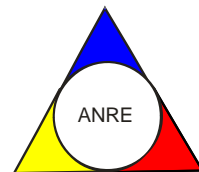




ROMANIAN ENERGY REGULATORY AUTHORITY



# NATIONAL REPORT 2014

**31 August 2015**

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## 1 Foreword

This document represents the national report issued by the Romanian Energy Regulatory Authority – ANRE for the similar institutions in the Member States, for the Agency for the Cooperation of Energy Regulators - ACER and the European Commission in order to comply with the reporting obligations pursuant to Article 37 (1) (e) of Directive 2009/72/EC and to Article 41(1) (e) of Directive 2009/73/EC. It also complies with the reporting obligations pursuant to Article 9, paragraphs (1) (ş), (4), (5), (6) and (7) of Law no.160/2012 approving Government Emergency Ordinance no.33/2007 on the organization and functioning of ANRE. The report contains information on the evolution of the electricity and natural gas markets for 1 January 2014 – 31 December 2014, in accordance with the ACER-CEER requirements.

To create a modern energy sector able to meet consumers demand, in accordance with the major principles and objectives of EU energy policy regarding the liberalization of electricity and natural gas markets, in 2014, ANRE has developed and issued approx. 3095 orders, decisions and opinions in accordance with the obligations imposed by the national and European legislation.

**The important developments on the electricity market** during the above mentioned period: certification of CN Transelectrica S.A. as an independent system operator, completing regulatory framework on connecting users to public electricity networks, waiving the application of the component for transport tariff and cogeneration contribution for the import/export transactions, approving the development plan for the transport networks for the next 10 years, measures to implement smart metering systems for electricity, increasing transparency on the electricity markets and rising the number of transactions. OPCOM trading mechanisms were completed and improved, particularly in concluding bilateral agreements in order to comply with publicly transparent and non-discriminatory principles of the transactions in the competitive market. On November 19, 2014, the day-ahead market coupling of Romania with Hungary, Czech Republic and Slovakia (4M MC project) was successfully launched. ANRE approved a new Regulation for the electricity supply to the end customers. As a result of the deregulation of the prices for the non-households, starting with the January 1st, 2014, the level of the market opening reached approx. 66% of the final consumption.

Reducing the contribution for the promotion of the high efficiency cogeneration by 20%, starting with January 1st, 2014 and by 46%, starting with July 1st, 2014 brought a positive influence in decreasing the electricity bill for the end customers. ANRE implemented the legal provisions regarding the mandatory cota of the electricity produced from renewable energy sources which benefit from the green certificated promotion system, thus the impact of the green certificates on the final customer electricity bill remained at about 35lei/MWh.

In December 2014, the installed power in the accredited electricity production units using renewable sources was 4733 MW.

**On the natural gas sector we mention:** certification of S.N.T.G.N. Transgaz SA as an independent system operator, introducing the obligation for producers, in a first stage, then for suppliers to trade natural gas on the wholesale market, amendments to the Network Code, introducing the methodology of "entry-exit" for calculating tariffs for natural gas transmission, Natural gas supply Regulation approval, approving the development plan of the natural gas transport system for the next 10 years.

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ANRE approved the Order no. 106/2014 regarding the natural gas supplier's obligations to inform the end customers on the commercial terms for the natural gas supply which establishes the minimum requirements in order to allow end customers to evaluate the final price charged and to impose suppliers the obligation to develop standard offers.

The application of the legal provisions and continuous monitoring of the natural gas market evolution allowed, in 2014, the reduction on the increases of the final prices established by the roadmap for phasing out regulated prices by 7% for the households and by 17% for the non-households.

**Regarding the energy efficiency sector**, ANRE has conducted specific activities such as law enforcement to promote energy efficiency and the development of secondary legislation, activities of energy auditor's authorization / certification of energy managers, project activities financed within the Intelligent Energy Europe Programme. In accordance with Law no. 121/2014 on energy efficiency, the **Energy Efficiency Department** was established in ANRE.

To continue the harmonization and the implementation of the appropriate secondary legislation in order to develop an internal energy market, ANRE will pursue the implementation of the best practices in the field, adapted to the national specificities in a consultative process necessary at the decision-making transparency level.

**NICULAE HAVRILEȚ**

**PRESIDENT**

## **Abbreviations**

ATC – Available Transmission Capacity

BM - Balancing Market

BRM - Romanian Commodities Exchange

CMBC – Centralized Market of Bilateral Contracts

CMBC-CT –Centralised Market of Bilateral Contracts with Continuous Trading

CMBC-OTC - Centralised Market of Bilateral Contracts with Double Continuous Trading

CMC – Competitive Market Component

DAM – Day-Ahead Market

DSO – Distribution System Operator

ENTSO - E –European Network of Transmission System Operators for Electricity

ENTSO-G - European Network of Transmission System Operators for Natural Gas

HHI – Herfindahl-Hirschman Index

IDM - Intra-day market

NPS –National Power System

NTS - Natural Gas Transmission System

E-RES – Electricity produced from Renewable Energy Sources

PCR – Price Coupling of Regions solution

SoLR – Supplier of Last Resort

TSO – Transmission System Operator

## 2 Main developments in the electricity and natural gas market

### 2.1 Electricity market

The main developments on the electricity market in 2014 were:

- Increased production of electricity by about 10.5% and internal consumption by about 1.9% compared to 2013. Romania has been a net exporter of electricity in the year 2014, the import-export balance being negative (- 7.123 TWh);
- Increased installed power in wind and photovoltaic power plants and their share in the production mix, leading in 2014 to a 9.56% share of wind production (8.05% in 2013) and 2.52% photovoltaic production (0.70% in 2013);
- Complete certification C.N. Transelectrica S.A. as an independent system operator, by clarifying all aspects of corporate and ownership structures;
- Approving TYNDP for transmission networks;
- Giving up transmission tariff components and cogeneration contribution for import / export transactions;
- Implementing measures for the deployment of smart electricity metering;
- Increased transparency on electricity markets and the number of transactions on centralized markets - approx. 70% of all transactions cumulated per one year in all components of the wholesale market being made on centralized markets;
- Completion and improving the mechanisms for trading on OPCOM, particularly in concluding bilateral contracts, in order to comply with the public, transparent and non-discriminatory character of transactions on the competitive market (intra-day platform for large consumers, PCCB). The centralized market with continuous double negotiation of bilateral contracts for electricity (PC-OTC) became operational as of May 2014 and the participants activity on this market intensified towards the end of the year;
- Average annual price declined in all components of the wholesale market;
- Finalizing the coupling process of electricity markets from Czech Republic, Slovakia, Hungary and Romania and the successful launch of the project on November 19, 2014;
- Implementation of the calendar for phasing out regulated prices for end customers. Starting with 01/01/2014, according with the timetable for phasing-out regulated prices, the percentage of electricity purchase from the competitive market for non-households who have not used the eligibility became 100% of their consumption. For households, the percentage of purchasing electricity from the competitive market were 20% of consumption to households for the period 01.01.2014 - 30.06.2014 and 30% of consumption to households for the period 07.01.2014 - 31.12.2014;
- Approval of the new Regulation for electricity supply;
- Increased consumption and non-households who changed their supplier and its share in final consumption; decreased consumption for regulated non-households by approx. 51% in 2014 compared to 2013 and decreased its share in final consumption;
- Increase by nine percentage points of the actual degree of market opening of electricity compared to 2013, which reached about 66% of total final consumption at the end of 2014;
- Achieving national target on the promotion of electricity produced from renewable sources (127% at end 2014), the presence in the National Power System of 4733MW belonging to groups that have benefited from the support scheme for electricity produced from renewable sources and keeping the impact of green certificates in the final customer invoice to approx. 35 lei/MWh;
- reducing contribution for the promotion of high efficiency cogeneration in the final price with 20% from January 1, 2014 and by 46% from July 1, 2014.

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## 2.1.1 Network regulation

### 2.1.1.1. Unbundling

According to the provisions of Law no. 123/2012 on electricity and natural gas, the transmission system operator is organized and operates according to the **independent system operator model (ISO)**.

In the first half of 2014, ANRE has monitored the fulfilment of conditions contained in ANRE Order no. 90/2013 regarding the certification of the transmission system operator according to "independent system operator" (ISO) model. In parallel, ANRE has acted in support of relevant Romanian state entities in order to amend the legislative framework to allow separation of ownership rights to the C.N. Transelectrica - S.A. by applying Article 9 (6) of the Electricity Directive, so that there is an effective separation between the powers of the state. ANRE announced the main institutions of the Romanian state about the necessary measures to be adopted to complete certification of transmission system operator in term of 6 months, referred in the order.

With the entry into force of Law no. 117/2014 approving Government Emergency Ordinance no. 6/2014 were fully met the requirements of Articles 2 and 5 of ANRE Order no. 90/2013, conditions necessary to meet requirements for certification of transmission system operator. ANRE reviewed and approved certification of C.N. Transelectrica – S.A. by issuing ANRE Order no. 91 / 08.06.2014. ANRE Order was notified to the European Commission.

By publication on 17 December 2014 of the Government Emergency Ordinance no. 86/2014, the rights and obligations arising as shareholder to C.N. Transelectrica S.A. is transferred from the General Secretariat of the Government to the Ministry of Economy, Trade and Tourism.

In 2014, in the Romanian electricity market have operated a total of 51 electricity distribution operators, from which 8 are serving over 100,000 customers. All 8 companies have completed the legal separation of the distribution activities of electricity supply. Electricity distribution operators with less than 100,000 customers do not have the obligation to legal unbundling the distribution activity from other company activities in accordance with Directive 72/2009/EC on common rules for the internal electricity market.

### 2.1.1.2. Technical functioning

#### Balancing market

The balance between electricity demand and production is established on a commercial basis, in real time, on the **Balancing Market (BM)**. Operating rules for the balancing market were established by **ANRE Order no. 25/2004** on the approval of the wholesale market Commercial Code, as amended and supplemented.

A single balancing area is defined in Romania, operated by a single licensed system operator / balancing market operator, CN Transelectrica SA. Interaction with other control areas is made through exchanges of mutual aid between TSOs, and not through the acceptance of offers that are to be integrated into a common merit order.

## Performance standards and network connection issues

The main performance indicator concerning the continuity of electricity transmission service is the **average interruption time** - AIT, which represents the equivalent average period of time, expressed in minutes, in which the power supply was interrupted. This indicator's evolution is presented below:

Year	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Average interruption time (AIT), min/year	4.43	1.19	0.86	1.79	0.82	3.10	1.06	1.53	0.35	0.82

The average values of SAIFI and SAIDI indicators in 2014 for Romania are shown below.

Activity area	SAIFI Planned outages [outages/year]	SAIFI Unplanned outages due to distribution operator [outages/year]	SAIFI Total outages [outages/year]
Urban	0.28	2.97	3.25
Rural	1.4	6	7.4
National Average	0.8	4.35	5.15

Activity area	SAIDI Planned outages [min/year]	SAIDI Unplanned outages due to distribution operator [min/year]	SAIDI Total outages [min/year]
Urban	86	184	270
Rural	403	574	977
National Average	230	361	591

**The procedures and stages of connection and the way of establishing connection tariff is** regulated by *Regulation on connecting users to public electricity networks, approved by ANRE Order no. 59/2013*, with subsequent amendments and *Methodology for setting tariffs for connecting users to public electricity networks, approved by ANRE Order no. 11/2014*, as amended and supplemented.

