

Not Showing-Off. Rather, Performing Well.

By Ion Batrinu

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The issue of tariffs has always attracted and will attract attention of thermal power consumers. Discussions are numerous, but this does not mean that a common understanding has been achieved. A category of consumers who know that heat supply is the most expensive communal service throughout the world are puzzled about how Termocom has been managing to maintain the tariff at the same level of 233 lei per Gcal for 5 long years. Other people think that this is just “coquetry” with the authorities or, at least, a secret treaty. But the majority of people, including citizens with little money, consider that the heat tariff is high.

But such judgments are superficial and the details of thermal power tariffs are much more complicated. The truth is that there are many primary and secondary factors which determine the real value of tariffs. For example, few people know that the initial concept of Chisinau construction and development intended eternal centralized heat supply. As a result, construction of houses, buildings, factories, and plants took place with this concept in mind. Correspondingly, capacities of both gas and thermal pipelines were designed based on the necessities. At the same time, heating systems and the ventilation systems in apartment blocks were adjusted to the centralized heating system. Certainly, environmental safety was taken into account as well.

Yet, during the recent years, the issue of alternative heat supply has emerged with considerations for individual boilers, stoves, different installations, local boiler-houses, etc. Unfortunately, all these do not go in line with the general heat supply concept, and are accompanied by certain risks and perils. Since dwelling houses are designed just for centralized heating, the capacity of gas pipelines will not allow the entire city to shift to individual heating.

Let's look at an example. Nowadays, an average amount of gas consumed by a family is approximately 30-35m³. If this family installs an autonomous boiler, the latter will consume up to 200-250m³ of fuel. The gas pipelines of the city, although designed to tolerate extra capacity, are not fully resistance to extraordinary consumer pressure. And we should also remember that approximately 11 thousand apartments in the city have already installed autonomous heating. If another 10 thousand get connected, gas pipelines will operate with large dysfunctions. And, nevertheless, more than 100 thousand apartments will remain connected to centralized heating. Indisputably, residents in such apartments should enjoy the same conditions as those who are connected to autonomous heating, from the standpoints of economics and comfort. The economic standpoint is related to the tariff, whereas comfort means that the majority of people should have equal opportunity to connect to heating (and to disconnect) when they want. The heat supplier is obliged to ensure the consumers with such comfort. Namely because of these considerations, in 2004 Termocom started the heating season on October 15. Thus, consumers of apartment complexes select the date when they want to be connected to the

thermal networks. Also, disconnecting in the spring will occur upon the request of residents of a particular flat.

Certainly, in terms of tariff setting, it is necessary to balance the conditions for both categories of consumers, autonomous and centralized. As a centralized supplier of thermal power, Termocom ensures that all possible means are taken to equate the benefits of its customers with those of its competitors. Namely, these are the considerations on which the enterprise's tariff policy is based. Thus, nowadays, the lowest tariff for consumed thermal power is 223 lei per Gcal in Chisinau. In Balti, the tariff makes up 300 lei, and in other towns it is even higher. It is worth mentioning that Chisinau enjoys the lowest tariff in comparison to all other European countries, except for cities and towns in Russia, where there is an indigenous source of natural gas. It is clear that these 223 lei are by far insufficient to cover the production and supply costs of a thermal power enterprise, because the real costs for this enterprise amount to 340-350 lei. A simple calculation could demonstrate that Termocom loses about 100 lei per each Gcal. This is not profitable by any means.

Now, the question arises: How much longer can the enterprises last with a tariff that was established five years ago? One can pull the string as long as she/he likes, but one day it will break. This is why the Termocom specialists gave it a thought and submitted a set of proposals designed to improve the heating situation, including the tariff issues, to the Government of the Republic of Moldova and to the Mayor's Office of Chisinau.

What do they propose? First, they suggest that the price for natural gas supplied to Termocom should be reduced. This is because until now the enterprise used to pay the highest price for 1m³ of gas. This was a way of sponsoring a certain category of consumers - the poor. However, it is not an equitable procedure. The supreme state authorities partially agreed with the proposal of Termocom specialists, and currently Termocom pays 1000 lei per 1m³ of natural gas, instead of 1188 lei, as previously. Certainly, this reduction is very little for the centralized heating of the majority of population, and yet, this is a step forward. Second, the price Termocom paid to CHPs for thermal power, was somewhat exaggerated. If in the past Termocom used to pay 137 lei per Gcal, nowadays it pays 110 lei, although the price of one Gcal should not exceed 80-85 lei.

Third, tariffs for consumed water, set by Apa-Canal, have always been relatively high. To pay 11.30 lei per 1m³ of water is simply disturbing, to say the least. And it is especially so if we consider that a heat supply enterprise consumes hundreds of thousands cubic meters of water. The truth is evident: the population is poor, it has no possibility to pay the real price for water and, therefore, the burden is shifted to enterprises, including to Termocom. The water issue has not been solved yet, but the average equitable price would be about 4-6 lei per 1m³ of water. Until a consensus is reached, however, the enterprise will keep on acting as the population's water sponsor.

The Termocom specialists submitted some more reasonable proposals. Since the heat supply is the most expensive communal service throughout the world, Western countries

provide compensation for heat consumption to some strata of population. Methods of compensation to citizens are different, but they have effect. In Great Britain, for example, every fourth family receives compensation for the heating bill. Other countries assume expenses for delivery of thermal power and for maintenance of thermal networks. Thus, consumers pay only for the heat. When the Moldovan government will follow the same methods, heat supply will stop being a burden.