

Romania: Suppliers must provide guarantees in the triple amount of unpaid bills from January in the balancing market

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Suppliers are most affected because of what happened in January, when a record price of electricity was registered on the power exchange, and the situation is still extremely difficult for many of them, especially for those who operate in the balancing market. Only suppliers who can pay their January bills, or provide guarantees, will be able to continue operation, it is said by the representatives of these companies.

Many suppliers and other market participants asked that the companies, specialized in providing services representing balance responsible party, extend the deadline for payments from January 2017.

This request could not be accepted, since the balance responsible party must pay its obligations to company Transelectrica within a period of five days.

Anticipating problems with the collection of receivables, the balance responsible party addressed Energy Regulatory Authority ANRE, with the same request, to extend the deadline for payment of balancing costs and additional expenses in the balancing market. In its response, ANRE stated that deadline for payment cannot be approved if it is different from the period stipulated by the law. Such an exception can be made only through a legislative act.

In accordance with the Energy Law, market participants are required to take financial responsibility for balancing costs. The law foresees that these costs will be paid within one month after the close of trading, based on the amount of electricity traded.

After a negative response from ANRE, balance responsible party requests that suppliers immediately pay their bills. In case of default, suppliers will have to issue guarantees in the triple amount of unpaid bills from January. Otherwise, their membership will be suspended without notice. As banks are reluctant to issue guarantees, many suppliers are risking insolvency.

The price in balancing market reached a maximum of EUR 99 per MWh, above the price in the day-ahead market (DAM). The highest price in January was EUR 242 per MWh.

In addition to suppliers, this period has been also difficult for companies that specialize in providing services of balance responsible party. Electrica informed its shareholders about the problems because of the clients that are illiquid, such as Transenergo. On January 27, 2017 in the role of balance responsible party Electrica had receivables amounting to EUR 8 million, in relation to the client Transenergo. After Transenergo filed for a declaration of insolvency,

at the time when the ELSA and another market participant also expressed their intention to enter the procedure for declaration of insolvency, management expects low rate of return on total debt.

After ANRE decision on the withdrawal of licenses for companies Arelco Energy and Arelco Power, Transelectrica has announced that Arelco Power will be exempted from the balancing market.

According to the President of the Association of Electricity Suppliers in Romania (AFEER), Ion Lungu, the spot market and the balancing market had a large share in the total trade on the power exchange OPCOM. Balancing market, which should amount 2-5% of the total consumption in Romania, reached 15-17%.

Silvie Vlasceanu, the Executive Director of the Association of Energy Utility Companies, says that it is not normal that suppliers purchase all electricity and then sell it to consumers in the market with unstable prices, where the risks are very high, such as DAM and the balancing market.

Lungu said that suppliers are most affected in the market because of the events from January. He added that one cannot blame the entire category of market participants unless all the information are taken into account. All traders and suppliers seriously review the weather forecast before they make an offer, because this is an element that really affects the price. Besides, production and supply are the most competitive components on the electricity market. Thus, there is a risk for investments in the energy sector related to regulated areas (transmission, distribution). On the other hand, in order to survive in the market, suppliers must find their place, said Lungu.