Russian War Against Ukraine: Energy Dimension

DiXi Group alert
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#StopRussianAggression
#StandWithUkraine

Summary of the week (June 20 – 24)

- As of June 23, due to the damage caused by hostilities, app. 587,000 consumers in 749 settlements did not have electricity supply, and 178,000 consumers remained without gas supply.

- On June 18, the enemy restored attacks on Ukraine's fuel supply infrastructure. The Kremenchuk refinery in Poltava region, the Shebelynskyi gas processing facility in Kharkiv region, and a large fuel depot in Dnipropetrovsk region were damaged during just one day. Due to targeted Russian missile strikes, the whole refining industry of Ukraine is not operational.

- The generation facilities were also attacked. In particular, the CHP of Kremenchuk in Poltava region was hit by a missile strike, and the largest Ukrainian PV facility (50 MW) near Tokmak in Zaporizhzhia region was dismantled and stolen by the Russian troops. Besides, the Russian hacking groups continue executing cyber attacks at Ukraine's critical infrastructure facilities, using in particular the topics of nuclear terrorism.

- During the week, exports of electricity from Ukraine remained stable - 210 MW to Poland and 142 MW to Moldova, both at flat schedule. Ukrenergo held auctions for the distribution of July cross-border capacity on three directions: UA-PL (147 MW), UA-MD (420 MW), MD-UA (560 MW). In addition, Ukraine has fulfilled all six technical preconditions needed to start commercial electricity exports and joined the FSKAR system - a simplified procedure for paying for technical cross-border flows among the European system operators. Respectively, pilot electricity exports to the EU are expected next week, first to be limited at 100 MW.
• The performance of electricity day-ahead market (DAM) was relatively stable. The weighted average settlement price fluctuated in a narrow range 2,242-2,270 UAH/MWh, and the volume of trading – 11.1-13.9 GWh. At the same time, the Base DAM indices of the Eastern European countries significantly exceeded the similar indicator of Ukraine (by 2.4-4.6 times). According to JSC “Market Operator”, over 47% of electricity sold on DAM and IDM in May originated from hydropower, app. 20% each - from nuclear fuel and RES. app. 10% - from coal and natural gas.

• The government established full control over all segments of the gas market. According to the CEO of Naftogaz Yurii Vitrenko, the company provides gas supply to 100% of district heating companies and almost 98% of households. In addition, the group controls about 60% of gas distribution by its own DSOs and those operators transferred to its management.

• Government regulation of prices remains the main tool of economic protection. A government decree has come into force, which provides for new public service obligations (PSO) of Naftogaz for the supply of gas to DSOs for compensation of losses at fixed prices. Also, the Verkhovna Rada adopted in the first reading the "gas package" of draft laws, which provides for a moratorium on raising utility prices and tariffs for households, guarantees for PSO execution and debts settlement - in particular, by attracting 188 billion UAH from international donors.

• The Presidential Office noted a lack of progress in the field of energy sanctions. Meanwhile, the CEO of Naftogaz Yurii Vitrenko suggested that European countries introduce a transfer cap restriction for Gazprom at 100 USD/tcm. The difference to the market price could be frozen until Russia withdraws troops from Ukraine and pays reparations. Also, the International Working Group on Sanctions against Russia (“Yermak-McFaul group”) proposed to introduce a special license for Gazprombank, which would allow it to perform only a limited number of transactions and completely block other settlements.

Attacks

The head of the Zaporizhzhia District State Administration Oleh Buryak confirmed media reports about the dismantling and removal of PV panels by the Russian occupiers from the solar power plant in Tokmak. According to him, the occupiers were trying to "quietly" steal the property. To remind, the facility of Tokmak Solar Energy LLC with a capacity of 50 MW is the largest in Ukraine, with an area of 96 hectares.

