

Debts in the Ukrainian energy market

status as of mid-2025



Policy note

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Executive Summary



2022 Russian invasion of Ukraine devastated Ukraine's electricity sector: demand collapsed by a third, prices rose, payment discipline deteriorated, and debt accumulation accelerated.



The war-induced crisis in the energy sector worsened the pre-existing issues exposing policy gaps, reliance on ad-hoc interventions, and lack of sustainable measures.



Martial law has made energy sector data largely opaque, preventing comprehensive analysis of debt drivers and interrelations. Some sporadic data has recently resumed to be published in 2025.



Total residential consumer debt to utilities (mostly energy-related sector) reached UAH 107bn (~€2.2bn), a 31% increase compared to 2021, while debts from non-residential consumers remain opaque.



Debt to state-owned giant Naftogas for gas used for heat production tripled since the invasion and reached UAH 112bn, while households owning only UAH 35bn to heat suppliers.



Debts in the electricity sector were driven by both war impact and crisis-mode policies designed to protect consumers and ensure uninterrupted operation of critical infrastructure—regardless of costs or payment discipline.



In the electricity sector, most of the debts are ultimately owed to the system operator Ukrenergo, stemming from balancing market (imbalance energy), transmission tariff, and dispatch tariff.



Total consumer-side debt to Ukrenergo tripled from 2021 to end 2023 peaking at around UAH 68bn and decreased to around UAH 61bn (~€1.3bn) by mid-2025 after several policy interventions.

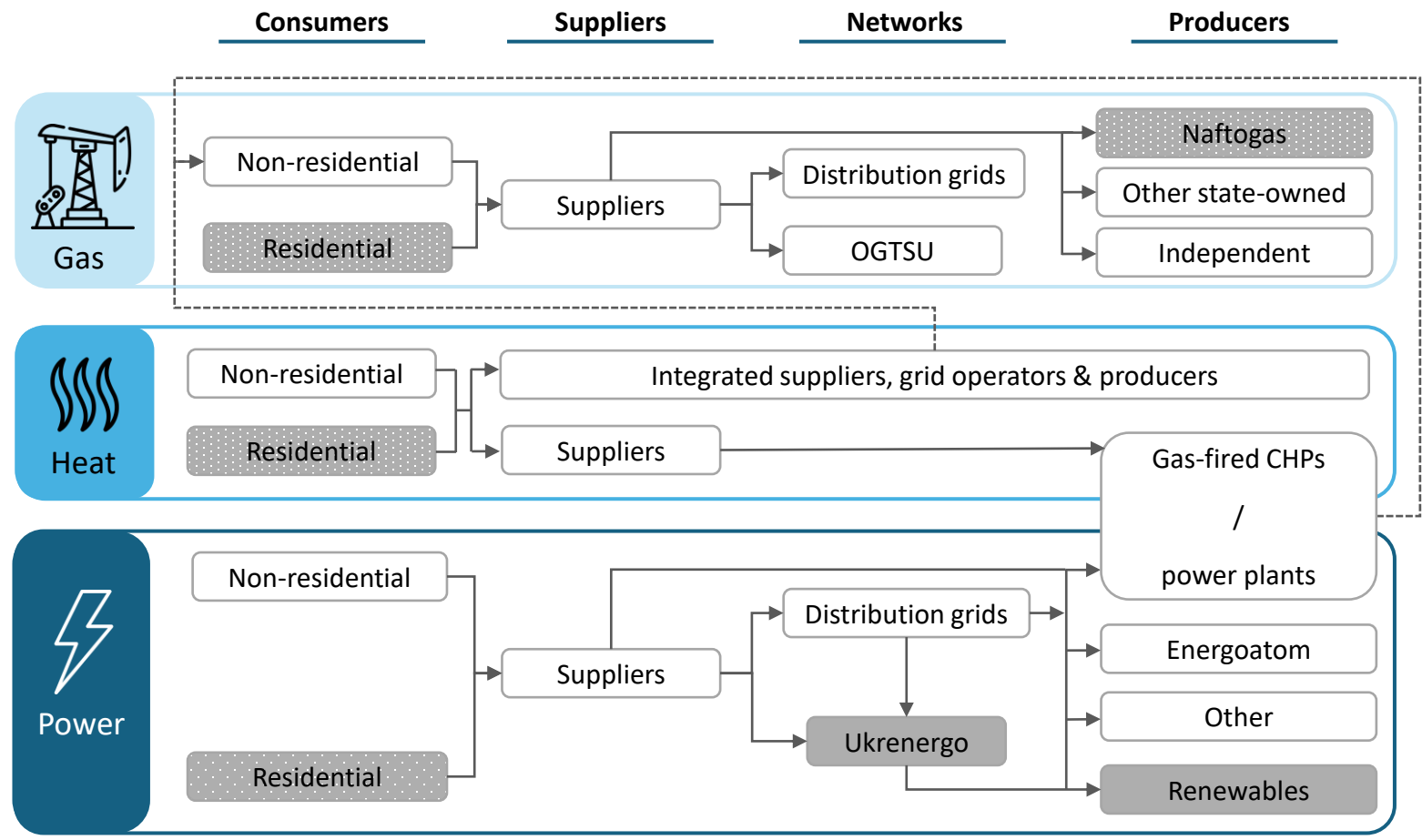


Key debt drivers in the electricity sector are policy-related: underfinanced companies unable and/or permitted not to pay, and delayed tariff increases that strain subsidy costs and payment discipline.



Debt accumulation threatens grid maintenance and repair stability and discourages investment in renewable and flexible generation, and eventually will require an external financing intervention.

Due to martial law, publicly available financial data on the energy sector is scarce, with some limited access in power sector, focused around Ukrenergo and renewable support



- Since Russia's 2022 invasion, Ukraine's energy sector remains under constant attacks, forcing the government to limit the publicly-available data on the sector.
- Most companies in the energy sector do not even publish their financial statements during martial law.
- Available Ukrainian financial data is aggregated and lacks the detail needed for meaningful analysis.
- Debt accumulation across the energy sector, driven by PSOs design and weak policy enforcement, remains a problem that predates the war-induced impact.
- Some data has recently been resumed for publishing in mid-2025 (some debts in gas sector, total residential consumers' debts, water supply company power debts).
- Lack of comprehensive data makes it impossible to assess the full picture.

Focus of the policy note

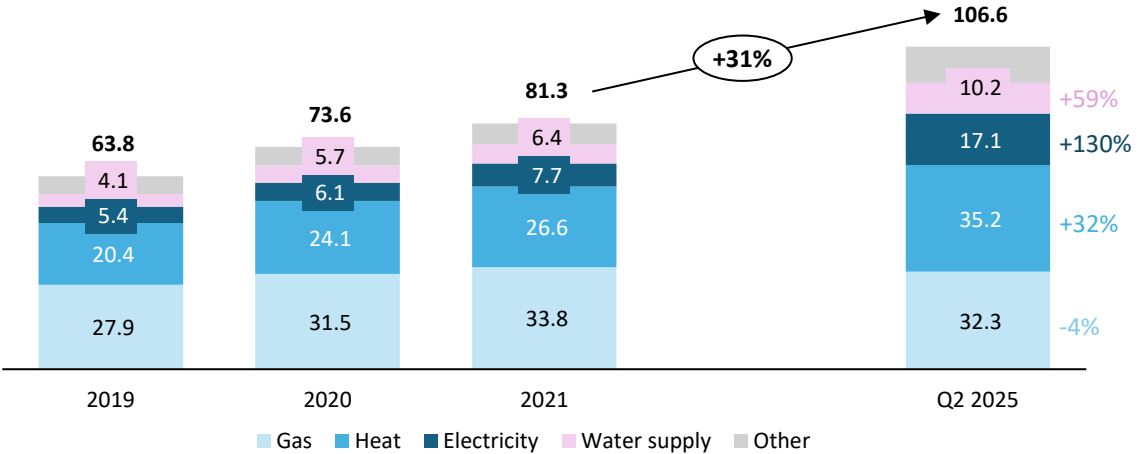
- 1) a general overview of visible data
- 2) close-up on the electricity sector, primarily around Ukrenergo and subsidy payments to renewables.

