRE's monitoring of the CPT (internal technological consumption established for the distributors, using the same unprofitable method of "justified losses", based on the same old arguments not clearly qualified by ANRE, and to which it could not resist).

Source; Energy Center Romania