**The average time for issuing the technical permits for connection** in 2014 for Romania was 12.28 days, ranging from 7.56 days for CEZ Oltenia and 16.1 days for E.ON Moldova. The maximum period of 30 days was respected by all DSOs. **The average time for issuing connection contracts** was 2.7 days, ranging from 1 day for Enel Banat to 5 days for Electrica Transilvania Nord. It is noted that the standard time for issuing the connection contract offer is 10 calendar days from the registration of application (accompanied by the full documentation), the average time period falling within the statutory period for all DSOs.

### Monitoring safeguard measures

The provisions of Article 37(1) (t) of Directive 2009/72/EC have been transposed in national legislation by Article 9(4) (k) of Law no. 160/2012 on the organization and functioning of ANRE.



In 2014 there was no unexpected crisis in the electricity market that would threaten physical safety or security of people, appliances or installations or the integrity of the power system.

### **Report on connection, access and dispatching regimes for RES-E. Balancing responsibility for RES-E**

In year 2014, the gross installed capacity in the National Power System recorded a growth of 3.4% compared to 2013, mainly due to generation units using renewable energy sources (approx. 90% of the total).

**Guaranteed access to the network** is ensured for the electricity contracted and sold on the electricity market that is benefiting from the support system for renewable energy sources. **Priority access to the network** is ensured for electricity contracted and sold at regulated price (generated in power plants with an installed capacity of less or equal 1 MW per plant or in the case of high efficiency cogeneration from biomass, 2 MW per plant).

The transmission system operator and/or distribution operators ensure the transmission, distribution, as well as **priority dispatching** of the electricity generated from renewable sources for all renewable energy sources generators, regardless of capacity, on the basis of transparent and non-discriminatory criteria, with the possibility of amending the notifications within the business day, according to the ANRE approved methodology. The limitation or interruption of electricity production from renewable energy sources shall be applied only in exceptional cases where this is necessary for ensuring the stability and security of the National Power System.

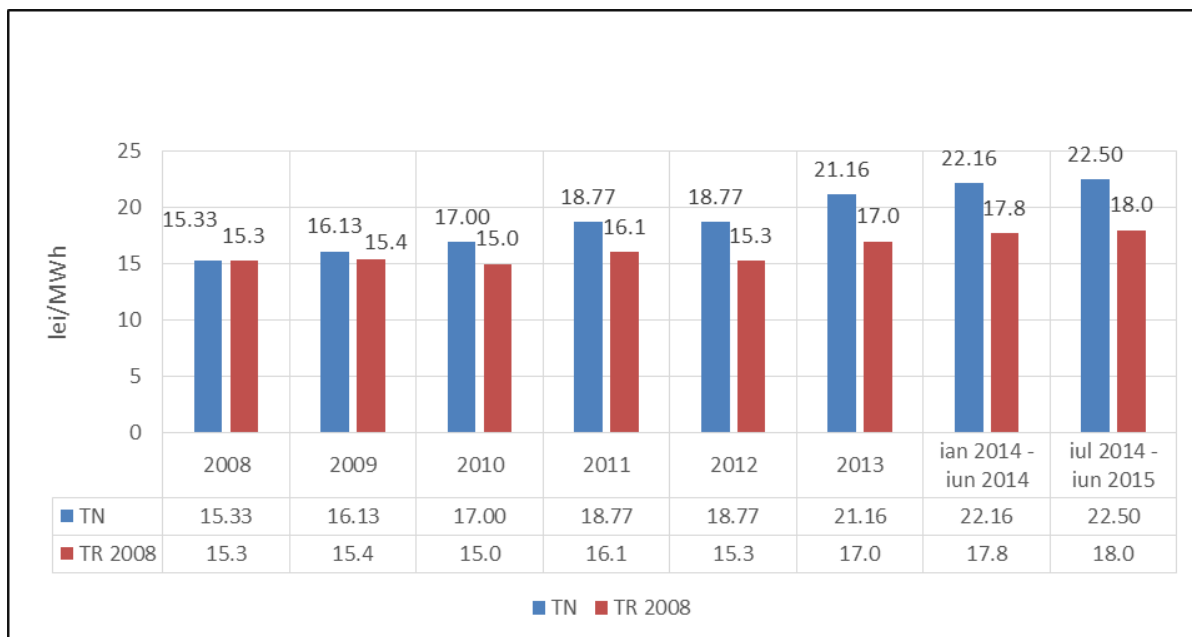
Production units using dispatchable renewable sources are responsible for payment of the imbalances created.

#### **2.1.1.3. Network tariffs**

Tariffs for electricity transmission were approved in 2014 based on **the Methodology for setting tariffs for electricity transmission service**, approved by **ANRE Order no. 53/2013**, incentive revenue cap methodology, which aims:

- an equitable allocation of earnings resulting from increased efficiency in transport activity over the targets set by the regulatory authority, between transmission system operator and transmission service customers;
- framework for the efficient functioning of the transport company;
- prevention obtaining the transmission system operator any possible advantages caused by the monopoly position;
- promoting efficient investment in electricity transmission network;
- promoting efficient maintenance and operation practices;
- efficient use of existing infrastructure;
- continuously improve the quality of transport service;
- financial viability of the transmission company.

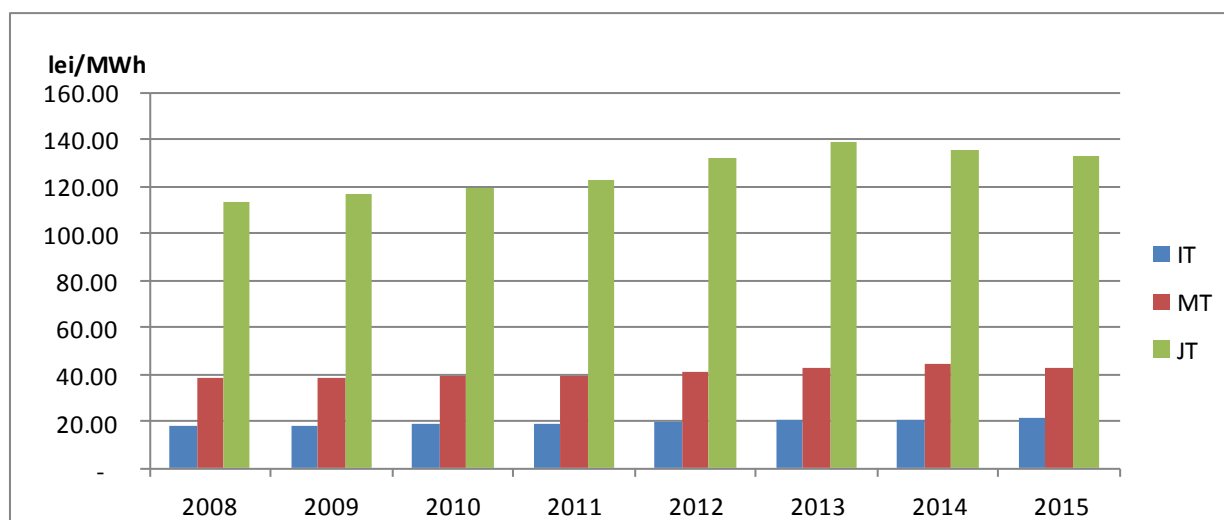
Evolution of the average transmission tariff from 2008 to June 2015 is presented in the following figure, in nominal terms (TN) and in real terms in 2008 (TR 2008).



**Distribution tariffs** are monomial (lei/MWh) and differentiated by three voltage levels: high voltage (110 kV), medium voltage, low voltage and by distribution operators. The regulator approves the distribution tariffs for each distribution operator. Distribution tariffs are calculated according to a “tariff cap basket” methodology. Based on this regulation method, the regulation periods are set for 5 years, except the first period which was of only 3 years (2005-2007).

Changes to the methodology approved by ANRE Order no. 72/2013 had to supplement and detail the three incentive mechanisms to increase the efficiency of distribution operators through: effective investments in networks, reducing network losses and reducing operating costs / maintenance controllable. It is estimated that these changes will have a positive impact on the activity of these operators and the end users by creating the regulatory framework that makes it possible to reduce distribution tariffs where operators do not make the necessary efforts to streamline the work fulfilling targets thereof.

The following figure shows the evolution of the specific average tariffs for electricity distribution for the period 2008-2015:



Tariffs for the distribution service provided by operators other than concessionaire distribution operators are approved by ANRE at the request of distribution system operators that own,

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operate, maintain and develop distribution networks and platforms in industrial parks or designated heritage areas and have connected users - beneficiaries of the distribution service.

Tariff rates were determined in 2014 based on the *Methodology for determining the tariff for electricity distribution service operators other than concessionaire distribution operators*, approved by ANRE Order no. 21/2013.

The *Methodology* provides tariff setting by the "cost +" method, i.e. based on justified costs and a regulated rate of return of up to 5%.

### **Connection tariffs**

**ANRE Order no. 141/2014** approves the tariffs that users pay the network operators for the connection to public electricity networks, established in accordance with the *Methodology for setting tariffs for connecting users to the public electricity networks*, approved by ANRE Order no. 11/2014, with subsequent amendments, namely the connection tariff components:

$T_R$  - component for achieving adequate connection installation, set based on specific categories to achieve energy capacity of network elements, possible components of a connection installation, according to standard schemes and terms.

$T_U$  - corresponding component for the verification of the installation file and commissioning of the substation use of this facility, for which they were set specific rates determined on the basis of general estimate for the average case, representative for the type of installation.

$T_I$  – participation component to the finance of the strengthening works of the grid needed to evacuate power approved users (for connecting a generation place or consumption and generation place), which were set specific tariffs for  $T_I$  component calculation corresponding components of a public electricity network.

Before entry into force of ANRE Order no. 141/2014, for the calculation of  $T_R$  and  $T_U$  components, the network operators have used the tariffs and specific indices approved by ANRE Order no. 15/2004. Its provisions are far exceeded the present situation. In this context, the approved values for  $T_R$  component were increased compared to the previous ones within the cumulative growth index of consumer prices for the period 2004 - 2014 (63.97%), while the specific indices are increased with 80% to 141%.

$T_U$  approved values are increased to previous levels but not more than the cumulative growth of consumer prices for the period 2004 - 2014 (63.97%).

#### **2.1.1.4. Cross-border issues**

Interconnection capacity allocation on the National Power System interconnection lines with neighbouring systems, for electricity import/export transactions and transit activities, was performed bilaterally coordinated through explicit auctions, for 100% of the allocation capacity, on long term (annual and monthly) and short-term (daily and intra-day), on the borders with Hungary, Bulgaria and Serbia.

For short-term auctions (daily and intra-day), the situation has undergone some changes compared to previous years. Thus, as of 19 November 2014, the daily allocation of interconnection capacity on the border with Hungary was done implicit, following Romania's accession to the DAM coupling project with Czech Republic, Slovakia and Hungary (hereinafter referred 4M MC project).

Another change to the previous situation was on the border with Bulgaria, regarding intra-day auctions: C.N. Transelectrica S.A. was officially informed in November 2014 by the Bulgarian (ESO-EAD) that the Bulgarian market rules do not allow intra-day cross border exchanges, because the change of notified exchanges is no longer permitted after 15:30 CET day D-1 for day D.

On the border with Serbia allocation of interconnection capacity in the short term auctions held further bilateral coordinated explicit auctions, for 100% of the capacity allocation for the whole year.

Use of the capacity obtained by auction on the borders with Ukraine and Moldova is subject to the written approval of the TSO in Ukraine, namely the distribution operator from the area in which the consumption island for Moldova is realized.

The highest annual average degree of utilization of the total capacity allocated in auctions was recorded, on export, on the border with Serbia (78.88%), Hungary (75.50%) and Bulgaria (51.20%). Starting July 2014, the monthly usage percentages have exceeded 87% in all 3 borders to export.