Limited visibility Some visibility, available 2022-2025 Some visibility, published in 2025

Total residential consumers' debt to utilities reached UAH 107bn in mid-2025, a third of which is to heat providers followed by 30% for gas and 16% for electricity

Total households' debt added 31% in 3.5 years in nominal terms, while compound inflation is ~60%, meaning it has lost value to service providers

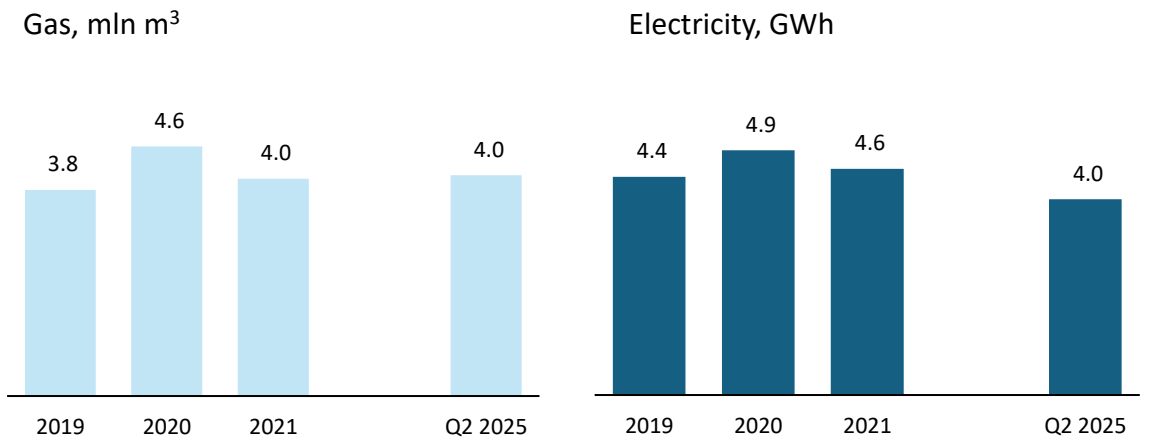
Residential consumer debts by utility service provided
UAH bn (nominal), as of period-end



- Despite regulated and subsidised tariffs for households, total utility debt has kept rising, driven by both economic and war-related factors.
- Electricity debt grew fastest (+130% since end-2021), followed by water (+59%) and heating (+32%).
- Debts for supplied gas decreased slightly.
- Unfortunately, the lack of regional data breakdown limits deeper analysis of these trends.

In volume measures, debts for gas remained the same, and decreased 13% for electricity, assuming it represents the recently supply in respective years

Equivalent of energy volumes in debt¹ from residential consumers

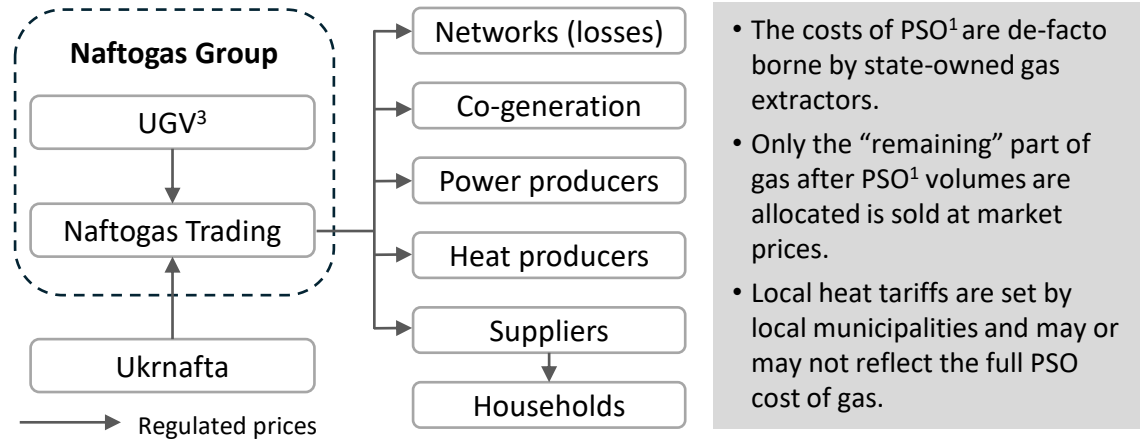


- Tariffs for gas for households remained relatively stable between 2021 and 2025 due to continuance of public service obligations in gas sector and political pledge to freeze gas prices until the end of the war.
- Household electricity tariffs rose 160% amid power system attacks and rising debts from other consumers, likely contributing to total debt growth.
- Unfortunately, the recently published data is not sufficient to assess the collection rates between 2021 and 2025.

1) Estimated as total debt divided by an average tariff in the year.

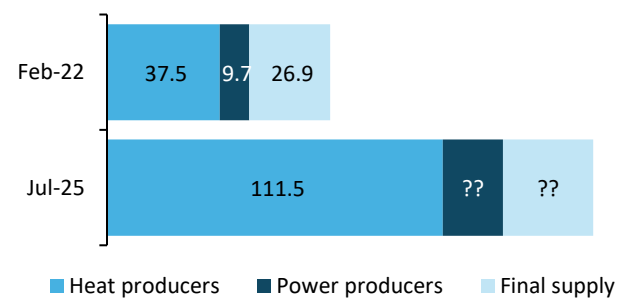
Debt to Naftogas for gas used for heat production tripled¹ since the invasion and reached UAH 112 bn, while there is no visibility on debts from power producers and gas suppliers

PSO¹ in the gas market² regulates prices for ~80% of extracted natural gas by state-owned enterprises



Debts from heat producers tripled since the start of the invasion

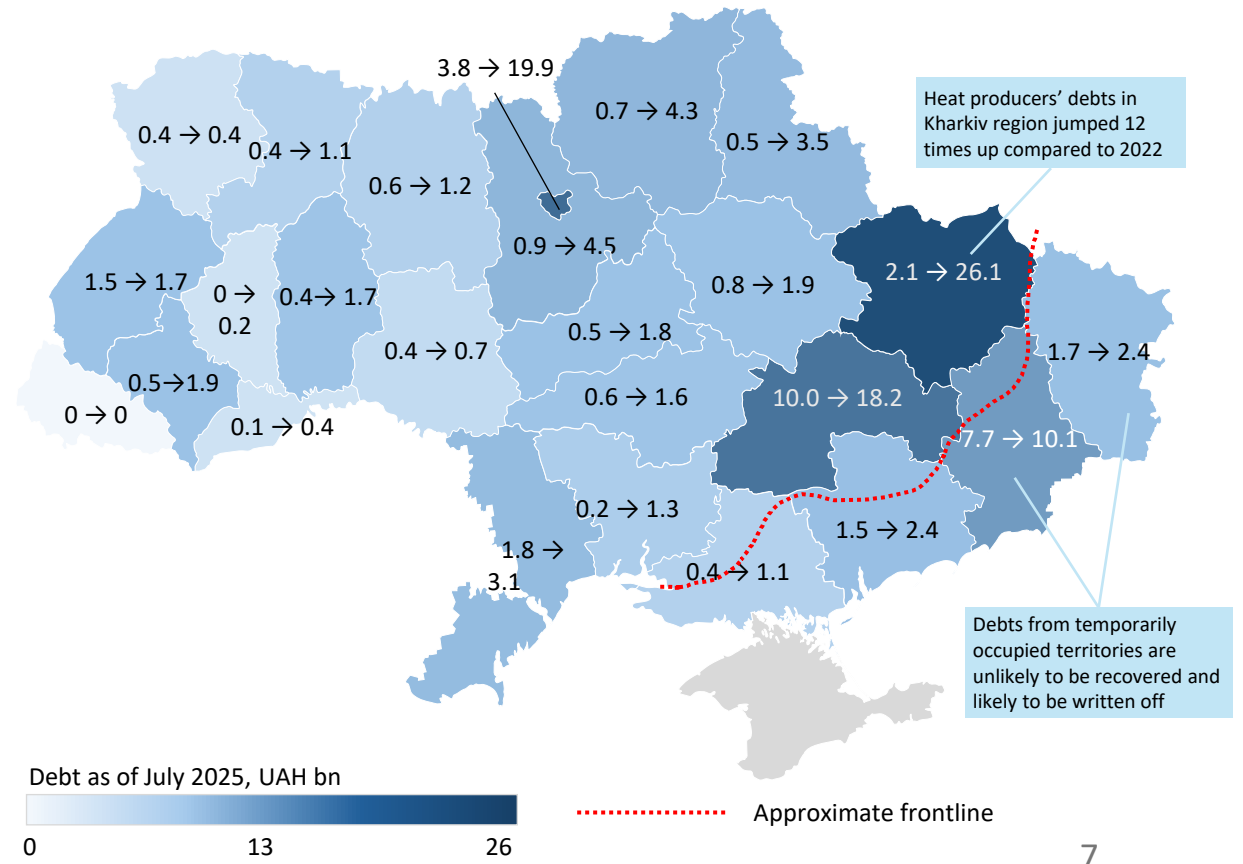
Debts to Naftogas per consumer group⁴
UAH bn (nominal)



- Only debt from heat producers has been disclosed in 2025.
- The remaining debtors are not transparent as Naftogas stopped publishing regular info since 2022.

