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Transition, Concentration and Labor Productivity within the Electricity Industry in Romania

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Abstract

The electricity industry from Romania, similarly to all the EU27 countries, is in a continuous process of transformation along three axes: liberalization, disintegration (unbundling) and privatization. The objective of this article is to study the effects generated by the reform into the electricity industry from Romania upon the market concentration and labor productivity into the sector. The main conclusions of this paper are the following: (1) reform reduced the degree of concentration in all segments of the value chain, followed by a consolidation process, emphasized after 2011; (2) labor productivity increased and the number of employees decreased due to electricity industry restructuring.

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Keywords: electricity industry; concentration; labor productivity

1. Introduction

The electricity market has known over the last three decades deep transformations all over continents in the direction of privatization, vertically disintegration and liberalization. The stated goal of these reforms in all countries was to increase economic efficiency and to lower the prices for the final consumers.

The objective of this article is to study the effects generated by the reform into the sector of electricity industry from Romania upon the market concentration rate and labor productivity within the sector. Romania signed in 2005 The Treaty establishing the Energy Community, through which our country took upon itself to implement the *acquis communautaire* on electricity, gas, environment, competition and renewables and to participate in the creation of a

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regional gas and electricity market within South East Europe. But the reform had started fifteen years ago at the same time with the transition from the centralized economy to the market economy. The beginning of the present paper synthesizes the transformation process of the electricity industry from Romania during the period of 1990 - 2011. Hereinafter the paper is structured in the following manner: the third part is an overview of the reference literature; the fourth part is the methodology description; the fifth part analyzes the concentration upon the energy market along the value chain, and the last part is analyzing the productivity. The conclusions synthesize the effects of reform upon concentration and labor productivity.

2. The Electricity Market in Romania: An Overview

The transition from a centralized economy towards a market economy has taken shape in Romania through wide reforms, among which the reform of the energy sector has taken up a major place. The reform started in 1990, the year when the Ministry of the Energy was restructured and the Autonomous Regia of Electricity (RENEL) was set up, vertically integrated, carrying out production, transport, distribution and supply of electrical power.

In 1998 RENEL was restructured by setting up the National Company of Electricity (CONEL), operator of transport, system and of the energy market holding at the same time 100% of Termoelectrica and Hidroelectrica producers and 100% of Electrica exclusive distributor. Nuclear Electrica was also divided as an independent entity, property of the Ministry of Industry and Commerce. In the same year, the National Authority of Regulation into the Field of Energy (ANRE) was set up.

In 2000 CONEL was restructured by being broken up into four entities: (1) Transelectrica - transport, dispatcher and system operator; (2, 3) Termoelectrica, Hidroelectrica - production; (4) Electrica - distribution. Then, in 2001, Electrica SA had its turn to be reorganized by dividing it into eight commercial societies of distribution and supply of electrical energy: Electrica Moldova, Electrica Dobrogea, Electrica Muntenia Nord, Electrica Oltenia, Electrica Banat, Electrica Transilvania Nord, Electrica Transilvania Sud, Electrica Muntenia Sud.

During 2004-2007 there were passed into private hands Electrica Banat, Electrica Dobrogea (2004) and Electrica Muntenia Sud through the absorption of the equity stake (51%) by Enel.

Approximately at the same period, more exactly during the years 2005 - 2009, Electrica Oltenia was undertaken by CEZ Group, property of the Czech state. The company was divided according to the new Romanian regulations (result of the compliance of the laws with the UE ones) into CEZ Distribution and CEZ Sale (supplier). Paralleled, in the year 2005, Electrica Moldova was taken over by E.ON Energie and it became E.ON Moldova. From legal reasons, in 2007 E.ON Moldova was broken down into E.ON Moldova Distribution and E.ON Moldova Supply.

In the year 2007 Enel Electrica Banat and Enel Electrica Dobrogea merged, becoming Enel Energie, but the distribution activities were separated in accordance with the law, by starting up Enel Distribution Banat and Enel Distribution Dobrogea. In 2009, Enel Electrica Muntenia Sud was also divided into Enel Energie Muntenia (supply) and Enel Distribution Muntenia. Similarly, in 2007 Electrica SA was reorganized into 3 distribution entities - Electrica Distribution Muntenia Nord, Electrica Distribution Transilvania Nord, Electrica Distribution Transilvania Sud – and 3 supply entities - Electrica Supply Muntenia Nord, Electrica Supply Transilvania Nord, Electrica Supply Transilvania Sud.

In 2011 the autonomous energy supply entities of Electrica merged and set up SC Electrica Supply SA, held by Electrica SA. Also in 2011 E.ON Gas Romania and E.ON Moldova Supply also merged and they set up E.ON Energy Romania. Also, on the market of energy production, in 2011 the energy plants from Turceni, Craiova and Rovinari, together with the National Society of Charcoal Oltenia Tg.Jiu S.A merged and set up the Oltenia Energetic Complex, which held in 2012 approximately 30% of the electricity production (ANRE, 2012). In the same year 2011, Electrocentrale Deva merged with Electrocentrale Paroseni SA, and the merge shall continue by integrating a raw material supplier: the CNH Petrosani mines (the existing ones or those which could be made performant).

The short description of the transformations has not included ancillary services due to the fact that the present paper is focused only upon production, transport, distribution and supply of energy.

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