

CEO of Romanian largest electricity producer Hidroelectrica Bogdan Badea said that it is possible that the company will suspend its 2020 initial public offering (IPO) plans due to recent orders issued by the National Regulatory Authority for Energy (ANRE).

Badea accused ANRE of keeping in force the emergency ordinance 114/2018, a situation that could result in very unfavorable financial situation for the company, similar to the which forced Hidroelectrica into insolvency in 2012. He stressed that if the Government wants dividends from the company, it should allow the company to sell its energy at the highest possible price and thus make a profit.

Two recent draft orders from ANRE confirm that the total deregulation of the electricity market will take place on 1 January 2021, as compared to mid-2021 under a previously drafted calendar. Until that date, the regulator will establish regulated quantities and prices for electricity for domestic consumers. Under the orders, electricity producers Hidroelectrica and Nuclearelectrica are obliged to deliver to electricity distribution companies up to 65 % of their electricity produced between 1 July and 31 December 31 2020, at regulated prices equal to the production costs plus a 5 % margin.

This year, Hidroelectrica and Nuclearelectrica were compelled to sell electricity to residential users under the same terms. Hidroelectrica sold 1.65 TWh at the price of 26 euros/MWh and Nuclearelectrica sold 1.38 TWh at the price of 40 euros/MWh.

Badea also blamed emergency ordinance 114/2018 for the deadlock faced by the company in its investment projects. After the minimum wage in the construction sector was set at a higher level under the said ordinance, the contractors have increased their prices at a level that makes the investments inefficient.

Hidroelectrica has inherited most of its production units from the energy monopoly developed during the communist regime and boasts net profit margins between 40 and 50 %.