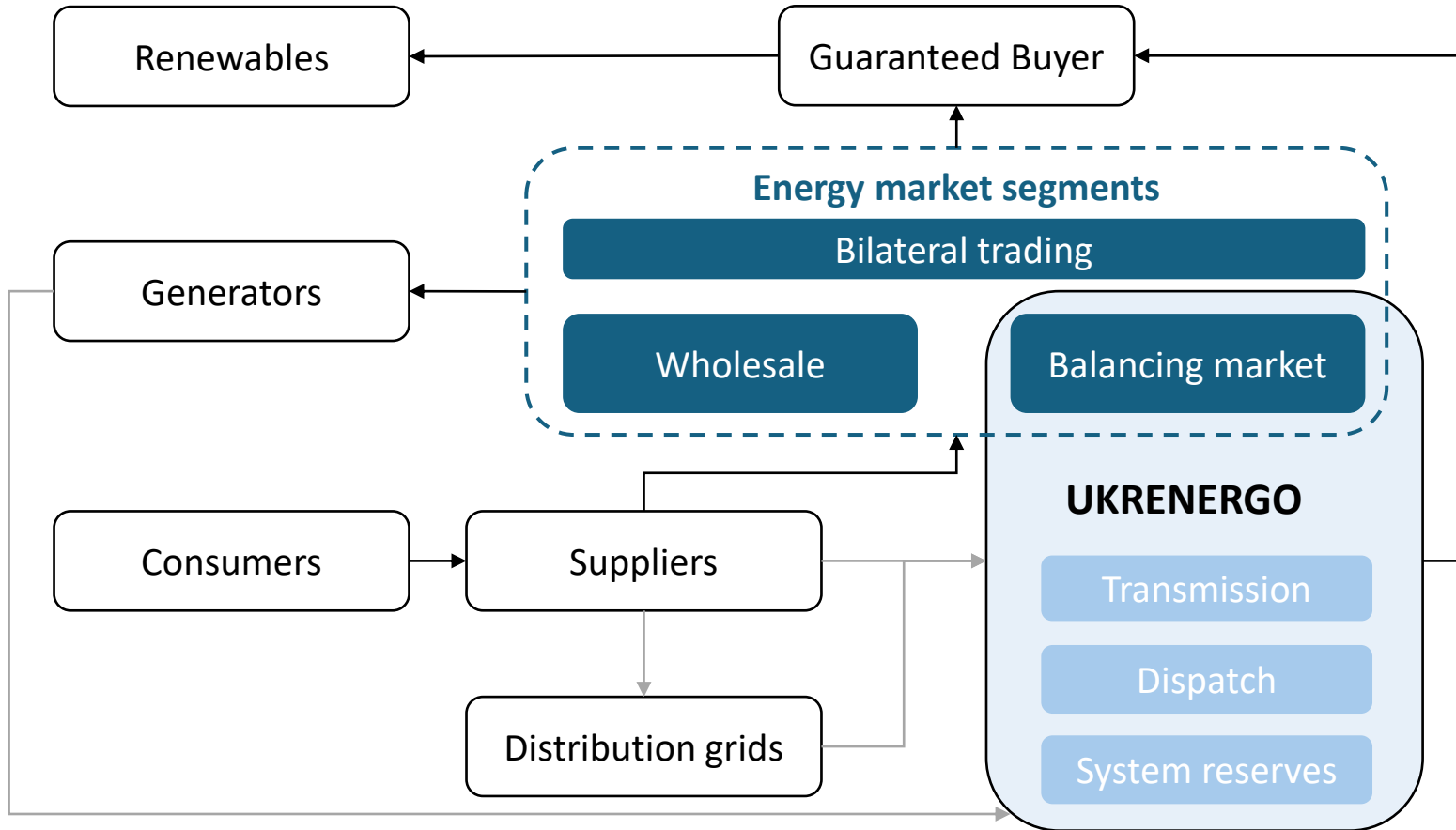
Kyiv, Kharkiv and Dnipro regions combined hold 62% of gas debt for heat, while debt from occupied regions is ~ 12%

Debts to Naftogas for supplied gas from heat producers by region⁴
UAH bn (nominal), as of Feb 2022 → July 2025



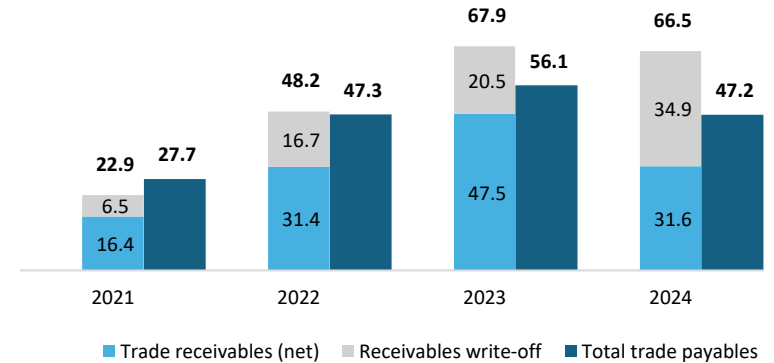
1) Public Service Obligation; 2) As ruled by the Decree of Cabinet of Ministers of Ukraine #812 from 19/06/2022 and #222 from 06/03/2022; 3) Ukgasvydobuvannya; 4) Excluding Crimea.

State-owned system operator Ukrenergo is central to the electricity market and is owed UAH 66.5bn as of end-2024, triple the 2021 level, with UAH 34.9bn already written off.



- Organised day-ahead and intraday markets are cleared daily and do not allow participation of insolvent clients – thus do not accumulate debts.
- Ukrenergo performs several functions in the electricity market, exposing it to energy and system tariffs.
- Renewable energy support is financed via Ukrenergo’s revenues which is paid via state-owned offtaker – the Guaranteed Buyer.
- Non-payments in the balancing market and system tariffs are not punished immediately; thus debts accumulation remains a risk.
- Accumulated debts to Ukrenergo may represent approx. 10% of total electricity market turnover¹.

Ukrenergo’s short-term trade balances²
UAH bn (nominal) as of year-end

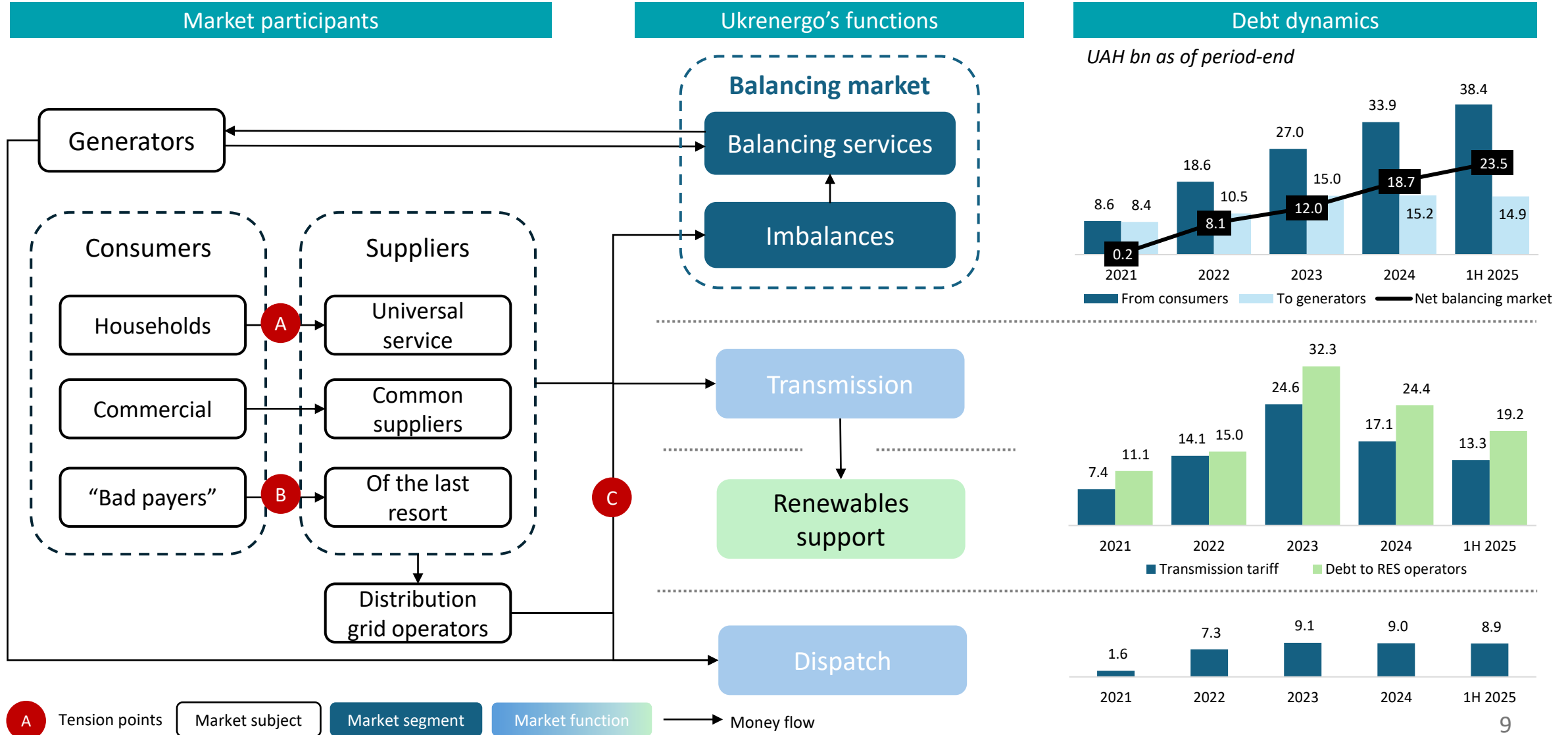


Note: This is a simplified scheme with key flows, while some are ignored for clarity (e.g procurement of energy buy distribution grid operators and Ukrenergo to cover technical losses, sale of energy by renewable energy generators under feed-in premium directly to the market, and settlement of imbalances).