**Over 94% of C.N. Transelectrica S.A. revenues from the interconnection capacity allocation process resulted from long-term auctions** (annual and monthly), the highest values deriving mainly from auctions for capacity allocation on the border with Hungary and Serbia, followed by auctions for the border with Bulgaria, in both directions.

Although following daily auctions resulted in some cases significant prices per hourly intervals, revenues of C.N. Transelectrica S.A. represented approx. 5.8% of total revenues in this market. In May, June and July 2014 revenues were recorded from intra-day auctions, but, as value, they were insignificant compared to the total value of income from the allocation of capacity.

The following table presents revenues from auctions organized for allocation of interconnection capacity on the borders in the period July 1, 2014 - June 30, 2015.

													Lei
Interconexiunea	iul.14	aug.14	sep.14	oct.14	nov.14	dec.14	ian.15	feb.15	mar.15	apr.15	mai.15	iun.15	Total
Romania - Serbia*	2.708.397	2.735.904	2.305.409	6.260.261	4.042.211	2.689.400	3.446.799	2.259.245	1.842.724	4.549.162	2.727.929	2.650.705	38.218.145
Serbia - Romania*	19.968	19.627	18.950	21.094	19.062	26.278	2.443	2.539	1.711	1.933	14.275	23.667	171.548
Romania - Bulgaria*	675.607	1.025.032	952.219	1.158.368	491.743	525.732	603.132	638.088	1.326.204	909.077	990.651	999.351	10.295.204
Bulgaria - Romania*	282.051	294.364	265.557	440.189	378.841	353.269	358.233	206.592	185.573	155.327	155.189	311.830	3.387.016
Romania - Ungaria*	3.153.506	2.994.397	3.416.591	6.197.732	6.026.886	3.612.595	3.880.260	3.199.837	3.815.867	5.909.607	3.370.922	3.848.259	49.426.460
Ungaria - Romania*	62.768	57.215	72.528	79.323	114.504	457.332	30.017	253.995	126.565	28.703	264.018	750.978	2.297.946
Romania - Ucraina	3.303	3.270	2.947	1.388	3.179	3.281	37.888	34.222	40.997	14.293	16.443	0	161.210
Ucraina - Romania	26.714	68.965	52.050	6.939	26.982	72.399	41.984	117.549	91.198	56.560	81.414	36.515	679.269
Romania - Moldova	0	0	0	0	0	0	0	0	0	0	0	0	0
Moldova - Romania	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>TOTAL</b>	<b>6.932.314</b>	<b>7.198.773</b>	<b>7.086.251</b>	<b>14.165.294</b>	<b>11.103.409</b>	<b>7.740.287</b>	<b>8.400.756</b>	<b>6.712.066</b>	<b>7.430.839</b>	<b>11.624.663</b>	<b>7.620.841</b>	<b>8.621.305</b>	<b>104.636.798</b>
Export	6.540.813	6.758.603	6.677.166	13.617.749	10.564.020	6.831.009	7.968.079	6.131.391	7.025.792	11.382.139	7.105.945	7.498.315	98.101.020
Import	391.501	440.170	409.085	547.546	539.389	909.278	432.677	580.675	405.048	242.524	514.896	1.122.990	6.535.778

Between 1 July 2014 and 30 June 2015, C.N. Transelectrica S.A. recorded revenues from congestions in a total amount of 104.6 million lei (23.6 million Euros).

### Monitoring technical co-operation between TSO and third-country operators

Regional cooperation on infrastructure projects represents a significant dimension of the CN Transelectrica SA activity in terms of the collaboration with power systems of neighbouring countries. In this regard, the TSO attention has been focused on continuing infrastructure projects meant to increase interconnection capacity to improve mutual exchanges of energy between neighbouring systems and eliminate potential congestions. Thus, the projects with Serbia, Republic of Moldova and Turkey were continued.

TSO participation in the process of coordinated allocation of transmission capacity on the interconnection lines between the power systems in the 8th region depends on the involvement in the project of neighbouring countries - Serbia and Bulgaria.

## Monitoring the TSO and DSO investment plans

In accordance with the provisions of Article 9(4) (c) and (5) (d) of the Government Emergency Ordinance no. 33/2007 on the organization and functioning of ANRE, approved with subsequent amendments and complements by Law no. 160/2012, regulatory authority monitors electricity network development plan and TSO investment plans and the technical condition and level of maintenance of electricity networks. In this respect, TSO and distribution operator's development and investment plans are assessed.

Applying the provisions of methodologies for setting tariffs for electricity distribution service ANRE approved annual investment plans of the concessionaire distribution operators for the regulatory period 2008 - 2013, accepting RAB inclusion of fixed assets resulting from prudent investments, namely that investment is demonstrated to be necessary, appropriate and effective.

Analysis of investment by operators concessionaire in 2013 was reviewed during 2014 in order to apply corrections costs of capital at the end of its last four months, provided the methodology for establishing tariffs for electricity distribution, approved by ANRE Order no. 72/2013 and the following results, shown in lei and nominal terms:

No.	OPERATORS	2013		2014	
		Planned investments	Done investments	Planned investments	Done investments
1	SC Enel Distributie Muntenia SA	182,173,083.00	143,053,837	174,936,373	166,995,964
2	SC Enel Distributie Banat SA	96,333,791.84	85,139,714	70,207,151	66,769,654
3	SC Enel Distributie Dobrogea SA	91,940,466.96	80,082,495	63,282,582	61,816,565
4	SC CEZ Distributie SA	190,272,753.06	197,943,851	150,539,220	155,055,639
5	SC E.ON Distributie Romania SA	127,488,518.73	111,662,551	168,066,761	156,397,728
6	SC FDEE Electrica Muntenia Nord SA	109,419,843.00	100,557,914	113,807,400	113,011,777
7	SC FDEE Electrica Transilvania Nord SA	105,000,000.00	123,661,955	126,000,000	120,387,761
8	SC FDEE Electrica Transilvania Sud SA	112,415,153.00	118,677,643	117,000,000	122,216,042
	<b>TOTAL</b>	<b>1,015,043,610</b>	<b>960,779,960</b>	<b>983,839,488</b>	<b>962,651,129</b>

For the transmission system operator, the third regulatory period began at July 1, 2014 and therefore the investments analysis was performed in the first quarter of 2014 in compliance with the objectives set and the values accepted by ANRE and included in RAB (Regulatory Asset Base) upon determining the corrections of the capital costs at the end of the regulatory period as per the provisions of ANRE Order no. 53/2014 - *Methodology to setting up prices for electricity transmission service*.

Investments in the transmission system made by the TSO in the period 2008-2014 totalled 1,921,149,738 lei, approx. 10% less than the projected amount. Investments included in the transmission tariff represented 84% of the achieved value. Investments made by the TSO in system services in the same period totalled 114,678,427 lei, a value entirely recognised in the system service tariffs.

The Ten Years Network Development Plan for the transmission network for the period 2014-2023 was issued by C.N. Transelectrica S.A. and approved by ANRE in the first quarter of 2014.

The plan includes projects necessary to maintain network adequacy, so that it is properly sized for the transmission of electricity expected to be produced, imported, exported and transited, in compliance with technical regulations. Proposed investments seek to:

- increase interconnection capacity by continuing interconnection projects with neighbouring systems already in various stages of implementation (with Hungary, Serbia and Bulgaria) and accelerating / introducing new projects (Moldova);
- strengthen and develop the transmission network (new lines/ stations) to increase the discharge capacities for the electricity produced in new facilities developed in recent years in certain geographical areas (for example nuclear energy and that produced from renewable energy sources in the Dobrogea region) to consumption areas in the north and west of the country, and completion of the 400 kV ring around the country to increase security of supply in all the country's regions and increase the transit capacity of the transmission network;
- upgrade equipment in order for a complete replacement of the 60s - 70s installations to increase network reliability, reduce operating costs and ensure an appropriate degree of operational safety.

### **Other relevant aspects regarding cross-border cooperation**

Implementation of the 4M MC project (CZ-SK-HU-RO Market Coupling) continued in 2014 and as a result in January 2014 the power exchanges under the 4M MC project successfully finalised the preliminary stages to implement the Price Coupling of Regions solution (PCR) in their IT infrastructure in order to achieve the overall EU target of a harmonized European electricity market. The service provider for the implementation of PCR solution (a single price coupling solution to be used to calculate electricity prices across Europe, and allocate cross-border capacity on a day-ahead basis) was also selected.

The involved TSOs in the 4M MC project agreed upon the architecture of the Management Function system at TSO level (mTMF) which ensures an efficient management of the responsibilities that are common to all transmission system operators and operates a single communication interface between the power exchanges and the TSOs. Once implemented, the mTMF will establish a universal platform to promoting trans-regional integration of markets with the aim to extend it towards other markets.

In order to adapt the Romanian regulatory framework to the requirements of the coupling process, the payment of the  $T_G$  and  $T_L$  components in the transmission tariff for import-export activities and of the cogeneration contribution for electricity exports were eliminated.

The Law no. 123/2012 on electricity and natural gas was complemented with provisions clarifying the shipper role of C.N. Transelectrica S.A. Introduction of negative prices in the centralized markets and adjustment of certain trading parameters were subjects covered by ANRE Order no. 82/2014.

In September 2014, several workshops were organised at national level for market participants in order to notify them of the final arrangements and to inform them with respect to the tests involving the market participants. At the same time, information campaigns were organised at regional level with respect to the implementation of the new trading rules and of the PCR solution characteristics.

On 19 November 2014, the 4M MC Project was successfully launched.

#### **2.1.1.5. Compliance with the provisions of the European legislation**

##### **Compliance with binding decisions of ACER and EC**

In accordance with the provisions of Law no. 160/2012 on the organization and functioning of ANRE, respectively Article 9(1)(w), ANRE complies with and implements all relevant and legally binding decisions of the Agency for the Cooperation of Energy Regulators – ACER - and the European Commission; the decisions of the European Commission issued under Article



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39(8) of Directive 2009/72/EC of the European Parliament and of the Council of 13 July 2009 concerning common rules for the internal market in electricity and repealing Directive 2003/54/EC shall be implemented within 60 days after entry into force.

For 2014, there are no such situations to report.

## **Compliance of the transmission system operators, distribution operators, system owners and electricity undertakings with relevant Community legislation**

Certification of C.N. Transelectrica S.A. as an independent system operator was approved through ANRE Order no. 90/2013 in compliance with Article 31, (1) of the Law no. 123/2012 on electricity and natural gas, with subsequent amendments and complements.

In accordance with Article 2 of ANRE Order no. 90/2013, within 6 months from the date of entry into force C.N. Transelectrica S.A. was required to make proof of the fact that the measures relating to its constitutive acts and shareholder structure were implemented. Also, according to Article 5 of the Order, in the same 6-month period further measures were necessary to be adopted by other public competent bodies in order to meet the provisions relating to ownership structure.

Since the date of entry into force of ANRE Order no. 90/2013 (December 17, 2013), ANRE have permanently monitored and assessed the progress made with a view to meeting the requirements of Articles 2 and 5 of the said Order.

With the entry into force of Law No. 117/2014 approving Government Emergency Ordinance No. 6/2014, the requirements of Articles 2 and 5 of ANRE Order no. 90/2013 were fully met which means that the necessary conditions for the certification of the transmission system operator have been observed.

Through the letter registered with ANRE under No. 46064/25.07.2015, the members of the CN Transelectrica S.A. Executive Board submitted a new application for the certification of the company as an 'independent system operator' (TSO).

Consequently, due to the full compliance with the certification requirements following the entry into force of the Law 117/2014, a new order was issued for the certification of C.N. Transelectrica S.A. as an independent transmission system operator of the National Power System.

