

Ukraine electricity exports not interested, complaints to Ministry

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The Ukrainian energy sector operates with extreme trends during last years. In 2015 the country had a shortage of electricity, and in 2016 there has been a surplus. However, sales in foreign markets has not brought benefits to traders.

Ukrainian power generation facilities have to reduce the volume of electricity generation due to reduced domestic demand. The way out of the situation could be export. However, so far this activity is not profitable for traders. In 2015, due to the shortage of coal the power units of thermal power plants (TPP) were threatened with shutdown. And in early 2016 "DTEK Zakhidenergo" said its TPPs may opt to buy gas instead of coal. After all, its stations which operate under a separate entity of Energoostrova, accumulated enough coal in the face of declining electricity production do not require additional fuel volumes.

Due to the downturn in the industry, with warm winters and with disconnection from the Crimea, Ukrainian energy consumption cut across the country. At the end of 2015 it decreased by 11.3% - up to 150.62 billion kW • h. After the cessation of deliveries on the Crimean peninsula from 1 January 2016 the situation worsened. For three months in 2016 consumption of e / e, taking into account losses in the networks dropped by 6.6% year-on-year - up to 40.67 billion kW • h. As a result, the balance sheet had to introduce restrictions on the NPP power units (decrease production of e / e at the stations). In February 2016 Ukraine reached the limit of 2,000 MW out of installed capacity at Ukrainian nuclear power plants with 13835 MW. In order to keep a high proportion of production of nuclear power, Energy Minister Vladimir Demchishin even started talking about the abolition of the minimum requirements of working staff (working at least two units in the summer and 3-4 in winter, to ensure continuity in the production of e / e) of the equipment to the power station. So he wanted to keep the low price of electricity for consumers. If the share of generation of e / e nuclear power plants remains high, it is not necessary to pay extra heat. But this idea strongly irritated DTEK and other representatives of the energy industry. However, Minister Demchishin was replaced, and he has not had time to implement the ideas. Position of the new Minister Igor Nasalika on the work of the energy market is not yet clear. An alternative to manual regulation of the market and the intervention of the Ministry of Energy could be the export of electricity. For example, the restart of deliveries to Belarus and Moldova. Since most of the Ukrainian power grid (with the exception of the island Burshtyn) is synchronized with the CIS countries and has permanent flows, the process is technologically easy to run. It remains to understand when and who will be engaged in trading. "The issue of the sale of electricity is a decision of domestic exporters, leaving the public auctions", - reported in Minenergougoleprome. What matters is the desire and the need for contractors to import Ukrainian electricity. In particular, Ministry noted that negotiations on the supply conditions are maintained with the Belarusian and Moldovan side. But it passed the first quarter of 2016, and the Ukrainian traders continue to sell electricity to foreign markets, only

energoostrova Burshtyn TES to Slovakia, Hungary, Romania.
Trial balloons

In March 2016 "Ukrenergo" for the first time in a long time put up for sale access to sections in Moldova and Belarus. Several companies won: "ERA Trading" was interested in deliveries to Moldova, "Donbassenergo" and "DTEK Pavlogradugol" (DTEK Energy) bought access to both sections. However, Moldova held an auction for power supply only from April 1, and the application to it by the companies-suppliers accepted until 28 February. Therefore, March passed without supply of Ukrainian energy. By April auction in Moldova ranks thinned wishing to export. By the time "Ukrenergo" has notified the suspension of the use of the cross section by several companies. "ERA Trading", "Pavlogradugol" and "Donbassenergo" refused access to Moldova, Belarus and partially to the grid Slovakia, Hungary and Romania. As a result, Moldova's auction for the supply from DTEK was only in April. But they did not break the price offered "CERS Moldovenească" ("RAO") and SE "Energoacom" SA. Moldova will receive e / e of Transnistria with "Moldovan GRES" at \$ 48.995 / MW • h. Earlier, the price was \$ 67.95 / MW • h.

Cautious players

"Donbassenergo" bought the March section in Moldova. But did not participated in the auction for the supply . Delo.UA reported earlier they find it as uneconomical direction. The company also partially suspended the use of bandwidth in Belarus on April 2016. According to them, Ukrainian exports of electricity simply become unprofitable. "Now the price of Ukrainian electricity in most of the time is higher than the prices on the European markets, such as Hungary, Slovakia and Romania, especially in Moldova and Belarus", - commented in "Donbassenergo" .