1) Based on assumed 100 TWh gross consumption traded once, not accounted for churn (resale), the estimated range is UAH 600-700bn total market turnover in 2024, encompassing cost of energy and grid charge, excluding taxes; 2) Excluding loans.

As of mid-2025, 63% of debts to Ukrenergo are from imbalances, 22% for transmission, 15% for dispatch, while outstanding debt to RES exceeds its earmarked tariff receivable



II. Overview of key segments facing debts in the electricity sector

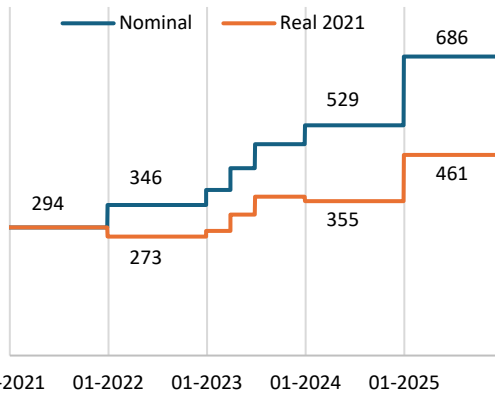
Transmission tariff debt grew in 2022-2023 due to war-driven demand decline, low collections from affected regions, and delayed household tariff reaction

Used for: grid expansion & maintenance; renewable support surcharge (~35-50% of the tariff)

X Tension point
Details further

Cost, volume base and subjects

Transmission tariff, UAH/MWh



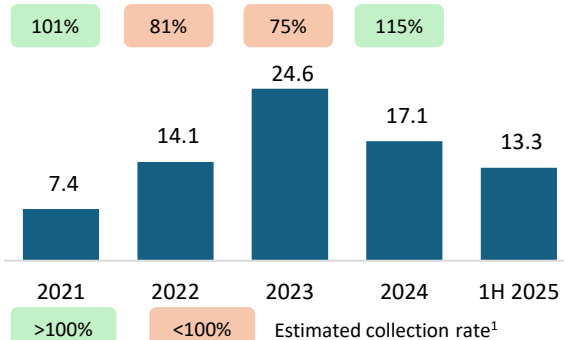
- Collected by the TSO Ukrenergo
- Tariff is volume-based only
- Paid from total country's gross demand
- Paid by:
 - Final consumers via suppliers
 - Big consumers connected to TSO
 - DSOs for technical losses

Drivers of debt accumulation

- **Consumer protection.** The transmission tariff, set under pre-war conditions, remained unchanged throughout 2022, despite a 35% drop in electricity volumes, limiting the impact on consumer bills.
- **Inflation impact.** 50% inflation across 2022-2024 eat up the tariff increase, resulting in effective -7% in 2022 and only +10% in 2023 vs to pre-war level.
- **Reduced collection rate.** Consumers faced growing difficulties in paying electricity bills during 2022–2023, particularly in war-affected regions where disrupted economic activity made payment impossible.
- **Rising market prices.** From 2022 to mid-2024, fixed household tariffs remained below market prices, making them insufficient to fully finance transmission system costs.

Debt dynamics

Total transmission tariff debt, UAH bn (nominal)



- Debt increased 3.3 times between 2021 and 2023
- After government increased the households' tariff in mid-2023 and mid-2024, the debt growth was somewhat mitigated
- Since up to ~ ½ of the tariff is dedicated to renewable support, this cascaded to increase of debts to renewables

Risks posed by debts

- **Grid Maintenance Compromised:** Budget shortfalls limit repairs, maintenance, and emergency equipment procurement.
- **Investor Confidence Eroded:** Renewable energy support schemes lack financing and credibility, leading to a collapse in investor trust.
- **No Demand for RES Auctions:** Government auctions for renewable capacity have failed to attract interest due to lack of trust in financing the support scheme.
- **Falling Renewable Investment:** Capital inflows into renewables have declined, worsening the power supply deficit.

1) Collection rate >100% represent periods in which revenue for previous periods was collected and reduced the outstanding debt on the balance sheet.

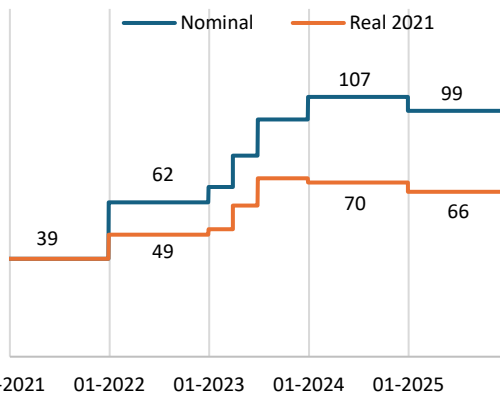
Dispatch tariff spiked in 2022-2023 mainly due to rising subsidy cost of regulated household tariffs up as well as due to debts from DSOs in war-torn regions

Used for: system balancing operations; procurement of ancillary/reserve services (90% of the tariff)

x Tension point
Details further

Cost, volume base and subjects

Dispatch tariff, UAH/MWh



- Collected by the TSO Ukrenergo
- Tariff is volume-based only and is levied on ~2x of total country's gross demand.
- Total tariff costs are shared between:
 - Power producers – for volumes fed to the grid (~1x gross demand)
 - DSOs (passed on to consumers) – for volumes distributed to consumers (~1x gross demand)

Drivers of debt accumulation

- **Reduced collection rate.** Consumers struggled to pay bills in 2022-2023, and those in war-torn regions couldn't pay at all due to economic activity disruption.
- **Rising market prices.** Fixed household tariffs below market prices across 2022- mid 2024 were not sufficient to finance distribution tariff by Energoatom.

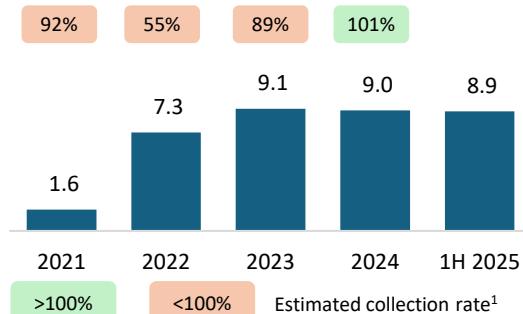
A

Risks posed by debts

- Compromised revenues for ancillary services providers
- Reduced future investments into new projects under special 5-year contracts for ancillary service provision.

Debt dynamics

Total dispatch tariff debt, UAH bn (nominal) as of period-end



- Debt rose 6.1 times from 2021 to 2023.
- After the households' tariff increase in mid-2023 and mid-2024, the debt growth was mostly mitigated
- Despite accumulated debts, reserve providers were paid in full due to lower available supply vs allocated tariff revenue



"Unused" tariff revenue (see slide 14 for details)

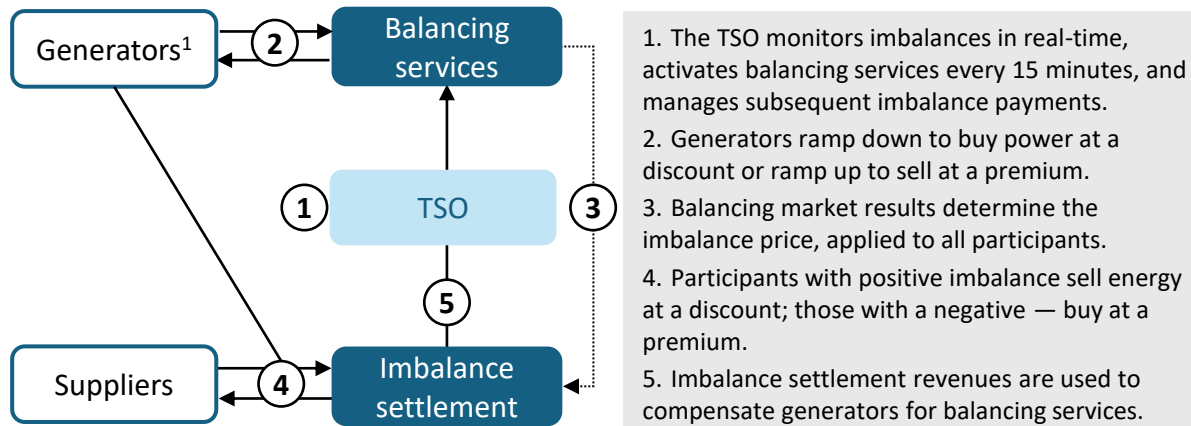
- The Regulator typically sets the tariff to fund the maximum volume of ancillary services (reserves) at capped prices.
- Due to the extent of the power system damage, the TSO generally procured fewer reserves than the maximum volume in 2023-2024.
- Although the collection rate was below 100%, reserve expenditure was even lower, leaving a portion of tariff revenue unspent.
- This unspent revenue was reallocated to cover shortfalls in other revenue streams by legislators.