Transparency of interconnection transactions is ensured by C.N. Transelectrica S.A. through the information published on the company's website [www.transelectrica.ro](http://www.transelectrica.ro), as per the Regulation (EU) No. 714/2009.

No requests to settle disputes between the transmission system operator and the transmission system operator's owner were recorded in 2014. In the period under analysis, to examine the condition of the surveillance equipment in stations and head-offices an inspection mission was conducted at C.N. Transelectrica S.A. that ended in 2015

## **2.2. Promoting Competition**

### **2.2.1. Electricity wholesale market**

#### **Romanian wholesale electricity market structure**

The wholesale market is defined as all transactions carried out by the market participants, holders of a license issued by ANRE, which includes and resells among participants, performed

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in order to adjust the contractual position and obtain financial benefits. Volumes traded exceed the physical quantity delivered from production to consumption.

Changes in the structure of the wholesale market which occurred with the entry into force of the Law no. 123/2012 on electricity and natural gas have continued to evolve and consolidate as market participants complied with the obligation to conduct transparent, public, centralized and non-discriminatory transactions on the competitive electricity market and migrated from the market for negotiated bilateral contracts towards the centralized market organized by Opcom SA.

The centralized market with continuous double negotiation of bilateral contracts for electricity (PC-OTC) became operational as of May 2014 and the participants activity on this market intensified towards the end of the year; in contrast, the centralized market of organized framework of contracting energy for large final customers was virtually inactive as no bids were submitted on this market by the end of 2014.

The wholesale market also includes the transactions on the **ancillary services market** (STS) and on the **interconnection capacities market** with the power systems of the neighbouring countries (ATC).

**Ancillary services market** is the market where contracts are concluded between producers qualified to provide every type of ancillary service and the transmission system operator (TSO), aiming at providing the National Power System (NPS), against payment, with production capacities that can be mobilized at the request of the national dispatcher, under conditions determined by the technical capabilities of those production units (according to the types of ancillary services for which they were qualified); contracts require offering the capacities on the Balancing Market, and the possible amounts of energy produced/ reduced are subject to settlement on the balancing market (BM).

Also, network operators (transmission and distribution) must ensure the technological consumption related to the networks they operate on the basis of transparent and non-discriminatory procedures, in compliance with competitive mechanisms.

### **The structure of the electricity generation sector**

The total amount of electricity delivered into the grid in 2014 by the producers holding dispatchable and undispachable units was 59.65 TWh (as per the data in the Electricity Label). As came out of the monthly monitoring of producers holding dispatchable units the amount delivered by these producers was 57.85 TWh (which includes the own consumption of some producers, including electricity sold to final consumers directly at generators' site).

A comparison with the values of electricity delivered in 2014 shows an increase of approx. 9% of the electricity delivered into SEN, due to an intense export activity and increased internal consumption.

Thus, the amount of nuclear power injected in the grid remained approximately the same as in the previous year (10.74 TWh in 2014 as against 10.67 TWh in 2013).

There is an increase of approx. 6% for electricity from coal and 27% from hydro sources respectively, while oil fuel and gas deliveries represent less than 95% and 11% respectively as compared to 2013. There are increases of electricity from renewable power plants as follows: about 68% from biomass, about 20% from wind and about 102% from photovoltaic plants.

In 2014, Romania imported a quantity of about 1.07 TWh and 8.20 TWh were exported. Those values are not cross-border physical flows, but are the result of trade, according to C.N. Transelectrica S.A. monthly monitoring reports.

Compared to 2013, the cross-border commercial activity intensified in 2014, as the amount of electricity exported on contracts increased 3.3 times, while imports more than doubled.



NPS operation in 2014 was characterized by an increase of internal electricity consumption of approx. 2% as compared to 2013, percentage calculated based on the energy delivered into the networks and on the import-export balance in conjunction with the continued growth in the share of installed power plants operating on RES, given a normal hydrological year.

### Developments of the wholesale electricity market in 2014

The following table presents the volumes traded in 2014 on each component of the wholesale market and their evolution compared to those the previous year. It appears that about 70% of all deals aggregates from a year in all parts of the wholesale market were made on centralized markets administered by OPCOM SA.

Wholesale market components	Volumes traded in 2014 -GWh-	Evolution compared to 2013 - % -	Percentage of internal consumption 2014 - % -
Regulated contracts market	9058	▼ 45,9	17,9
Market of contracts on brokerage platforms	0	-	-
Market of directly negotiated contracts	4611	▼ 70,0	9,1
Centralized market of bilateral contracts*	37284	▲ 98,5	73,5
Day ahead market	21496	▲ 31,5	42,4
Intra-day market	64	▲ 350,9	1,3
Balancing market	4169	▲ 0,08	8,2
Export	8200	▲ 232,5	16,2

\*PCCB, PCCB-NC, PC-OTC.; Source: Monthly reports from wholesale electricity market participants, OPCOM S.A. and C.N. TRANSELECTRICA S.A

Compared to 2013, in 2014 a decrease by aprox.50% is noted in the quantity of electricity sold on regulated contracts. This fact was mainly due to the increase of deregulation degree established by the Memorandum of Understanding signed by the Romanian Government with the European Commission on March, 13th, 2012 in accordance with the obligations assumed by Romania in relation to the IMF, the World Bank and the European Commission, the roadmap for phasing out regulated tariffs to end customers which do not use their eligibility right. Unlike last year, Hidroelectrica S.A. and S.N. Nuclearelectrica S.A. were the only producers who had quantities and tariffs regulated by ANRE.

Another landmark of 2014 is the complete disappearance of transactions on brokerage platforms other than Opcom's and the drastic reduction of contracts concluded through direct negotiation, practically the ones remaining being the contracts concluded before the entry into force of Law no. 123/2012 and officially declared so by the market participants. This trend was also sustained by the large number of forewarning notifications signalling cases involving market participants who continue to conclude negotiated sale/purchase contracts after the entry into force of Law no. 123/2012.

**Also noticeable is the extent of the two market segments of the centralized bilateral contracts on Opcom S.A., CMBC and CMBC-CN, compared to the previous year (the comparison is made on the sum of two components, given that in 2013 the reporting of the**

centralized contract market transactions was not made separately), doubling the volume of energy traded.

Export transactions recorded a significant increase however, showing the interest of participants for trading on other markets depending on the needs in the area and the availability of energy at competitive prices on the centralized contract markets.

Although it recorded the highest increase over the previous year (351%), the volume of intra-day transactions has no influence on the functioning of the wholesale market.

A comparative analysis of the annual average prices resulting from transactions on the wholesale market components in 2014 over the previous year indicates the following:

- Average annual price drop for all components of the wholesale market,
- Decrease in average prices on centralized markets can be explained mainly by the increase in hydroelectric production and heightened marketing of competitive market; another explanation is to increase the share of renewable energy production and supply to the falling prices for electricity related to the sale of green certificates on the centralized market organized in Opcom S.A. while there is a minimum price of green certificate trading;
- A decrease in the difference between the average annual prices negotiated bilateral contracts and other competitive contracts and their proximity to the closing price of DAM;
- Annual average price match the two producers regulated contracts with regulated quantities and prices; the annual average export price corresponds to transactions of competing suppliers, given that in 2014 no producer reported export transactions, even if Hidroelectrica notified the C.N. Transelectrica S.A. in December 2014 about exports of electricity, allocating for this purpose an interconnection capacity.

Average prices on the wholesale market	2014 -lei/MWh-	2013 -lei/MWh-	Evolution 2014 compared to 2013 - % -
Regulated contracts market	142,68	171,13	▼ 16,6
Market of contracts on brokerage platforms	-	222,51	-
Market of directly negotiated contracts	163,75	185,82	▼ 11,9
Centralized market of bilateral contracts*	173,90	204,47	▼ 15,0
Day ahead market**	153,92	156,05	▼ 1,4
Intra-day market***	162,63	194,30	▼ 16,3
Balancing market****	243,35	242,44	▲ 0,4
Export	173,47	179,63	▼ 3,4

PCCB, PCCB-NC, PC-OTC

\*\* the annual average price is that published by OPCOM SA and is calculated as simple arithmetic average

\*\*\* the annual average price is calculated based on the annual traded volume and value, published by Opcom SA

\*\*\*\* the annual average price is calculated as arithmetic average of the monthly average deficit prices

Source: monthly reports from market participants, OPCOM S.A. and C.N. TRANSELECTRICA S.A.

Regarding average prices on the wholesale electricity market, we make the following comments:

- average prices do not include VAT, excises or other taxes and were determined by weighting the prices with the quantities corresponding to sales transactions reported monthly by market participants;

- ii. all prices include the  $T_g$  component of the transmission tariff (for the centralized markets this is embedded in the price by the bidders).

## Concentration indicators evolution on the wholesale electricity market

### Generation

During 2014, the value of HHI (Herfindahl-Hirschman Index) indicator was 1826. The annual market share for the most important producer that is the hydro producer was 31.37%, which also was first place producer in 2013 regarding injection of electricity networks. The C3 concentration indicator was in 2014 of 70.93%, higher than in 2013, although this year based on increased monitoring by including unconventional sources producers 5-20 MW installed power.

### Day-Ahead Market – DAM

The HHI concentration indicator had values that generally indicate lack of buying concentration (monthly values in the 433 – 716); in sales, there is a less concentrated market in the first four months and last month of 2014, with monthly values of HHI in the 676-812 and in May-November 2014, there is a moderately concentrated market, with the exception of August, when there was an HHI value of 2516.

### Centralised Market for Bilateral Contracts

Trading through public auction (CMBC) and concentration indicators on centralised market for bilateral contracts were organized at the market operator OPCOM SA, based on purchase / sale deals. The following table shows the concentration indicators on the centralised market for bilateral contracts, organized at the market operator OPCOM SA, based on the volumes in the annually concluded transactions, during 2005-2014:

#### Concentration indicators on the centralised market for bilateral contracts based on the volumes in the annually concluded transactions

Year	Selling		Buying	
	C3 [%]	C1 [%]	C3 [%]	C1 [%]
2005	99.68	57.61	93.33	43.21
2006	82.77	38.30	46.58	16.15
2007	87.55	35.21	32.52	11.27
2008	95.32	36.51	25.00	9.85
2009	98.28	51.34	66.58	35.93
2010	98.80	45.22	76.87	45.22
2011	83.47	41.79	45.77	17.73
2012	94.05	59.14	44.58	22.29
2013	61.43	30.73	36.08	17.25
2014	63.25	22.60	45.62	16.56

Source: OPCOM SA data and interpretation

In 2014, it is noted a decrease of the concentration degree both in selling and buying. The market share of the participant which traded the most was in both cases lower compared to the previous year. Due to legislative provisions provided by Law no. 123/2012 on electricity and natural gas, signing contracts is allowed only in transparent and non-discriminatory way on centralized market organized at OPCOM SA. Therefore, even if in December 2013 were 376 registered participants, their number has gradually increased from month to month, reaching in December 2014 a record of 588 participants, over 50% more than the same period last year.

*Balancing market –BM*

The following table presents the concentration indicators for 2006-2014, determined based on the energy actually delivered by producers on the BM for each type of regulation and direction.

