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THE PERPETUATION OF FORMALISTIC ELECTRICITY PROCUREMENT PRACTICES AMPLIFIES THE SECURITY THREATS FACING THE COUNTRY AND UNDERMINES THE DEVELOPMENT OF THE ELECTRICAL ENERGY SECTOR

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Each year, the Republic of Moldova carries out its electricity procurement procedure. To increase the transparency and competitiveness of the process, a procedure for electricity procurement was elaborated with the support of the secretariat of the Energy Community and was approved by the order no. 04 of 05.01.2017 of the Minister of Economy. The purpose of the approved instructions is to guide and steer the process towards identifying the safest and cheapest electricity sources to address both the demand of the regulated electricity suppliers and the electricity losses of the transport and distribution companies, applied to each particular company, following the principles of competitiveness, transparency and non-discrimination.

The implementation of this procedure resulted in the signing of a contract based on the most advantageous offer with a new electricity supplier from Ukraine, thus ending the procurement of electricity from the Moldovan thermoelectric power station in the Transnistrian region (Moldovan CTE). However, this situation did not last long, and, after about 2 months, in violation of the stipulated principles of transparency and non-discrimination and with the direct involvement of the government, the contract with the Ukrainian company was terminated and the purchases from the Moldovan CTE were resumed.

The contracts for the procurement of electricity for the next following years have been signed also with the Moldovan CTE, with the obvious interference of the government, and despite formalistic procedures supposed to be indicating an observation of the regulations. This declared procedure was initiated in early 2020 in order to purchase energy for the next period. The perpetuation of the old practices in the process of electricity procurement is amplifying some serious consequences for the energy sector of the Republic of Moldova and, in general, for the national economy and security.

Accumulation of debts for natural gas. Moldovan CTE is a subsidiary of the Russian state-owned company Inter RAO EES and provides 85% of the imported electricity on the right bank of the Dniester. At the same time, the company is one of the basic pillars of the economy of the Transnistrian region, using natural gas from SAP Gazprom contracted through SA Moldovagaz, but for which, since 2005, it did not pay a dime. Thus, the procurement of electricity produced by the Moldovan CTE leads directly to the continuous augmentation of the debts for the supplies of natural gas of SA Moldovagaz vis-a-vis the gas supplier SAP Gazprom, because the Moldovan CTE power plant does not pay for the consumed gas.

At the end of 2019, the debt amounted to \$ 7.4 billion, out of which only \$ 450 million is Chisinau's debt; such separation is not, however, recognized by the gas supplier Gazprom. In the situation in which there is no evolution towards the resolution of the debt problem, not even in the direction of their institutional separation, the continuation of the procurement of electricity from this plant amplifies the threats towards the energy and economic security of the country.

First of all, on account of the accumulated debts, there is the risk of losing the energy infrastructure that is owned by the state.

Secondly, this situation allows Moscow to maintain its political influence in the Republic of Moldova using the debt problem as a tool of pressure on various points. No less important is the fact that the electricity purchased from CTE Moldoveneasca is not the cheapest, as the results of the procurement procedure from spring 2017 showed.

Even worse is the fact that all this happens with the tacit consent of the Chisinau authorities, which do not even try to contain the aggravation of the described problem. In the context of the reform of the natural gas sector in accordance with the provisions of the Third energy package which stipulates that the separation of supply, transport and distribution activities shall be carried out, the problem of debts needs to be addressed more transparently in the sense of the institutional separation of debts. However, this will be difficult to achieve, given that the current pro-Russian government will not dare to take any decisions that would cross Kremlin's interests.

The stagnation of the development of the electricity sector. The direct involvement of the government in the process of purchasing electricity on a market that is said to be free is in contravention to the national and European legal norms that set out the principles of functioning of such a market. Under the provisions of national law (which largely transposes EU directives), the role of the central public authority is that of an observer tasked with ensuring that the procurement procedure is carried out in compliance with all legal provisions and in accordance with the principles of competitiveness, transparency, and non-discrimination.

The direct involvement of the government in the electricity procurement procedure or in influencing operators' decisions - as it happened in case of the cancellation of the contract signed in April 2017 with the Ukrainian DTEK Trading company, as well as the procurement of electricity from Moldovan CTE through the state company JSC Energocom, constitute practices that stagnate the development of the sector. First of all, these practices are a clear signal to potential investors that the electricity market does not operate according to competitive principles, but is rather influenced by political considerations. These practices also carry worrying signs for the international financial institutions in connection with the materialization of the investments promised in the framework of projects concerning the electrical energy interconnection with Romania. The main project with the goal of diversifying the sources of electricity supply of the Republic of Moldova, and which institutions such as the EBRD, the EIB, and the World Bank have shown their willingness to finance, is the construction of the high-voltage line Isaccea-Vulcănești-Chisinau with the Back-to-Back station. Thus, the lack of consistency and political will on the part of Chișinău authorities to liberalize the electricity market in the Republic of Moldova could put at risk the investments that are meant to open the national electricity market for western suppliers.

The mediation of the procurement of electricity from the Moldovan CTE and Ukraine by JSC Energocom, in which the state holds 100% of shares, is also a practice that inhibits the development of the market and even contravenes the current legislation. Based on the government decision no. 885 from 01.11.2017, which entered into force on 25 March 2018, JSC Energocom is designated as the central electricity supplier. The role of the central electricity supplier is to procure electricity from the eligible power plants that produce it from renewable energy sources, as well as electricity produced by the urban district heating plants, and to supply it on the electricity market at regulated prices, approved by National Agency for the Regulation in Energy. Thus the supply of electricity must be made by the existing companies through direct procurement (without intermediation) either from Moldovan CTE, or be imported from Ukraine. Despite the legal framework that defines clearly the role of JSC Energocom, it continues to act as the agent of the energy deliveries in the Republic of Moldova, from the Moldovan CTE.