1) Collection rate >100% represent periods in which revenue for previous periods was collected and reduced the outstanding debt on the balance sheet.

Balancing market debts are driven by non-payments for imbalances by consumers as a result of limited enforcing of disconnection procedure

X Tension point
Details further

Money flows in the balancing market



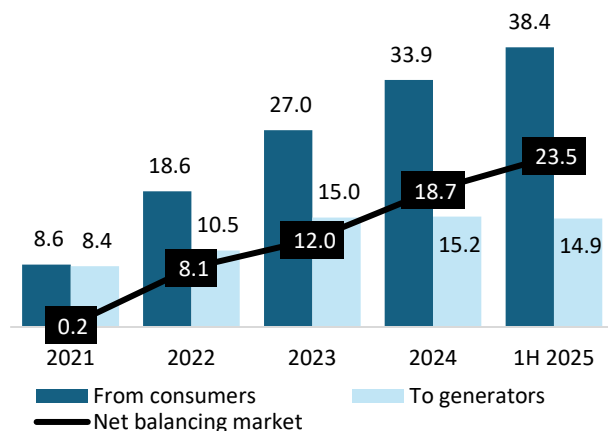
Drivers of debt accumulation

- **Reduced collection rate.** Consumers, especially in war-affected regions, struggled to pay bills in 2022–2023, with some balances left unpaid due to economic disruption. The TSO cannot write off these debts.
- **War-time policy against disconnection.** Households are protected from disconnection during martial law even if bills are not paid¹. Through 2022–2023, same principle was de-facto applied to some enterprises due to their social or environmental importance³.
- **Public non-paying companies.** Supplier of the last resort (currently a designated state-owned company) holds significant debt from state and municipally owned companies which cannot be disconnected for political reasons.

Debt dynamics

Balancing market debts

UAH bn (nominal), as of period-end



- The balancing market designed to net at zero; otherwise, unpaid consumer imbalances leave the TSO unable to fund balancing services.
- Consumer debt jumped in 2022 and continues growing to this day.
- Debts to generators were partially settled by reallocating profits from other TSO activities.

Risks posed by debts

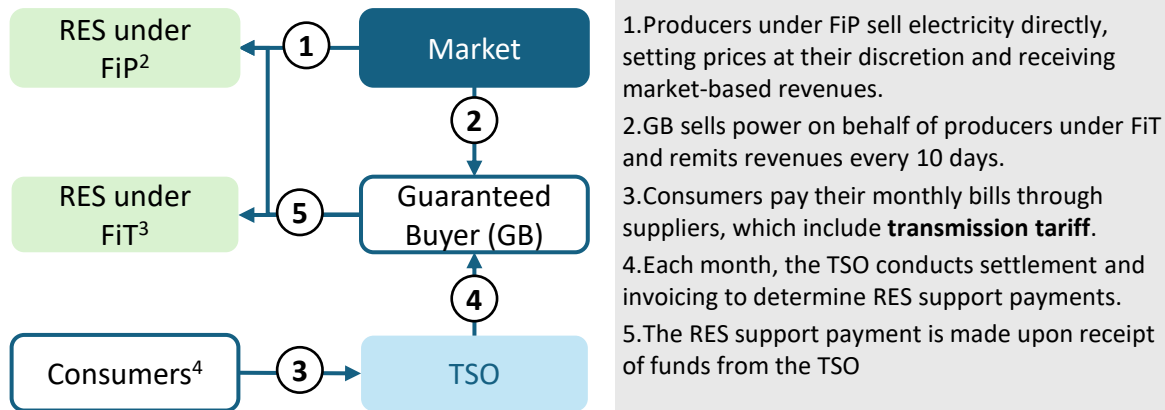
- **Revenue collection risks.** Payments can be delayed of up to 6–12 months, with part of the revenue likely to be forced to write-off from companies' balance sheets.
- **Deterrent to investment into flexibility technologies.** Revenue delays and disruptions discourage investment into flexible gas generation and energy storage, already constrained by price caps.
- **Costlier future generation.** Revenue collection risks make it hard to raise finance, leading to higher prices incorporating risks from privately-financed projects.
- **Need for additional subsidies.** Unreliable market returns may force new support schemes for new flexible generation outside the unreliable balancing market, further distorting the market and increasing consumer costs.

1) Generators are also responsible for imbalances (e.g. RES forecast errors or mismatch between physical notification for production and actual output; 2) Cabinet of Ministers of Ukraine, Decree 206 from 5/22/2023; 3) Ministry of Energy of Ukraine, Order 148 from 13/04/2022,

II. Overview of key segments facing debts in the electricity sector

The government has been accumulating debt to RES investors since 2020 due to regulatory decisions and then impact of the war, until the trend was broken in late 2024

Money flows under PSO¹ for renewable energy support



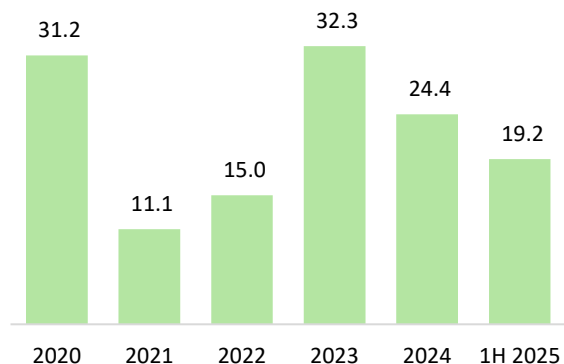
Drivers of debt accumulation

- **Soft-landing in 2022:** Lower RES generation, fixed exchange rate and UAH2.7bn reallocation helped cover support needs despite unchanged transmission tariff and low collection rates.
- **2023 shock:** Floating the exchange rate, demand drop, low collection rate, and insufficient RES support in the transmission tariff added 125% to debt level.
- **War-time policy:** From June 2022 to March 2024, the Ministry of Energy capped RES payments at 18% of FiT for solar and wind⁵.
- **Insufficient financing:** The Regulator has been approving transmission tariff with not enough financing allocated to renewables support in 2021-2024.

Debt dynamics

Ukrenergo's debt to all RES operators under support schemes

UAH bn (nominal), as of period-end



- This includes both:
 - big-scale projects settled via Guaranteed Buyer (UAH 16.7 bn) and
 - small-scale residential ones (~ UAH 2.5 bn) settled via suppliers.
- Discrepancy between Ukrenergo's acknowledged balance (UAH 16.7 bn) and debt to RES reported by GB (UAH 20.1 bn) is due to accounting lags.
- Debt almost tripled from 2021 to 2023.

Shortcomings of the policy design

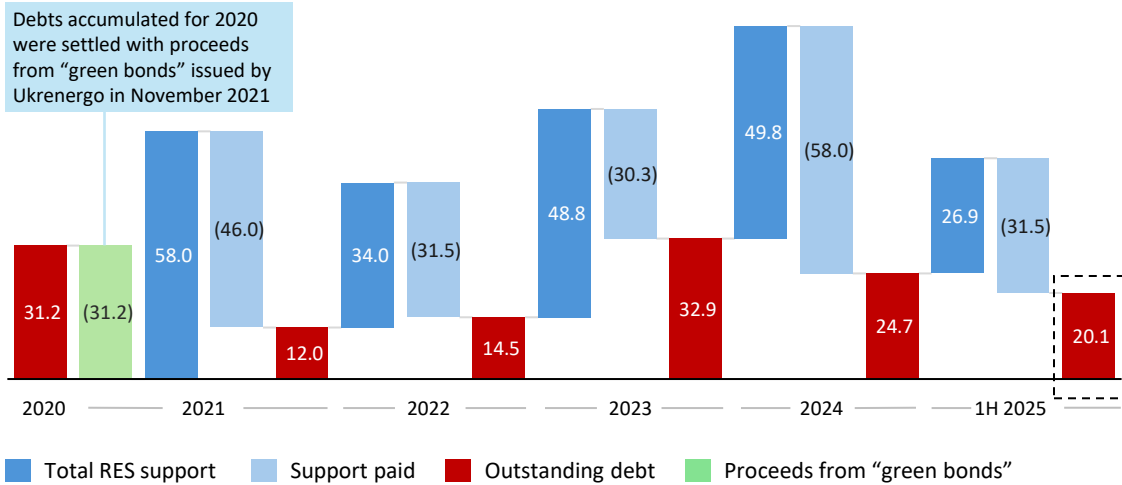
- **Exposure to market volatility.** If prices or demand drop below assumptions, RES support may fall short, with no clear mechanism to recover the gap in future tariffs.
- **Regulatory ambiguity.** There is no defined methodology for calculating the RES support financing needs. In addition, the law allows for up to 20% to be financed from the state budget, allowing the Regulator a legal position to underfund tariffs.
- **Seasonality mismatch.** Most payments go to solar PV (dominant RES technology in Ukraine) in summer, when consumption and tariff revenues are lowest.
- **Lack of long-term visibility.** Transmission tariffs, paid by consumers to finance RES support, are set in advance of each single year, leaving investors uncertain as to the sufficiency of payments in the long-term perspective.

