

CMS | Romanian Competition Council identifies barriers to market entry of renewable electricity producers



The Romanian Competition Council (RCC) recently released a joint study (the "Study") by the RCC and the Romanian National Regulatory Authority in the Energy Sector (ANRE) showing that market entry for producers of electricity from renewable energy sources (RES) is hindered by legislative and bureaucratic barriers, financing hurdles, and the insufficient development of electricity transmission and distribution networks.

After looking specifically at ways to connect new production capacities from RES to the transmission/distribution network, the RCC called for prioritising and optimising national approval/licensing procedures, which would reduce the timing for implementation of such RES investments.

The RCC President emphasised that while certain current regulations are necessary for quality assurance purposes, others may not be strictly necessary and could even have detrimental effects on market development.

The Study noted that the main hurdles faced by companies entering the RES electricity production market occur in the authorisation process. The Study highlighted bureaucracy, lack of transparency, and long waiting times for approval for technical connection as well as an insufficient and unclear (and thus subject to conflicting interpretation) legislative framework.

Other problematic issues identified in the Study include inadequate investments in the development of electricity networks, the lack of institutional expertise of personnel involved in the various stages of the approval process, and speculative investments.

The RCC and ANRE issued a number of proposals and recommendations to eliminate or mitigate these market entry barriers, including:

- implementing a “one-stop-shop” process for obtaining an electricity-production licence from RES;
- identifying new financing resources for network development works;
- identifying and discouraging purely speculative investments, considering that certain investors request and obtain technical connection approval without the intention to finalise and commission the projects (but rather to sell these projects to other investors in the “ready to build” phase). This practice leads to a blockage of available capacity for the connection of renewable projects, which causes difficulties for producers requesting connection to the grid for actual projects;
- introducing certain requirements or sanctions (e.g, a performance guarantee or sanctioning prolonged inaction or passivity by investors) in order to discourage purely speculative investments;

- identifying support schemes for the production of electricity from RES, considering that currently the grid connection process is hindered by the tariffs levied for grid enhancement works (approximately EUR 100,000 per MW), which has rendered the development of big projects unfeasible;
- requiring network and distribution operators to act in a more transparent and harmonised manner towards the market with the creation of guidelines covering the documentation and procedures necessary for grid connection;
- improving the institutional capacity and expertise of ANRE personnel, which is also seen as a factor in the delays affecting the process.

For more information on Romania's renewable energy sector, contact your CMS client partner or local CMS experts: Cristina Popescu or Varinia Radu.