**Concentration indicators on the Balancing market**

Year	Regulation type	Direction	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>C1</b>	Secondary	Upward	80%	60%	71%	64%	68%	59%	60%	61%	59%
		Downward	80%	56%	71%	64%	67%	56%	57%	58%	58%
	Fast tertiary	Upward	69%	51%	70%	55%	53%	75%	78%	67%	58%
		Downward	53%	30%	38%	47%	62%	46%	53%	47%	70%
	Slow tertiary	Upward	29%	29%	27%	39%	45%	30%	46%	39%	61%
		Downward	31%	19%	27%	32%	34%	42%	46%	37%	63%
<b>HHI</b>	Secondary	Upward	6510	3915	5438	4526	5067	3986	4815	4700	3495
		Downward	6612	3538	5367	4501	4943	3703	4665	4423	3396
	Fast tertiary	Upward	5061	2979	5065	3543	3320	5729	6250	4841	3400
		Downward	3452	1590	2319	2843	4204	2868	3926	3202	4836
	Slow tertiary	Upward	2203	1769	2021	2478	2749	1679	2375	2777	3759
		Downward	2582	1276	1838	2017	2089	2563	3446	2470	3959

Source: C.N. TRANSELECTRICA S.A. monthly reports

The values of the concentration indicators for 2014 show a dominant participant and an excessive concentration of the balancing market for all types of regulation.

*Ancillary Services Market*

The following table presents the concentration indicators for the Ancillary Services Market in 2014, which were obtained based on data reported by Transelectrica and producers qualified for this type of service.

Year 2014		Secondary reserve	Fast tertiary reserve	Slow tertiary reserve
<b>Regulated component</b>	<b>Contracted quantity (h*MW)</b>	<b>1,662,940</b>	<b>700,800</b>	<b>6,465,380</b>
	<b>C1 (%)</b>	<b>76.5</b>	<b>75.0</b>	<b>51.4</b>
	<b>C3 (%)</b>	<b>100</b>	<b>100</b>	<b>100</b>
<b>Competitive component</b>	<b>Contracted quantity (h*MW)</b>	<b>1,945,010</b>	<b>5,091,691</b>	<b>-</b>
	<b>C1 (%)</b>	<b>88.2</b>	<b>86.3</b>	<b>-</b>
	<b>C3 (%)</b>	<b>97.0</b>	<b>95.7</b>	<b>-</b>
	<b>HHI</b>	<b>7822</b>	<b>7497</b>	<b>-</b>

Source: C.N. TRANSELECTRICA S.A. monthly reports

In 2014, it is noted the high degree of concentration on all three reserves purchased by C.N. Transelectrica S.A., both on regulated component as well as on the competitive one. Therefore, during 2014 the thermal producers CE Oltenia and CE Hunedoara received regulated quantities on all three types of reserves, a regulated share on the secondary reserve being also ensured by the producer Hidroelectrica.

It is noted the high degree of concentration on the secondary reserve and fast tertiary reserve purchased that were provided by the hydro producer, as well as the fact that the difference was insured by six producers that had a 0,3%-4,6% share on the secondary reserve and by nine producers with shares between 0,1-6,8% on tertiary reserve.

## **2.2.2. Electricity retail market**

### **2.2.2.1. Monitoring the level of prices, the level of transparency, the level and effectiveness of market opening and competition**

In 2014, the number of electricity suppliers operating on the retail market was 87, of which 19 electricity generation license holders and 5 incumbent suppliers.

On the regulated market, 5 incumbent suppliers operated –1 state-owned and 4 with majority private ownership. The electricity supplied for these 5 suppliers, both on regulated and competitive market was about 15213 GWh, representing a decrease of 20% from 2013, in terms of increasing total final consumption by approx. 1.5% from the same year, 2013.

Regarding the evolution of the structure of electricity consumption to final consumers, based on data processed by ANRE for 2014, the following are emphasized:

- final electricity consumption recorded in 2014 increased by approx. 1.5% from the level recorded in 2013;
- maintaining the quantity and share of household consumption in final consumption in 2014 compared to 2013;
- increase consumption for the non-households who have switched supplier by about 18% in 2014 compared to 2013; an increase of share in final consumption with 9% in 2014 compared with 2013;
- decrease consumption for the regulated non-households by approx. 51% in 2014 compared to 2013; a decrease of share in final consumption with 9% in 2014 compared with 2013.

In December 2014, on the competitive market were 84,933 non-households consumers, electricity supplied to these consumers in 2014 being 29,235 GWh, 18% increase compared to the same period of the previous year.

The number of customers who have exercised their right to choose the supplier of electricity grew strongly in 2014, following the progress of deregulation for non-household customers.

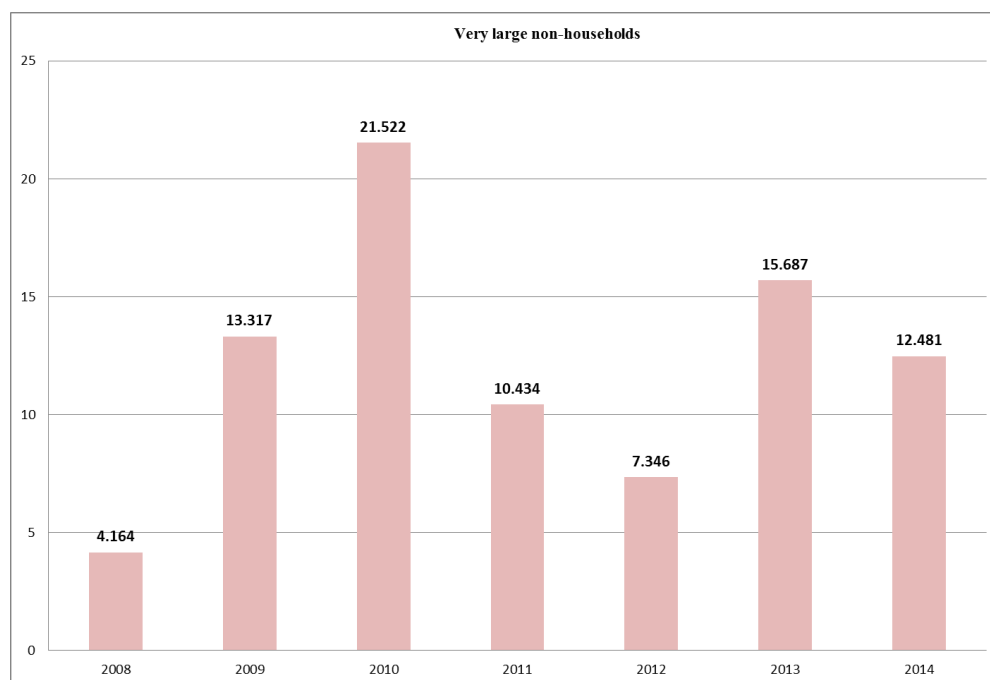
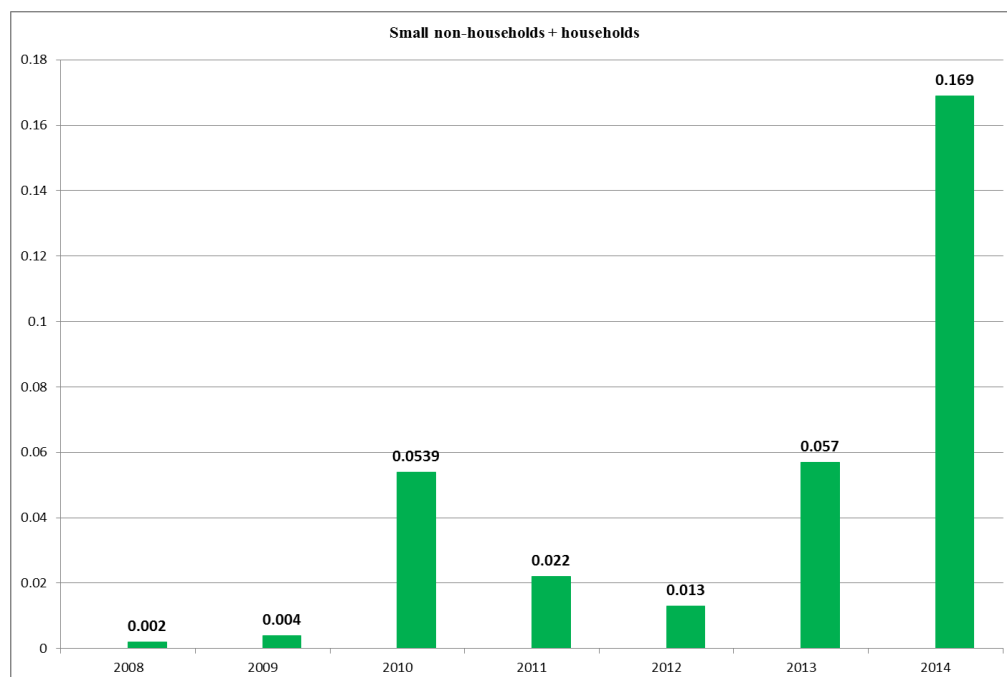
Year 2014 was characterized by a non-concentrated market, driven by the large number of suppliers who compete in this market and the division of their market power.

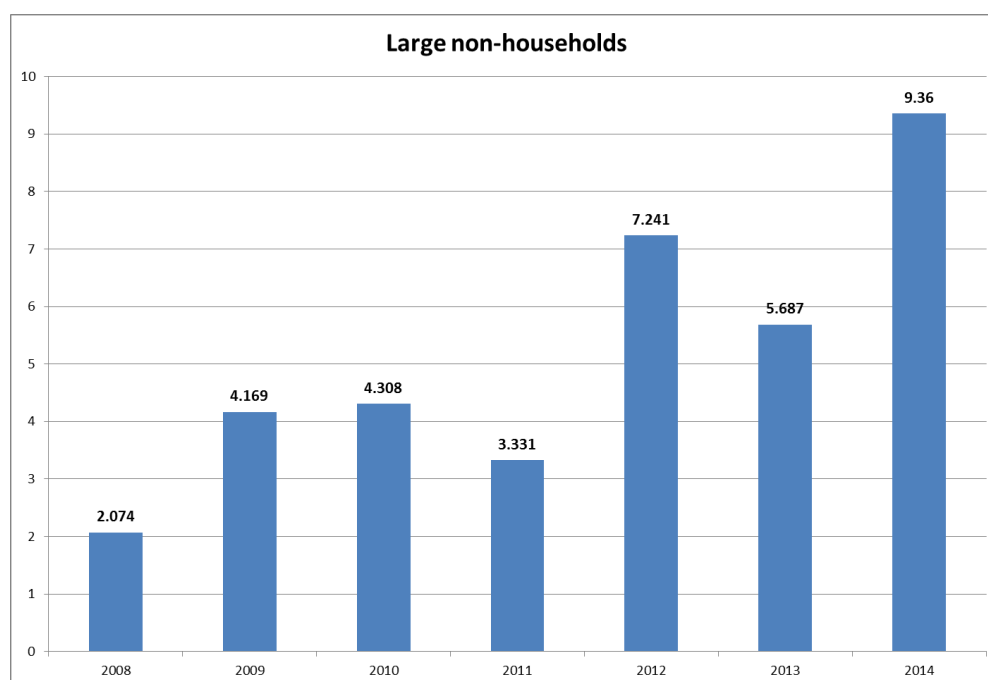
In 2014, there is an increase of nine percentage points of the actual degree of electricity market opening compared with 2013, representing about 66% of total final consumption.

The rate value of switching electricity supplier for the retail market determined on the basis of number of consumer places registered high increase compared to values resulted last year, which indicates that migration of consumers from one provider to another was resumed; there can be noticed significant increase value of indicator for small non-households and households category, as a result of the deregulation undertaken by Romania.

The rate value of switching electricity supplier for the retail market determined based on the supplied volumes has quadrupled as compared with the last year results for small non-households and households category. It is noted a migration from one supplier to another for all

the categories of consumers. The evolution of the rate of switching supplier on the number of customer's sites in 2008-2014 is shown below:





The next table shows the number of suppliers with market shares above 5% and market concentration indicators for each category of final consumers registered in 2014.