1) Public Service Obligation; 2) Feed-in premium, a support scheme under which renewable energy generators sell their output in the market directly and receive support for the difference between the market and regulated price. Will include future projects awarded via the auction; 3) Feed-in tariff, a support scheme under which Guaranteed Buyer sell the output of eligible renewable energy generators in the market and managing the respective balancing group; 4) Effectively paying via their suppliers; 5) Ministry of Energy of Ukraine, Order 206 from 15/06/2022.

The debt to RES investors peaked in 2023 and has been declining since 2H 2024, thanks to revised 2025 tariff, rising wholesale prices and improved revenue collection

Debt to RES has been declining since 2024, thanks to improved collection of transmission tariff, its revision in 2025 and redistribution of dispatch revenues

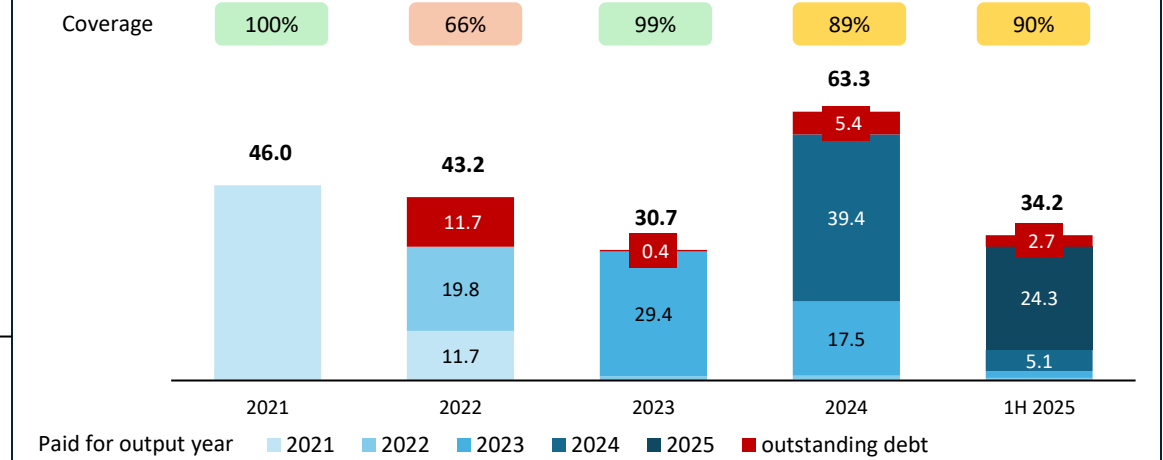
RES support financing as reported by Guaranteed Buyer (GB)
UAH bn (nominal), as of period-end



- **2022:** lower RES generation, fixed exchange rate and UAH2.7bn reallocation helped cover support needs despite unchanged transmission tariff and low collection rates.
- **2023:** Floating the exchange rate, demand drop, low collection rate and insufficient RES support in the transmission tariff added 125% to the debt level.
- **2024:** Rising wholesale prices lowered RES support needs, enabling 36% of payments for the previous 2023 generation to be covered.
- **2025:** ~UAH 8.5bn (27% of total payments so far) was reallocated from other revenue streams to finance RES support, bringing total debt to estimated UAH 20.1bn as of Q2.

The transmission tariff was not enough to cover full RES support in 2021-2024, but 2025 marks the first year when stakeholders expect sufficient financing

Support payments to large-scale renewable energy projects for year-produced
UAH bn (nominal), as of 30/06/2025



- From June 2022 to March 2024, the Ministry of Energy capped RES payments at 18% of FiT for solar and wind.
- UAH 11.7bn (37%) of 2022 payments are likely to remain frozen due to a regulatory dispute over imbalance settlement methodology —blocking payments between GB and Ukrenergo.
- **The approved tariff might be sufficient to cover 2025 support payments, but the financing gap may still remain for balances from previous years.**
- **There is no long-term strategy for sustainable financing of future payments and coverage of debts from previous years published by the government.**

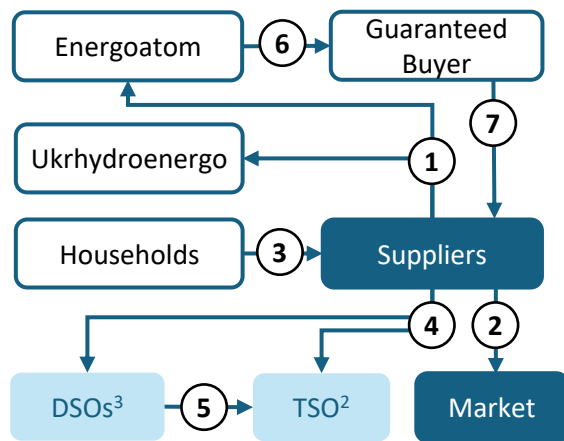


Tension points represent bottlenecks in the money flows in the electricity market

- While the majority of debt was accumulated due to war-induced demand and price shocks, as well as disrupted revenue collection in 2022–2023, several structural “tension points” in Ukraine’s power market continue to pose risks.
- These points are not the result of one-off shocks but are persistent sources of financial strain—often worsened by external crises.
- Key tension points in the Ukrainian electricity sector include:
 - A** The public service obligation (PSO) for the supply of electricity to households at regulated below-market prices
 - B** Systematic debt accumulation from state- and municipal-owned companies
 - C** Regulatory gaps in the timely increase of regulated tariffs (e.g. electricity distribution system operators)

Design of household tariff subsidy may disrupt transmission and dispatch tariff collection, posing risks of financing RES support and grid maintenance

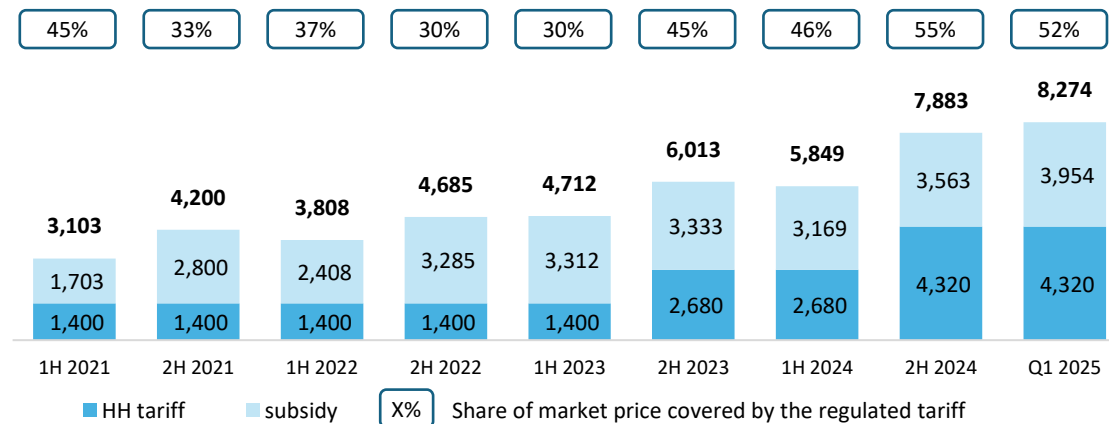
Money flows under PSO¹ for households



1. Universal service suppliers buy baseload from Energoatom and part of the profile from Ukrhydroenergo upfront at market prices.
2. Universal service suppliers buy the rest of the households' demand profile in the market.
3. Households pay a regulated price monthly.
4. Suppliers pay distribution and **transmission** tariffs.
5. DSOs³ pay **dispatch** tariffs to the TSO² Ukrenergo.
6. Energoatom finances the difference between market and regulated prices to the Guaranteed Buyer, based on monthly invoices signed with suppliers.
7. Guaranteed Buyer pays the subsidy to suppliers.

Estimated market price and subsidy for regulated household tariff

UAH/MWh (nominal)



1) Public Service Obligation; 2) Transmission System Operator; 3) Distribution System Operator; 4) The Government of Ukraine.

Drivers of debt accumulation

- Energoatom's profit is used to cover the subsidy between the market price and the regulated household tariff. Subsidy burden increased due to:
 - Energoatom's output dropped 28% in 2022 and 40% in 2023 vs pre-war levels.
 - Household demand decreased by only ~18-20% in the same period.
 - Household tariff remained unchanged until the second half of 2023.
 - Rising market prices and distribution system tariffs.
- Regulated tariff coverage dropped to only ~30% of actual cost (2H 2022–1H 2024), straining Energoatom's ability to cover distribution tariffs and supplier payments — contributing to transmission tariff debts.
- Tariffs were raised in 2H 2023 and 2H 2024, allowing the elimination of dispatch tariff and subsidy payment debts from Energoatom.