Electricity Sector:

Power system operation

Ukraine continued commercial exports of electricity to Poland via the Dobrotvirksa TPP - Zamosc transmission line at the stable schedule of 210 MW hourly. Also, according to Ukrenergo, exports to Moldova were at 142 MW. At the same time, Energoatom continued to book 150 MW (flat schedule) of export capacity to Moldova at daily auctions, DTEK Zakhidenergo - 69 MW to Poland (flat schedule). Technical cross-border flows continued between the energy systems of Ukraine and Eastern European countries (Slovakia, Hungary, Poland, Romania, and Moldova).

Ukrenergo also held auctions for the distribution of July cross-border capacity on three directions: UA-PL (147 MW), UA-MD (420 MW), MD-UA (560 MW). In the UA-PL direction, DTEK Zakhidenergo purchased 145 MW and LTK Elektrum - 2 MW. The capacity of UA-MD direction was divided
between 4 companies: Artleks-Energy - 280 MW, D.Trading - 100 MW, Ukr Gaz Resurs - 30 MW, Uneks - 10 MW. The capacity of MD-UA direction was divided between 3 companies: Stimeks - 447 MW, Artleks-Energy - 103 MW, Uneks - 10 MW.

Ukrenergo continued repairing damaged network infrastructure. In the northern region, emergency recovery work at a 330 kV substation continued. In particular, the preparation for replacement of 330 kV supports and repair of one of the relay protection sections were carried out. In the central region, the repairs of fiber-optic communication lines at one of the 330 kV lines were completed.

Meanwhile, the Supreme Court confirmed the payment of 2.35 billion UAH by Ukrenergo in favor of companies of Rinat Akhmetov's DTEK group in three cases. In particular, these are lawsuits under agreements on participation in the balancing market: DTEK Zakhidenergo for 1.32 billion UAH (case No.910/6639/21), DTEK Skhidenergo for 633 million UAH (case No.910/6636/21), and DTEK Dniproenergo for 399.4 million UAH (case No.910/6635/21).

Electricity market performance

**Day-ahead market (DAM):** As of June 24, the weighted average settlement price decreased slightly and amounted to 2,241.88 UAH/MWh (-0.8% vs the previous day). In general, according to the Energy Map service, in the working days of the week (June 20-24) the price remained relatively stable and ranged 2,242-2,270 UAH/MWh.

At the same time, as of June 24, exchange prices in the Eastern European markets have shown declining dynamics. The Base DAM indices of Slovakia and Hungary were 3.7-3.8 times over the Base DAM index of Ukraine. Instead, the price spread with the Romanian and Polish markets amounted to 2.8 and 2.3 times, respectively.

The total volume of trading decreased slowly to 11,147.1 MWh (-13.9% vs the previous day). In general, according to the Energy Map service, in the working days of the week (June 20-24), the volume of trading fluctuated in the range 11.1-13.9 GWh. At the same time, as of June 24, the supply still increased to 76,755.7 MWh (+3.4%). The combination of these factors contributed to the higher surplus: the gap with the volume of purchase bids grew from 5.8 to 6.9 times. In the structure of purchase, 52.8% was occupied by suppliers, 47.1% by system operators and 0.1% by producers.

**Intraday market (IDM):** On June 23, the weighted average price slightly increased to 2,397.9 UAH/MWh (+2.4% vs the previous day). At the same time, the total volume of trading decreased to 676.6 MWh (-18.6%). At the same time, the supply increased to 36,152.9 MWh (+27.9%), which in combination with the dynamics of trading led to growth in the market surplus - the gap with the volume of purchase bids jumped from 34 to 53 times. Only suppliers did purchase electricity on IDM.

Disruption and resumption of supply

According to the Ministry of Energy, as of June 23, due to the damage caused by hostilities, a total of 587,000 consumers in 749 settlements were disconnected from electricity supply. During the day, electricity supply was resumed to app. 17,500 consumers.