We mention that the dominance principle was taken into account in the calculation and the delivered electricity based on which was established the market share of each supplier does not include self-consumption of industrial consumers who have a supply license and decided to buy electricity on the wholesale market, as competing supplier.

No.	Consumer type	Number of suppliers with market shares above 5%	C1 (%)	C3 (%)	HHI
1.	Small non-households + Households (contracted power less than or equal to 100 kW)	5	33	78	2445
2.	Large non-households (contracted power between 100 kW and 1000 kW)	5	27	55	1264
3.	Very large non-households (contracted power higher or equal to 1000 kW)	7	13	29	590
<b>4.</b>	<b>TOTAL Retail market</b>	<b>5</b>	<b>22</b>	<b>49</b>	<b>1096</b>

Source: supplier's data

Values of market structure indicators calculated for 2014 indicate:

- non-concentrated market for retail market segment corresponding to very large non-households and to the whole retail market;



- a moderate level of concentration retail market segment corresponding to large non-households;
- large concentrated market for retail market segment corresponding to small non-household and households.

### 2.2.2.2. Recommendations on supply prices, investigations and measures to promote effective competition

The following table shows average prices achieved for each **category of non-households supplied in competitive market**. It is noticed that the average price decreased by comparison to 2013, when its value was 297.34 lei/MWh.

Consumers	Consumption (MWh)	Average price (lei/MWh)
IA	338,995	412.57
IB	2,937,251	396.68
IC	3,342,258	336.89
ID	7,366,898	310.72
IE	3,916,183	275.21
IF	2,164,892	254.38
Others	9,168,695	221.97
<b>Total</b>	<b>29,235,173</b>	<b>286.87</b>

For each category of customers, the average selling price resulted by dividing the total value of sales revenues (including the equivalent value of services provided: transportation components  $T_g$  and  $T_i$ , system services, distribution, settlement, market imbalances, fees aggregation BRP, measurement) to the total amount of electricity sold to that category. Prices do not include VAT, excise or other taxes.

Non-households categories	Annual consumption in the range	
Band - IA		<20
Band - IB	20	<500
Band - IC	500	<2000
Band - ID	2000	<20000
Band - IE	20000	<70000
Band - IF	70000	<=150000
Others	>150000	

Classification of consumer categories was based on their annual consumption forecast, in accordance with the provisions of Directive 2008/92/EC. The table below details the consumption ranges for each category separately.

### Regulated tariffs for household customers

Starting with 01.01.2014, according to the roadmap for phasing out regulated prices, the percentage of purchasing electricity from the competitive market for non-households who have not used for eligibility right is 100% of consumption. Accordingly, in 2014 regulated electricity tariffs to non-household customers were no longer approved.

Based on the *Methodology of establishing prices and tariffs for end customers who do not use their eligibility right*, approved by ANRE Order no. 82/2013, regulated tariffs for household consumers into force from 01.01.2014 were maintained at values approved by ANRE Order no. 40/2013.

Calculations determining the average price return of the electricity supplied at regulated tariffs were resumed at the end of the first semester 2014 for the second semester 2014 for the following reasons:

- Adjustment in the second half of 2014 of regulated electricity sale-purchase contract prices between each supplier of last resort and electricity producers SC Hidroelectrica S.A. and S.N. Nuclearelectrica S.A., by ANRE decisions no. 1408 and 1409 from 18.06.2014;



- Adjustments in the second half 2014 of transmission tariff and the tariff ancillary services;
- Entry, on July 1st 2014, in a new phase of the roadmap for phasing out regulated tariffs (increasing by 10% the degree of deregulation to household customers, by comparison the first semester of 2014).

Pursuant to ANRE Order no. 82/2013, the regulated tariffs into force had to be increased by 1.89%. Accordingly, by ANRE Order no. 57/26.06.2014 regulated electricity tariffs to household consumers into force from 01.07.2014 were approved.

At the end of 2014 were approved regulated tariffs to household customers applicable since 01.01.2015 (ANRE Order no. 157 of 15 December 2014). After the calculations determining the average price return of the electricity supplied at regulated tariffs necessary in 2015, was identified a need to increase by 2.25% the regulated tariffs in force.

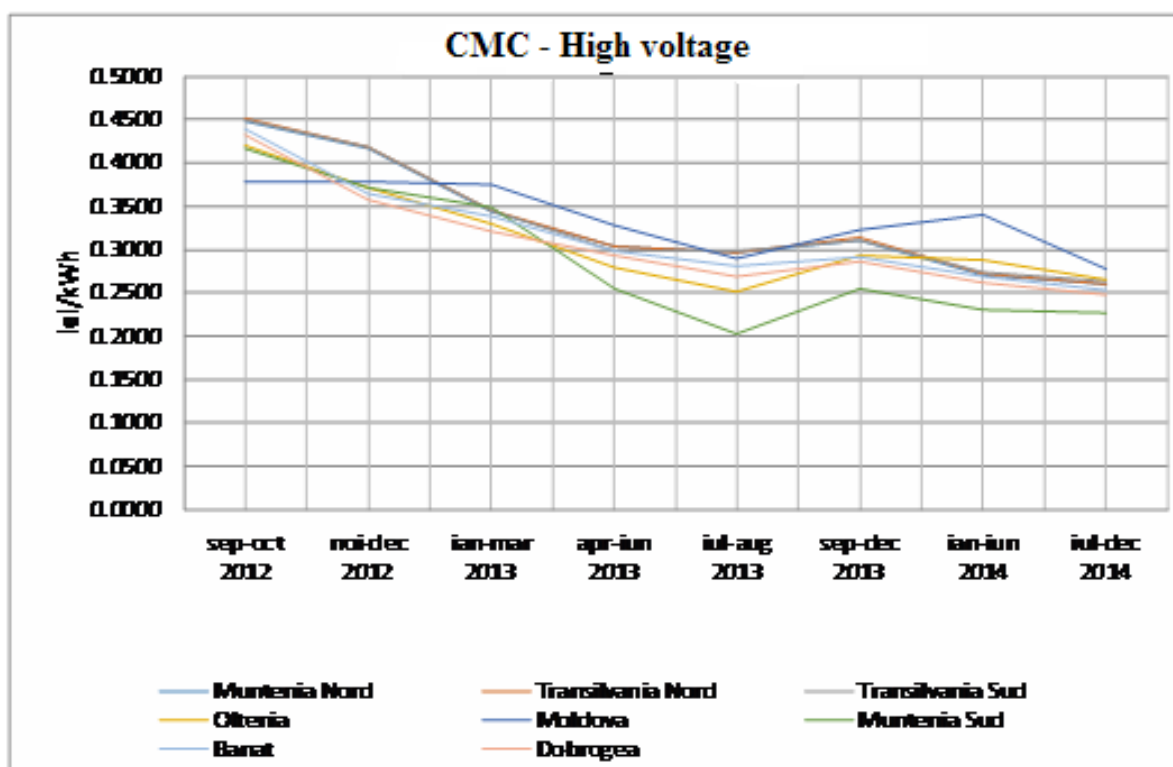
### Competitive Market Component - CMC tariffs

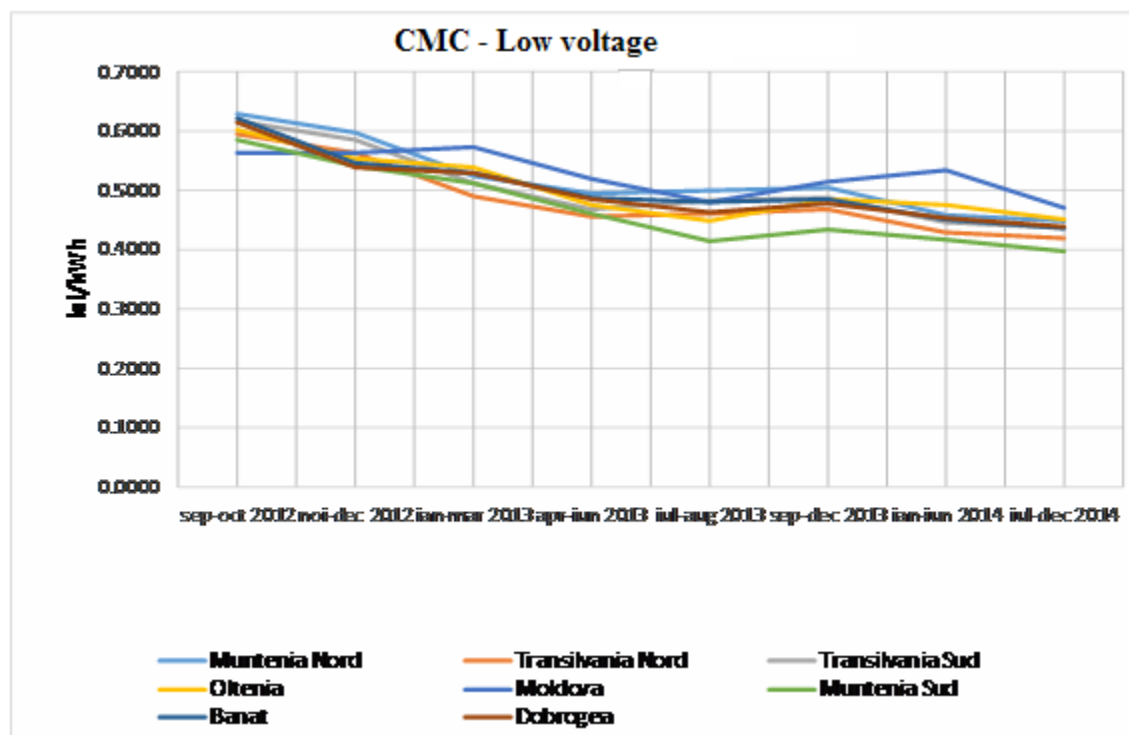
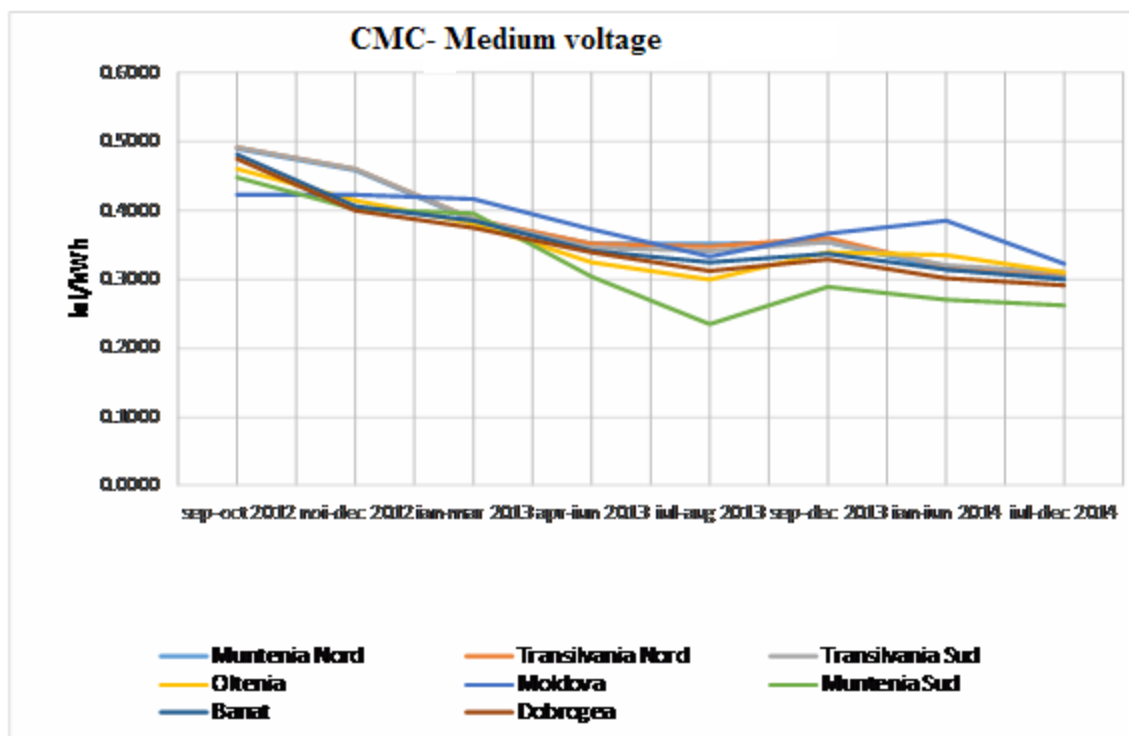
According to the roadmap for phasing out regulated tariffs to end customers, pursuant to the Memorandum of Understanding signed by the Romanian Government with the European Commission on March, 13th, 2012, in 2014 stages 6 and 7 of phasing out regulated tariffs were concluded, the percentage of purchasing electricity from the competitive market for end customers who have not choose to change supplier are:

- 100% of consumption for non-households and 20% of consumption for households who have not used their eligibility right, stage 6 of phasing out regulated tariffs (the period 01.01.2014 - 30.06.2014);

- 100% of consumption for non-households and 30% of consumption for households who have not used their eligibility right, stage 7 of phasing out regulated tariffs (the period 01.07.2014 - 31.12.2014);

Pursuant to the *Methodology of establishing prices and tariffs for end customers who do not use their eligibility right*, approved by ANRE Order no. 82/2013, the values of CMC tariffs were approved, their evolution being presented in the following figures:





The evolution of the average prices invoiced to households and to non-households in 2013 and 2014 are as follows:

	Households		Non-households	
	Price	Service tariff	Price	Service tariff
	lei/MWh	lei/MWh	lei/MWh	lei/MWh
<b>year 2013</b>	581,31	232,74	534,42	134,35
<b>year 2014</b>	575,07	234,66	455,35	138,77

The **price** includes the purchase of energy, supply service, service charges, VAT, excise, contribution for cogeneration and value of green certificates, and the **service tariff** is the average tariff for transmission, distribution, ancillary service and administration of the electricity market.

### 2.3. Security of supply

In accordance with Law no. 123/2012 on electricity and natural gas, art. 24 in case of unexpected crisis in the electricity market and where physical safety is threatened or security of persons, appliances or installations or system integrity, TSO may propose ANRE and to the competent ministry safety measures. The measures taken in these situations should cause the least effect on the proper functioning of the European internal market and stick strictly to fix the crisis that generated them. Implementation of these measures is made by Government decision, initiated by the competent ministry.

During 2014, there was no crisis in the electricity market.

#### 2.3.1 Monitoring balance between supply and demand

In 2014, electricity production was 64,863 TWh, about 10.5% higher than in 2013. The internal consumption was about 57.74 TWh, with about 1.9% higher than in 2013. Romania was a net exporter of electricity during 2014, import-export balance is negative (- 7,123 TWh).

Regarding the mix of resources, with increasing installed capacity in renewable wind and photovoltaic power plants increased their share in the mix of production in 2014 reaching a share of 9.56% of wind production (8, 05% in 2013) and photovoltaic production 2.52% (0.70% in 2013). It notes, however, a decrease of 3.54% of energy production in hydrocarbons power plants from 15.50% in 2013 to 11.96% in 2014 and respectively the production generated in coal power plants of 1, 7%, from 29.65% in 2013 to 27.95% in 2014. In terms of hydropower production, given that the average flow of the Danube remained within high values, respectively 6019 m / s, the percentage of hydro production was 29.22%, registering an increase of 3.47% compared to 2013.

The maximum value of consumption in 2014 was 145 MW higher than the maximum values recorded in 2013, but also 217 MW lower than the peak of 2012, which had an extremely cold winter. Thus maximum gross consumption was 9303 MWh / h and was registered on December 03, 2014 at 18:00. The minimum value of consumption (4092 MWh / h) was recorded in June 8th, 2014 at 7:00 am.

The sum of the net maximum installed generation capacity of individual plants at 31.12.2014 was 21,136 GW. Net available power and consumption values on the third Wednesday of the month at 11am CET (net values) are shown below.

2014	Jan	Feb	March	April	May	June	July	August	September	October	November	December
Net Available Power (MW)	20142	20157	20252	20294	20294	20334	20391	20499	20499	20721	20721	21136
Consumption (MW)	7216	6690	6035	6874	5524	5835	6059	5926	5970	6136	7185	7439

Source: CN Transelectrica SA

According to the specifications of the ENTSO-E study on system adequacy forecast (Scenario Outlook and System Adequacy Forecast 2015-2030), the forecast of the net generation capacities and of the electricity consumption in Romania based on 2 scenarios is presented below:

Scenario A	2016		2020		2025	
	January 19:00 pm	July 19:00 pm	January 19:00 pm	July 19:00 pm	January 19:00 pm	July 19:00 pm
Net generation capacity (GW)	21.14	21.14	22.95	22.95	25.25	25.25
Consumption (GW)	7.91	6.12	8.18	6.29	9.02	6.81

Scenario B	2016		2020		2025	
	January 19:00 pm	July 19:00 pm	January 19:00 pm	July 19:00 pm	January 19:00 pm	July 19:00 pm
Net generation capacity (GW)	21.27	21.27	24.59	24.59	26.98	26.98
Consumption (GW)	7.91	6.12	8.18	6.29	9.02	6.81

### 2.3.2. Monitoring investment in generation capacities

The establishment of new generation capacities and rehabilitation of existing ones is done under authorisations issued by ANRE. Authorisation and licensing procedure and the conditions of granting: criteria, power levels, approvals, differentiated by power category and activities are specified in the *Rules for granting authorizations and licenses in the electricity sector*, approved by **ANRE Order no. 48/2013**.

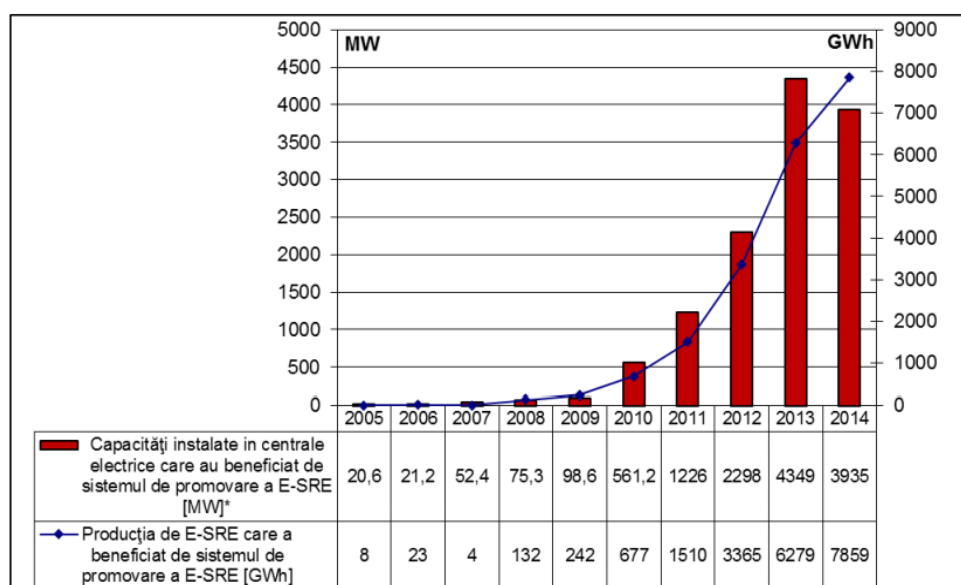
Refusal to grant the authorization or absence of a reply within deadline, or any decision of the authority considered to be unlawful or tortuous may be appealed to the Court of Appeal Bucharest in accordance with legal provisions.

In 2014, 110 establishment authorisations were granted (photovoltaic plants – 71, wind farms – 12, hydrocarbons power plants – 9, hydro power plants – 12, power plants using biogas – 4, power plants using biomass – 3), 92% being awarded to units of production using renewable sources. **The installed power in authorized capacities of RES-E was 1056MW.**

Reducing the number of authorizations granted during 2014 is largely due to modifications to the support scheme for electricity produced from renewable sources.

Installed power capacity in units producing electricity from renewable accredited sources during 2014 was 357 MW, from which 219 MW in wind farms, 21 MW in hydro power plants with installed capacity of 10 MW, 34 in power plants using biomass, including power plants using waste and power plants using waste and sludge digester gas from wastewater treatment plants; as well as 83 MW in photovoltaic plants.

The following chart shows the evolution of the installed power in renewable sources that have benefited from the promotion system based on green certificates during 2005-2014. Around 4733 MW have benefited by the support scheme.



\* - 3935 MW is the value from the end of 2014, during the year the value had greater or lower values.

42 cogeneration units, belonging to 36 producers - legal persons, received bonus in 2014 according with the support scheme introduced in 2011. The total amount of electricity produced in high efficiency cogeneration that received bonus for the period January to December 2014 was 5102 GWh (a decrease with 9.76% compared to 2013).



Concerning the **development of electricity networks**, the main investments proposed to be made in accordance with the Development Plan of Power Transmission Grid - 2014-2023 are following:

*To increase the exchange capacity on western and south-western site of Romania*, are planned network reinforcements in the area, that will remove congestion,

on the direction E - W border with Hungary and Serbia and on transit direction N - S, by strengthening corridor Portile de Fier - Resita - Timisoara - Arad.

Considering the contribution to the implementation of the strategic priorities of the European Union regarding the Trans-European energy infrastructure, these projects have been included by the Commission in the first list of projects of common interest (PCI), forming together the

"Group Romania-Serbia, between Resita and Pancevo "which includes the following projects of common interest:

- LEA 400 kV d.c. Reșița (RO) – Pancevo (Serbia);
- LEA 400 kV Porțile de Fier – Reșița and development of the power station 220/110 kV Reșița by the a new building of 400 kV;
- Pass to 400 kV of LEA 220 kV d.c. Reșița –Timișoara – Săcălaz – Arad, including the building of the power stations 400 kV Timișoara and Săcălaz.

Projects will also allow integration in the National Power System of wind power generation units expected in the South-West (Banat) and the Portile de Fier hydroelectric power plant.

*To increase the transmission capacity in the East area, with Republic of Moldova,* asynchronous interconnection by converting stations back-to-back is analysed. LEA 400 kV Suceava (RO) - Balti (Moldova) will increase the transmission capacity provided by the LEA 400 kV Isaccea (RO) - Vulcanesti (MD) and four LEA 110 kV. Using the maximum capacity of this project is conditioned also by the building of LEA 400 kV Suceava - Gădălin included in the Plan.

*To increase the transmission capacity between the eastern area (especially Dobrogea) and the rest of the power system,* there were planned several projects to strengthen the transmission network. The draft provided in the 2010 edition of the plan, and several projects were added to increase the capacity of existing lines of 400 kV and 220 kV.

Among these projects, several major projects contribute significantly by increasing the interconnection capacity with Bulgaria and strengthening transport infrastructure that will support the flow of power between the Black Sea coast and the coast of the North Sea / Atlantic Ocean, the implementation of the strategic priorities of EU regarding Trans-European energy infrastructure, prerequisite for achieving energy and climate policy objectives. Therefore, these projects have been included by the European Commission in the first list of projects of common interest (PCI). Part of these projects is also on the second list of projects of common interest, list which is in the approval process.