Shortcomings of the policy design

- **Cashflow gap for suppliers.** They pay upfront to Energoatom the full market price and then wait for reimbursements from the same Energoatom with at least 1.5 months gap via an intermediary, Guaranteed Buyer.
- **Delays in settlements.** Supplier business usually runs on thin margins, thus any delays in settlements result in delays or non-payments to DSOs³ and TSOs²
- **Exposure to market volatility.** Market prices are not regulated and volatile, and their increase leads to an increase in the subsidy, i.e., the amount of revenue met by Energoatom. The PSO¹ design relies on Energoatom's ability to generate enough additional revenue in case of rising prices.
- **Political sensitivity and reaction delay.** The GoU⁴ is very reluctant to increase household prices, thus leading to lengthy political decision-making. Long delays to increase the regulated price led to debt accumulation in 2022-2023.

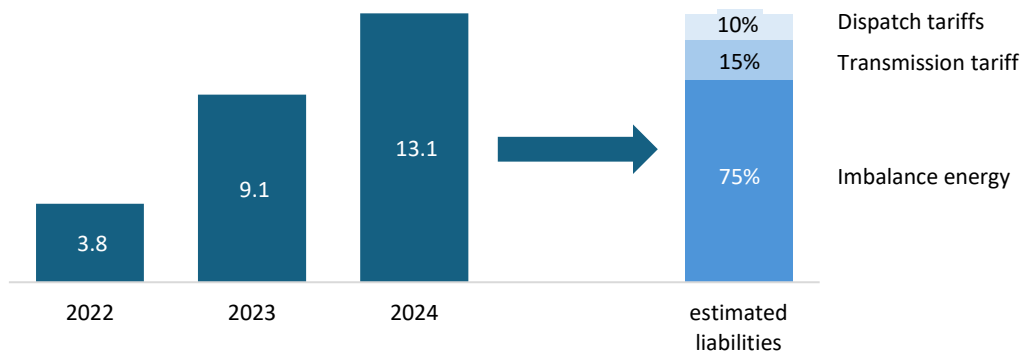
State- and municipally-owned companies amassed up to UAH 20bn debts as of end 2024, driven by protective policies and underfinancing

Insights into Supplier of the last resort

- Supplier of Last Resort (SoLR) is a designated role awarded through a competitive process for a 3-year term.
- In Ukraine, since the 2019 market liberalisation, this role has consistently been held by a state-owned supply company Ukrinterenergo without any tenders.
- SoLR serves companies that lose their supplier, providing electricity for up to 90 days, after which it may request disconnection for non-payment.
- Approximately 95% of the SoLR portfolio consists of state- and municipally-owned entities—mainly water utilities, coal mines, and industrial firms.
- Two companies (Kharkiv Water Utility and Lviv Coal Enterprise) account for 55%.
- Roughly one-third of total SoLR debt is linked to companies in frontline Kharkiv – that struggle to pay the bills consistently during wartime.

Accounts receivable of SoLR¹

UAH bn (nominal), as of year-end



Drivers of debt accumulation

- **Coal Mines:** Have a long-standing pattern of irregular electricity payments, with debts accumulating under the pre-2019 market model.
- **Water Supply Companies:** Faced significant revenue shortfalls due to fixed regulated tariffs from 2022 to early 2024, while electricity costs—accounting for about one-third of expenses—rose sharply.
- **Disconnection Restrictions:** In 2022–2023, disconnection of utilities and certain municipal companies required approval from military administrations, disregarding payment discipline. Some disconnections remain impractical for political reasons.
- **Suspended SoLR Limits:** The 90-day supply cap under the Supplier of Last Resort scheme was not enforced during 2022–2023, removing pressure to pay and enabling further debt accumulation.

Shortcomings of the policy design

- Some water companies and state mines are with other suppliers, not only with SoLR, while their debts are continuously restructured to avoid disconnection.
- Unless the regulated (like heating and water supply) do not receive the sufficient tariffs or a direct subsidies from budget, the debts will continue to accumulate, falling on Ukrenergo’s balance sheet.
- Total electricity debt by water supply companies is estimated at UAH 12.6bn as of mid 2025, of which around only UAH 2bn sits on the SoLR books.
- Non-regulated companies like mines and small industrial ones, fail to pay as they are politically protected from being disconnected due to their importance.
- Total electricity debt by state-owned coal mines is estimated at around UAH 8bn as of end 2024, of which around only UAH 2bn sits on the SoLR books.

1) Supplier of the Last Resort.

Water supply companies has amassed UAH 12.6bn debt for electricity, with ~UAH 9bn is unlikely to be recovered and require external financing

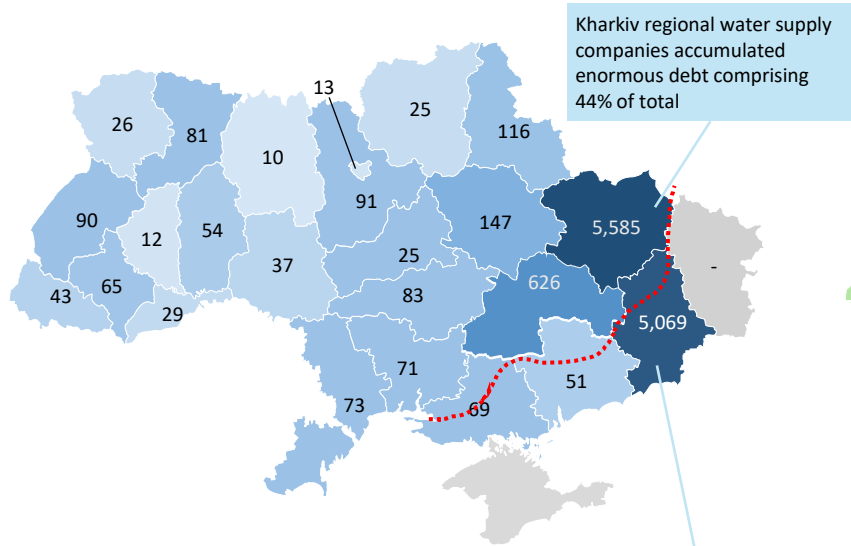
Water supply companies amassed UAH12.6bn debt for electricity, and as it comprises ~33% of costs..

.. only 9% of total debt for electricity is sufficiently covered by residential consumer debts..

..and total of ~UAH 9.2bn is likely not, adding pressure on the electricity market

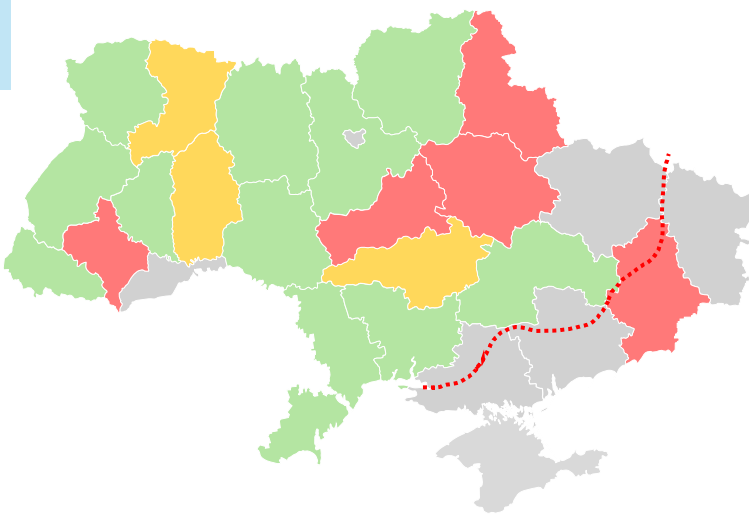
Debts of water supply companies for supplied electricity¹ by region

UAH mln (nominal), as of July 2025



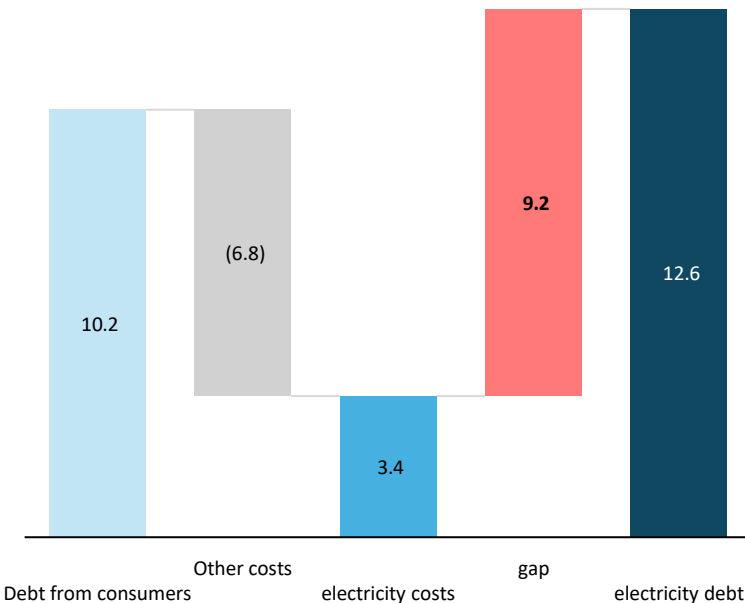
Water supply companies' electricity debt coverage by debts from residential consumers²