Large-scale power supply disruptions and, consequently, active recovery works were taking place:

- in the Donetsk region, according to the local DSO, specialists restored supply to app. 7,400 households in 18 settlements of the Pokrovsk, Bakhmut and Kramatorsk districts; 323 settlements were left without electricity supply (according to the Ministry of Energy - over 347,800 consumers);
- in the Luhansk region, according to the Ministry of Energy, more than 128,200 consumers were left without electricity supply;
- in the Kharkiv region, according to the Ministry of Energy, app. 28,700 consumers remained without electricity and supplies were resumed to 6,200 consumers during the day;
- in the Zaporizhzhia region, according to the local DSO, as of 07:00 on June 24, 24,385 consumers in 80 settlements were left without electricity supply. During the day, the DSO specialists resumed supplies to 3,000 consumers, including 2,285 in the Orikhiv and 380 in
the Polohy districts. At the same time, as a result of hostilities, damage was added to the Polohy power grids, with 3 settlements offline (2,932 households in total);

- in the **Mykolaiv region**, according to the Regional Military Administration, as of June 24, 433 power supply facilities were partially or completely damaged, including 7 in last 24 hours. 96 settlements (3 of them partially) of the Bashtanka and Mykolaiv districts were disconnected. **According** to the Ministry of Energy, electricity supply to 600 consumers has been restored during the day;

- in the **Kherson region**, according to the Regional Military Administration, as of 10.00 June 23, among the communities with communication established, power supply to Novovorontsovka, Novooleksandrivka and Muzykivka communities was provided partly, at least 11 settlements were offline. All 22 settlements of the Vysokopillia community were completely left without electricity supply;

- in the **Dnipropetrovsk region**, according to the Regional Military Administration, on June 23, the enemy fired on the territory of two settlements, as a result the village of Novosemenivka (the Apostolove community) was disconnected from electricity supply;

- in the **Odesa region**, according to the local DSO, as of 12:00 on June 23, due to bad weather conditions, 6 settlements were left without electricity. 3 overhead lines and 35 transformer substations were damaged. As of 20:00 the same day, all restoration works were completed;

- in the **Chernihiv region**, according to the Regional Military Administration, as of 06:00 on June 24, power supply service was not provided to 265 consumers in 2 settlements;

- in the **Sumy region**, according to the Ministry of Energy, electricity supply to 270 consumers was resumed during the day.

**Gas Sector:**

**Gas system performance**

As of June 22, the gas transit through the territory of Ukraine decreased by 0.2 mcm as compared to the previous day and amounted to 41.3 mcm. These volumes were only 38% of the capacity contracted by Gazprom (109 mcm per day). There were no transit flows via the Sokhranivka interconnection point.

Physical imports of gas from the EU were reported from the Hermanowice interconnection point (virtual interconnection point "Ukraine-Poland") at 0.2 mcm. At the same time, on Ukraine’s gas system exit via the Berehove interconnection point (virtual interconnection point "Bereg") 1.4 mcm of gas was shipped.
Disruption and resumption of supply

The Donetsk, Luhansk, Zaporizhzhia, Kherson, Mykolaiv, Chernihiv and Kharkiv regions had the most challenging situation in gas supply. According to the Cabinet of Ministers, as of June 23, approx. 178,000 consumers were left with no gas supply.

In the Donetsk region, the situation didn’t change: almost the whole region remained without gas supply due to the main gas pipeline damage. As of June 16, only 1,900 consumers in 2 settlements had supply.

In the Luhansk region, there were no changes in gas supply: it was completely suspended due to hostilities which were deeply destroying the region’s critical infrastructure.

In the Kharkiv region, the local DSO reported another damage to the infrastructure in the Derhachi community - this time, the enemy damaged a medium-pressure gas pipeline that supplied gas to 7,600 consumers in 5 settlements. At the same time, in the last two weeks, specialists have restored supplies to more than 20,000 households in the region.

In the Kherson region, as of 10:00 on June 23, there was no information regarding any significant change as compared to the previous day: 1 community (Vysokopillia) has completely remained without gas supply and 3 communities (Velyka Oleksandrivka, Novovorontsovka, Stanislav) partially. However, there is no mobile connection in some of these communities, so there was no up-to-date information on gas supply. LPG reserves were running out in 4 communities (Tyahynka, Hornostaivka, Velyka Lepetykha and Rubanivka); in the Novoraysk community, LPG supply had run out.

