

Romania Has Become a Regional Power Exchange Leader

WASHINGTON, July 16, 2009 - Just a few years ago, Romanians paid less than the cost for power and heat, a legacy from communist days. But propping up an ageing state power complex was a huge drain on the country's coffers. The electrical infrastructure was neglected, billing was in shambles. Billions of investment dollars were needed to make the system modern. Something needed to be done.



Romania has just become a regional power exchange, the first in this part of Europe. Romania's electricity comes from coal power plants, hydropower, and nuclear energy.

"That was the idea behind the project, to liberalize, invite foreign investors in electricity generation and distribution and provide the market mechanisms where the price of electricity could be established in a very transparent and competitive fashion," says Benoit Blarel, Country Manager of the World Bank Office in Romania.

The World Bank aimed to help Romania's electricity sector meet EU requirements and to privatize. It has helped to refurbish several power sub-stations and to create a market where electricity is traded openly.

Lucian Palade is the head of the OPCOM – the electricity market operator in Romania. "Every day, in every hour, there are around 60 participants in the market as generators, suppliers, and traders concluding transactions in their head market," he says.

The trading software is so sophisticated that one man oversees all the transactions. Most electricity is traded through long-term contracts, but there is now also a short term market. Generation companies say how much energy they will produce the following day and electricity supplier companies make bids.

Romania has just become a regional power exchange, the first in this part of Europe. Romania's electricity comes from coal power plants, hydropower, and nuclear energy. Production, distribution and transmission of electricity are no longer a monopoly, they've been separated and once monolithic companies are learning new ways of doing business.

Teodor Chirica, the former CEO of Nuclearelectrica is proud of the process: "We learned to move faster, we learned to be very careful, we learned to follow what happened, the conditions, especially the day-ahead market which is very dynamic here." As companies adapt to market forces Romanians will pay higher prices for heat and power, but they are still among the lowest in Europe.

The World Bank played a significant role in the development of Romania's energy sector through the last few years. The Government's 2003 Energy Sector Road Map and 2007 Energy Strategy encompassed privatization in order to attract private investment, upgrade obsolete technology, increase efficiency and reduce losses.

The strategies were implemented closely in the pre-accession period. A satisfactory regulatory framework was put in place and bill collection issues addressed, allowing Romania to privatize successfully some electricity and gas distribution companies with the support of the World Bank's partial risk guarantee for the first transactions in electricity. Electricity markets - totaling about 9.5 million consumers - were liberalized, but few households and 50% of the companies exercise their right to select an alternative energy provider resulting in a limited free market.

Multimedia

▶ **Video:** [Romania Power](#)

Related Links

▶ **In Depth:** [Romania Results](#)

▶ **Project Story:** [Romania Has Become a Regional Power Exchange Leader](#)

▶ **Project Story:** [When Nuclearelectrica's Life](#)

▶ **Project Story:** [Opening New Windows Of Opportunity For Romania](#)