%, as of July 2025



Total debts from consumers compared to electricity debts of water supply companies²

%, as of July 2025



Debt as of July 2025, UAH mln
0 5,600

..... Approximate frontline

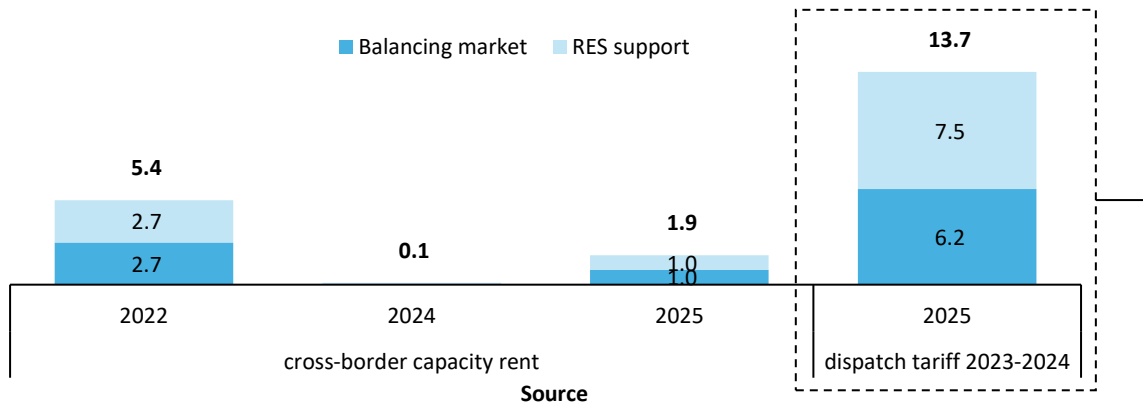
Green <33%, recoverable Yellow 33-60%, somewhat recoverable
Red >60%, unrecoverable Grey Insufficient data

1) Comprises energy and distribution tariff only; 2) Estimated as water supply companies' electricity debt divided by consumer debts to water supply companies, and assuming no debt from non-residential consumers.

Profits from access to cross-border capacity and savings on dispatch tariff totalling UAH 21.2bn across 2022-2024 were used to alleviate debts

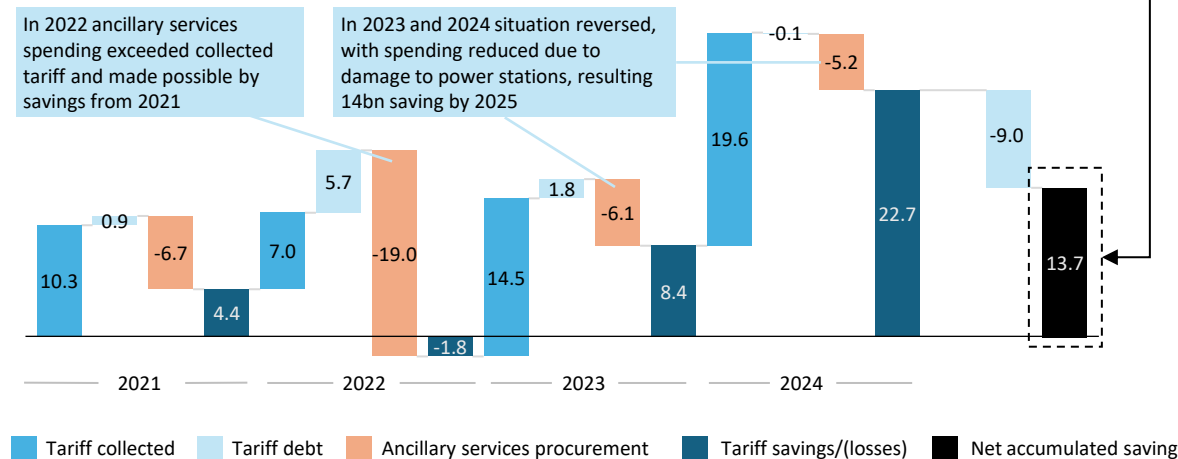
Estimation of reallocated TSO revenue by directions

UAH bn (nominal), year in which paid



Estimation of dispatch tariff collection and utilisation

UAH bn (nominal)



Reallocation of other revenues

- **Revenues from cross-border capacity** are designated by law to be used only for maintenance of existing and investment into new cross-border infrastructure.
- **Reallocation rules were legislated** for revenues collected during 2H2021–2024 to be redistributed to cover debts in the balancing market and for renewable support.
- Ancillary service prices are capped for the duration of the war, with total cost of maximum procurement volume allocated to be collected from dispatch tariff by the Regulator each year.
- **Since 2023, Ukrenergo does not procure maximum amount of ancillary services** due to massive extent of damage to thermal and hydro generation.
- **Dispatch tariff savings accumulated on Ukrenergo’s balance sheet**, resulting in ~UAH 14bn saved during 2023-2024, legislated to be redistributed once to cover debts in the balancing market and for renewable support.

Shortcomings of the approach

- **Slow implementation:** Legislative changes to enable reallocations under the electricity market law may take significant time..
- **Unreliable source.** Dispatch tariff savings occur only because of the regulatory decision to levy excess from consumers and generators. New 5-year contracts for batteries and gas plants (procured over 2024–2025) will limit future savings. Cross-border capacity rent was negligible in 2023.
- **Don’t address the reasons.** These are manual interventions that can alleviate debt pressure but cannot be seen as a predictable or sustainable solution.

Source: Ukrenergo’s financial statements, GDU calculations

Debts threaten continuity of day-to-day activities and may deter investment, while remedies are mostly regulatory-driven and out of Ukrenergo’s control

Debt	Balancing market	Dispatch tariff	Transmission tariff	Renewables’ support
Risks	Costlier future generation. Revenue collection risks and delays make it hard to raise finance, leading to higher prices incorporating risks from privately-financed projects.	Compromised revenues for ancillary services providers	Grid maintenance compromised: Budget shortfalls limit repairs, maintenance, and emergency equipment procurement as well as limit the financing of protective defence structures.	Investor confidence eroded: Renewable energy support schemes lack financing and credibility, leading to a collapse in investor trust, with RES auctions already failed to attract interest.
	Deterrent to investment into flexibility. Revenue delays discourage investment into flexible technologies, calling for new support schemes further distorting market.	Deterrent to investment into flexibility technologies. Reduced future investments into new projects for ancillary service provision.	Debt servicing risks: Transmission tariff is the main source of financing day-to-day operations as well as servicing the debt portfolio.	Falling renewable investment: Capital inflows into renewables have declined, worsening the power supply deficit.
Litigation risks : delays in payments across all market segments force counterparties to litigate, adding costs and draw resources.				

Policy actions		Address state- and municipally-owned companies struggling to pay electricity bills	Reduce regulatory reaction gap	Improve collection discipline	Ensure sufficient RES financing and reduce cost pressure on transmission tariff
Potential remedies	Short-term	<ul style="list-style-type: none"> Direct earmarked state subsidy Increase tariffs for regulated companies like water supply and DSOs 	<ul style="list-style-type: none"> Link regulated household tariffs revision to events leading to significant change in subsidy (i.e. wholesale prices or revision of regulated tariffs). 	<ul style="list-style-type: none"> Impose and enforce sanctions for non-payments up to pause in supply Introduce accounts with special regime to collect tariff revenue from “long-standing” non-payers after 90d on SoLR 	<ul style="list-style-type: none"> Regulator to ensure transmission tariff is sufficient to cover RES support, both existing projects and planned RES auction volumes
	Mid-term	<ul style="list-style-type: none"> State-supported (e.g. with guaranteed loans) deployment of on-site RES generation 	<ul style="list-style-type: none"> Transition to actual financial PSO to improve universal suppliers’ cash flows 	<ul style="list-style-type: none"> Limit access to the market for participants not paying not only for energy but grid charges as well 	<ul style="list-style-type: none"> Partial financing from state budget (unlikely during war-time) Decouple RES financing from transmission operations and move to supply
	Long-term	<ul style="list-style-type: none"> Unwind loss-making business (like state-owned coal mines) by replacing coal-fired generation 	<ul style="list-style-type: none"> Cancel regulated household tariffs and move to direct subsidies to vulnerable consumers 	<ul style="list-style-type: none"> Revise the list of and rules for protected consumers 	<ul style="list-style-type: none"> State buy-off of private RES portfolio under subsidies and cancelling FIT offtake contracts.

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