In the Zaporizhzhia region, as of the morning of June 24, 80,986 consumers in 108 settlements remained without gas supply. Last night in the city of Orikhiv, the damage caused by the June 21 shelling to low-pressure gas distribution pipelines was repaired. As a result, gas supply to 23 consumers was restored. On the night of June 24, low-pressure gas pipelines were damaged by shelling in the village of Balabyne. Some of the pipelines have already been restored in the morning.
In the Mykolaiv region, as of the morning on June 24, 638 gas infrastructure facilities were damaged for the whole period of war (+2 as compared to June 23). As a result, 7,372 (-1) consumers were left without gas supply.

According to the Chernihiv Regional Military Administration, as of the morning on June 24, about 900 consumers in 22 settlements have not received gas supply service.

Operational information on gas supply in the Sumy region was not available at the time of the review preparation.

**Countermeasures of Ukrainian Companies and Public Authorities**

The President Volodymyr Zelenskyi, the Prime Minister Denys Shmyhal and the Verkhovna Rada Chairman Ruslan Stefanchuk have issued a joint statement on granting Ukraine the EU candidate status. Zelenskyi stressed this status is a new chapter in the history of Ukraine's European integration, which has only one option of completion - full membership in the EU. According to him, Ukraine is not a bridge, not a "pillow" between the West and Russia, not a buffer between Europe and Asia, not a sphere of influence, not a "gray" zone, not a transit territory, but a future equal partner for at least 27 EU countries. According to Stefanchuk, granting Ukraine the candidate status is a recognition of the achievements in forming a mature democratic European society. Shmyhal stressed that the candidate status for Ukraine means new prospects and opportunities, including access to the EU financial support programs, investments, projects, as well as support for the post-war reconstruction.

The Vice Prime Minister for European and Euro-Atlantic Integration Olga Stefanishyna stated that, by the end of the year, the authorities are preparing to vote in the Verkhovna Rada on more than 30 draft legislation for Ukraine's European integration. According to her, the MPs intend to demonstrate progress in order to start the next stage of accession to the EU in the format of negotiations as soon as possible.

The International Working Group on Sanctions against Russia ("Yermak-McFaul group") presented the Roadmap for Financial Sanctions. The document proposes to increase international pressure on Russia in the upcoming months in three dimensions: impose full blocking sanctions on the entire financial sector of Russia; completely refuse to provide services and cooperation with the aggressor in the financial sector; achieve institutional isolation by beginning the transition to a new economic policy without Russia's participation.

In the context of full blocking sanctions, it is proposed to extend them to the 30 largest Russian banks with state capital, the Moscow Stock Exchange, the National Settlement Depository, and the National Clearing House. Gazprombank may remain the only Russian institution for transactions with goods that have not been subject to sanctions: for this purpose, it shall obtain a special license, which would allow it to perform only a limited number of transactions and completely block other settlements.

The Minister for Development of Communities and Territories Oleksii Chernyshov stated that in the upcoming heating season the indoor temperatures will not be as high as before. In particular, he advised Ukrainians to stop the habit of "living with open windows", as the optimum temperature in homes will be at 18-20℃. At the same time, Chernyshov emphasized that Ukrainians should not be afraid of an increase in tariffs, and district heating will be turned on in time.

The State Bureau of Investigation and the Prosecutor General's Office failed to seize the assets of VS Energy group, associated with the Deputy Chairman of the Russian Duma Aleksandr Babakov and his partners. According to the case file, the prosecutors asked to recognize the shares in Khersonoblenergo, Kirovogradoblenergo, Zhytomyroblenergo, Rivneoblenergo and Chernivtsioblenergo as material evidence in the criminal proceedings and to arrest them. However, the court refused such a precautionary measure due to insufficient evidence: the agreements on the
purchase of shares in DSOs were once approved by the Antimonopoly Committee, and no suspicion was reported to companies’ officials.

**Sources:**
The alerts are developed based on collected, verified, and analyzed information reports of over 100 official sources: ministries, state agencies, network operators, and energy companies. Information was collected only from official websites and official social media accounts.

For subscriptions, comments and other questions, please email to: author@dixigroup.org

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