

## **Armenians Shocked at Electricity Price Rise**

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Consumers ask why they should pay for result of mismanagement.

The Armenian government's decision to raise electricity prices by ten per cent has been greeted by public protests and a storm of criticism from opposition politicians.

The Armenian Public Services Regulatory Commission (PSRC) and the government say the hike is needed to avoid bankrupting the national power company, Electric Networks of Armenia (ENA). Critics of the price rise say consumers should not have to pay for chronic poor management.

The PSRC said that to fill a 20 billion dram (50 million US dollars) deficit in ENA's accounts, prices would rise from 38 drams a kilowatt to 41.85 drams during daylight hours. At night, electricity will be charged at 31.5 drams per kilowatt, up from the current rate of 28 drams.

The changes are due to come into force on August 1.

"If we don't make this increase, then in two or three years' time, you will be justified in accusing us of failing to secure stability," PSRC chairman Robert Nazaryan told reporters. "The Electric Networks of Armenia company is facing losses of around 16.6 billion drams and it has taken out a lot of debt. It has no other source of income, and it might soon go bankrupt. I have worked it all out and this four dram increase will cost every household just 8,000 or 9,000 drams extra a year."

Energy minister Yervand Zakharyan told parliament that the decision was based on data supplied by ENA and had been taken "with the sole aim of arranging a smooth future for the company".

In rough terms, nuclear power, hydroelectric dams and power stations running on imported Russian or Iranian natural gas each account for about a third of Armenia's total electricity output, although in a good year, the nuclear element can be as high as 50 per cent depending on how well the Metsamor plant is running. This year, however nuclear power generation has been poor due to lengthy maintenance work, requiring a greater reliance on hydroelectricity, which is almost twice as expensive. A major overhaul is also planned for a gas-fired power station in Yerevan, and this is expected to cause more problems for the electricity network.

Opposition politicians said the price rise was outrageous.

"It will lead to even greater impoverishment of the population and a reduction in electricity consumption," Mikael Melkumyan, a member of parliament from the Prosperous Armenia party, told IWPR. "As for companies where electricity prices contribute to a high proportion of manufacturing costs, this is going to make them less competitive, mainly in terms of export capacity."

Levon Zurabyan, of the opposition Armenian National Congress (ANC), said a properly run power distribution monopoly should not be running at a loss.

"This is a typical management failure, and for some reason all the losses are being shifted to the consumer" he told IWPR.

The price rise even provoked public expressions of concern from members of the ruling Republican Party. The deputy speaker of parliament, Hermine Naghdalyan, said it was inexcusable to have created a system where increasing losses were paid for by higher prices.

The electricity price hike has led to protests. On June 23, demonstrators outside the PSRC building in Yerevan scuffled with police and then blocked the street. Officers eventually made 27 arrests.

"This only happened because we asked for high-ranking officers to explain the legal reason for blocking our progress," Gevorg Sanoyan, one of those who took part, told IWPR. "They [police] didn't even identify themselves and they wouldn't tell us why they blocked our route to the PSRC building."

The detainees were later fined and released. In a report on the incident, the office of ombudsman Karen Andreasyan criticised police for allowing emotions to get the better of them and for using violence against the protestors.

In a joint statement, four opposition parties whose representatives visited the detained protestors and demanded their release called on the government to audit ENA to find out who was responsible for the company falling so far into debt.

Former Yerevan mayor Vahagn Khachatryan, now a member of parliament for the Armenian National Congress, said the problem went beyond ENA's financial woes and was indicative of a country-wide management crisis.

"The system has exhausted itself. It is inefficient and uncompetitive," he told IWPR. "It benefits whoever can steal the most and whoever can force people to pay for the financial and economic problems of a company. This perverse system, which is constantly expanding and reproducing itself, is having an ever more negative impact on people's quality of life."

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