DTEK, trying to get on the Moldovan market, expressed similar opinions: "Export price of Ukrainian electricity has lost competitiveness since the beginning of 2015, when its value has risen to the level of ORC and subsidies ." The average wholesale market price (ORC), on which exporters buy , in April of 1178.08 UAH / MW • h (41.1 euros / MW • h). Meanwhile DTEK complain that on European market in March electricity fell : € 25 in Hungary, 23 euros in Slovakia, 23.3 euros in Romania and € 34 in Poland. From month to month the winners of competitions in the cross-section refuse applications. But a complete rejection for the annual section nobody goes.

After buying bandwidth could influence the expanding the export potential of companies. And the question of price is still vigorously debated. Exporters buy electricity in Ukraine on the wholesale market price. According to Delo.UA, the National Commission in charge of regulation in the energy sector and utilities (NKREKU) in ORC includes compensation for reduced rates for certain categories of consumers (especially - the population). It provides the compensation due to the so-called subsidy certificates, which gives NKREKU suppliers of electricity for the population, for street lighting and urban electric transport.

National Commission monthly calculates the total amount of subsidy certificates, which will be taken into account in the ORC. In April 2016, this amount exceeded 3.9 billion USD. And these costs are passed on to the unregulated energy segment - exporters and suppliers of electricity industry. Subsidy certificates returned in 2014 with the filing of the Minister

Vladimir Demchishin. Exporters then tried to convince the ministry that this measure will stop the Ukrainian export. They did not convince the minister, but the export de facto not stopped. The main reason for stopping supplies to Belarus and Moldova markets became a domestic shortage of electricity in 2015. As a result, for the year exports declined 4 billion 411.3 million kWh as compared to 2014 year - up to 3 billion 641.6 million kWh.

In 2016, Ukrainian traders have tried to return to the old markets, but Belarus and Moldova have already shifted to the Russian "Inter RAO". Today, traders have to invent "maneuvers" to operate in foreign markets. DTEK benefits from the vertical integration of business and its own coal. "Donbassenergo" declares the expansion of the company's export potential. "When the economic justification for the supply PJSC" Donbassenergo "will certainly increase the volume of electricity exports", - assured the company. "ERA Trading" wins due to the difference in night and day rates in Europe and Ukraine. "Making the export successful, selling electricity at certain hours in the day", - explained the commercial director Yaroslav Wise.

In the first quarter of 2016, "ERA" has exported 0.571 million kWh to Hungary. According to estimates of the company, the forward price for May is 28.8 euros / Mwh, and the wholesale price in Ukraine would be about 40 euros / MWh (including excise).

This work probably keeps Ukraine from the loss of export channels, rather than expanding markets. The "ERA" noted that if the government wants to increase the inflow of foreign currency, it is necessary to create conditions for export. While low prices on electricity in Europe are the main reason for unprofitable work in foreign markets. According to the deputy head of the All-Ukrainian Association of Energy Yuriy Sakwa, the competitiveness of Ukrainian electricity can be improved by eliminating the subsidy certificates to exporters. Then the price de facto decrease to the level of prices of electricity and thermal power plant will be lower prices for domestic industrial consumers in Ukraine. Sakwa believes that even in conditions for Ukraine should even sell electricity at a loss on foreign markets price reduction, to fill the niche. It was done from 2009 to 2014, when the government gradually revoked certificates subsidy for exporters in Belarus, Moldova, Slovakia, Hungary, Romania and Poland. This idea is close to DTEK: the current price of electricity due to subsidy certificates they consider overvalued by 30% and is not competitive on the European markets. But then compensate for the difference in tariffs for the population will be other market participants. Therefore, exporters will buy electricity at cost and burden on domestic suppliers will grow.

Previously, the need for subsidy certificates for export was defended by ministry Minenergougoleprom, considering the cost of excessive heat generation. And while it is not clear why the need to subsidize exports on a par with the population at the expense of the other buyers of electricity in Ukraine. It is expected that the new Minister Igor Nasalik soon express its views on this topic. While he has issued the general statement that the resumption of exports to Belarus and Moldova - are one of the priority tasks of his ministry. Nasalik believes that exports will increase the load of thermal generation. It's funny that the same opinion expressed former Minister Demchishin in February. Meanwhile, exports are currently only from "Burshtyn energoostrov", transmits Serbia-energy.eu