Transmission projects in the east section (Dobrogea) that are included in the development plan for the next ten years are the followings:

- LEA 400 kV d.c. Smârdan – Gutinaș;
- LEA 400 kV d.c. Cernavodă - Stâlpu, circuit input/output in Gura Ialomiței, that will be continued with LEA 400 kV Stâlpu – Brașov;
- LEA 400 kV s.c. Suceava – Gădălin.

There are also other projects dedicated to increasing the security of supply of consumption in poor areas, retrofitting and modernization of existing plants.

Investments in the network development are recovered through transmission tariff fixed by the regulatory authority on the basis of justified costs in terms of a reasonable profit.

#### **2.4. Natural gas market**

The significant evolutions on the natural gas market during 2014 are the followings:

- A decrease of natural gas consumption by about 4% compared to 2013, due to a slight decrease of end customer's consumption. Domestic production was 118,077,461.595

MWh, while imports of 9,530,621.297 MWh, representing approx. 7.5% of total consumption;

- Adaptation of trading rules on the natural gas wholesale market according with the gained experience, introduction of the obligation to trade on the centralized wholesale markets, for a specific percentage, for the producers, in a first stage, then for the suppliers;
- Revision of the Network Code by introducing market competitive mechanisms on current practices regarding capacity reservation, nomination / re-nomination, allocation and balancing so that they are in accordance with the practices promoted by European network codes and lead to accurate determination of potential imbalances caused by network users from using the gas transport system;
- Complete certification of SNTGN Transgaz S.A. as an independent system operator pursuant to clarification of certain aspects regarding corporate and ownership structures;
- The introduction from 1 August 2014 of the "entry-exit" transmission tariff system. By ANRE Order no. 70/2014 were approved regulated revenue, total revenue and transmission tariffs through the Network Transmission System, valid until 30 September 2015. From 1 August 2014 were introduced transmission tariffs differentiated by services, by point / group of point of entry / exit, by long-term (over one year) and short term (day, month, quarter);
- Implementation of the provisions of the calendar for phasing out regulated prices for end customers. Application of legal provisions and ongoing monitoring of developments in the natural gas market has made it possible in 2014, reducing the expected growth by 7% for households and 17% for non-household customers;
- Approval of the Ten Years Development Plan for natural gas transmission system in the period 2014-2023;
- Establishment of a set of legislative measures to ensure access of final customers to information regarding trading conditions for the supply of natural gas in the pre-contractual and the contractual phases, in view of the domestic gas market liberalization, the development of competition and phasing-out regulated prices for non-households from 1 January 2015. In this context is mentioned *ANRE Order no. 106/2014 on disclosure obligations for natural gas suppliers to final customers regarding commercial terms for the supply of natural gas* which established the obligation of suppliers to develop standard offers of natural gas supply and a minimum data set to enabling customers to assess the final price invoiced;
- Completion of the regulatory framework with a number of specific provisions to enable the implementation of pilot project regarding the bundle capacity allocation on Csanadpalota interconnection point as requested by the provisions of Regulation (EU) 984/2013.

## **2.4.1. Network regulation**

### **2.4.1.1. Unbundling**



Under the provisions of the Law no. 123/2012 on electricity and natural gas, the transmission and system operator is organized and operates as **an independent system operator (ISO)**.

ANRE adopted final certification decision within two months from receiving the Commission opinion taking into consideration the Commission observations. Thus, by ANRE **Order no. 3/2014** was certified SNTGN TRANSGAZ – S.A. Medias, maintaining the cancelling clause, namely the certification is conditioned by accomplishment of the measures provided in the order, in the time limit of 6 months. ANRE order was communicated to the European Commission.

In the first semester of 2014, ANRE has monitored the fulfilment of the conditions imposed by ANRE Order no. 3/2014 regarding the certification of the transmission system operator as “independent system operator” (ISO).

In parallel, ANRE has acted in support of relevant Romanian state entities in order to amend the legislative framework to allow separation of ownership rights to the SNTGN Transgaz – S.A. Medias.

With the entry into force of Law no. 117/2014 approving Government Emergency Ordinance no. 6/2014, ANRE has analysed the new conditions of certification of SNTGN Transgaz – S.A. Medias and issued ANRE Order no.72/08.06.2014. The order was notified to the European Commission.

**Distribution operators** are holders of license for natural gas distribution in one or more delimited areas. At the end of 2014, the natural gas market in Romania held a number of **39 distribution companies**.

Natural gas companies, which carry out regulated activities (transmission, storage, distribution, supply) are obliged to ensure accounting, legal, functional and organizational separation. Distribution companies that serve a maximum of 100,000 customers are exempt from the provisions on legal separation. These companies have realised the accounting separation in 2007.

Natural gas companies are obliged to report regulated accounting records until July,1st (distribution and supply activities) and August,31 (for storage and transport activities), on the regulatory year following the one for which the report is made.

S.C. E.ON Gaz Romania S.A. and S.C. Distrigaz Sud S.A., as distribution system operators have been required to achieve separation of accounts, legal, functional and organizational activity between the distribution and supply of natural gas. In the case of SC E.ON Gaz Romania SA, as a result of legal separation by dividing society, two independent companies legally have resulted - E.ON Gaz Romania SA, specializing in the supply of natural gas and E.ON Gas Distribution SA, specializing in gas distribution natural as well as operation and maintenance of the distribution network. The two new companies have different offices. The legal separation of other large operator distribution DISTRIGAZ South was completed in April 2008, resulting SC Distrigaz South Networks Ltd, specializing in gas distribution natural as well as operation and maintenance of the distribution network, and SC South DISTRIGAZ S.A. (later SC GDF SUEZ ENERGY ROMANIA etc.), specializing in the supply of natural gas.

Regarding the legal unbundling obligation for underground storage, the requirement was performed by the storage operator SC Depomureş S.A. The legal unbundling of the latest



storage operator - SNGN ROMGAZ S.A. is still ongoing. During 2014, there were imposed sanctions to SNGN ROMGAZ SA for failing to legal unbundling of natural gas storage business and legal measures to comply with the separation requirements.

#### **2.4.1.2. Technical functioning**

The conditions and rules for using natural gas transmission system in Romania and transparent and non-discriminatory access of third parties are governed by the Network Code. In 2013, the document was reviewed and approved by ANRE Order no.16/2013.

Given the continuing need to adapt the Network Code of National Transmission System to gas market realities in Romania, taking into account the provisions of national and European legislation in this area, in 2014 were adopted two orders for amending and completing ANRE Order no. 16/2013, respectively ANRE Order no. 53/2014 and ANRE Order no. 88/2014.

The changes and additions to the Network Code done by these two orders had in mind mainly the following:

- creation of preconditions for streamlining operational and commercial procedures in the Network Code, by developing provisions on virtual points of entry into / from the NTS and detailing their application depending on the interface with adjacent system;
- introducing the concept of virtual trading point (PVT), defined as the notional point where network users (UR) notify the NTS gas transactions concluded both for trading gas purposes and in order to balance their trading portfolios of customers; the detailed procedures which may apply in the virtual trading point in this context were also considered and revised;
- removing references to the accumulated week imbalance, considering only the daily imbalance and proper reconsideration of the relevant provisions of the Network Code;
- removing references to the determination and the application of the fee for non-nomination.

The regulatory authority drafted and approved Performance Standards for natural gas distribution and transmission (ANRGN Decision No. 1361/2006, with the with the subsequent amendments, namely ANRE Order no. 59/2007, ANRE Order no. 45/2008, ANRE Order no. 33/2010 and ANRE Order no.47/2011).

#### **2.4.1.3. Network tariffs for connection and access. Underground storage tariffs**

Regulated tariffs and prices calculation mechanisms are of „revenue–cap” type for regulated underground storage and transmission activities, and „price-cap” for regulated distribution and supply activities.

The regulatory period for any of the regulated activities is of 5 years, except for the first regulatory period (transitory stage), which was established for 3 years.

By ANRE Order no. 32/2014 was approved *the methodology for establishing the regulated revenue, the total revenue and the regulated tariffs for the natural gas transmission activity, by which was introduced the “entry-exit” tariff system.*

Starting with 1 August 2014, transmission tariffs for types of service have been introduced, for point/group of points of entry/exit, differentiated long-term (over one year) and short term (day, month, and quarter)

Tariffs in force at the date of this report applied by SNTGN TRANSGAZ S.A., the licensed operator in the natural gas sector for the natural gas transmission activity are as follows:

- a) capacity reservation tariff per point/group of points of entry/exit for firm services/interruptible transmission

Point/group of points of entry/exit to/from din NTS		lei/MWh/h						
		Types of natural gas transmission services						
		Long term	Short term					
		Annual	Quarterly		Monthly		Daily	
summer	winter		summer	winter	summer	winter		
Point/group of points of entry in the NTS	entry points group from the production perimeters, from LNG terminals and biogas production facilities or other gases that meet the quality requirements to be delivered/ transported to/from the NTS	0.50	0.89	1.90	1.32	2.81	1.97	4.22
	entry points group from the interconnection with other natural gas transmission systems from non-EU member states (Medieşu Aurit and Isaccea Import)	2.08	3.71	7.93	5.50	11.75	8.25	17.62
	entry point from the interconnection with other natural gas transmission systems from EU member states (Csanadpalota)	1.35	2.40	5.14	3.56	7.61	5.34	11.41
	entry points group from the underground storages	1.89	3.37	7.22	5.00	10.69	7.50	16.03
Point/group of points of entry in the NTS	exit points group to distribution systems, upstream pipeline networks and final consumers directly connected to the transmission system	1.55	2.76	5.90	4.09	8.73	6.13	13.09
	exit points group to underground storages	1.78	3.17	6.79	4.71	10.05	7.06	15.08
	Exit point from the interconnection with other natural gas transmission systems from EU member states (Csanadpalota)	10.95	19.49	41.72	28.91	61.76	43.37	92.65

- b) volumetric tariff for the amount of natural gas delivered to distribution systems: 5.04 lei/MWh;
- c) volumetric tariff for the amount of natural gas transported only through the NTS: 5.79 lei/MWh;
- d) volumetric tariff for the amount of natural gas transported: 4.94 lei/MWh.

Tariffs referred to in points b) and c) contain the monopoly tax value provided by *Government Ordinance No. 5/2013*, and tariffs referred to in point d) do not contain this value, since the provisions of the ordinance shall apply only until 31 December 2014.

The tariff system for the **distribution activity** includes differentiated tariffs on licensed distribution operators and consumer categories.

For the distribution activity, a regulated unitary income is set to cover unitary costs related to one year of the regulatory period. Distribution tariffs are monomial and quantify fixed and variable costs related to the distribution activity. Distribution tariffs apply to quantities of natural gas distributed.

Starting with the third regulatory period, ANRE Order no. 17/2014 makes the following changes and additions to *the methodology for setting regulated tariffs for the distribution services in the natural gas sector*:

- reconsidering the distribution tariff substantiation that an operator must pay in case he uses the distribution system of another operator in order to circulate the gas to the final consumers in its portfolio, called transit distribution tariff;
- reconsidering inflation granting at the regulated asset base value, in order to remove it from the calculation for the fourth regulatory period;
- setting the rate of economic efficiency increase at 1.5% for each year of the third regulatory period, for each licensed operator.

The tariff system for the **underground storage activity** comprises a *revenue cap* set of tariffs which establishes a total regulated revenue to cover costs related to the activity during one year of the regulatory period.

Tariffs for the storage activity are established for each underground storage and have the following structure:

$$T(ds) = RC(ds) + I(ds) + E(ds)$$

where:

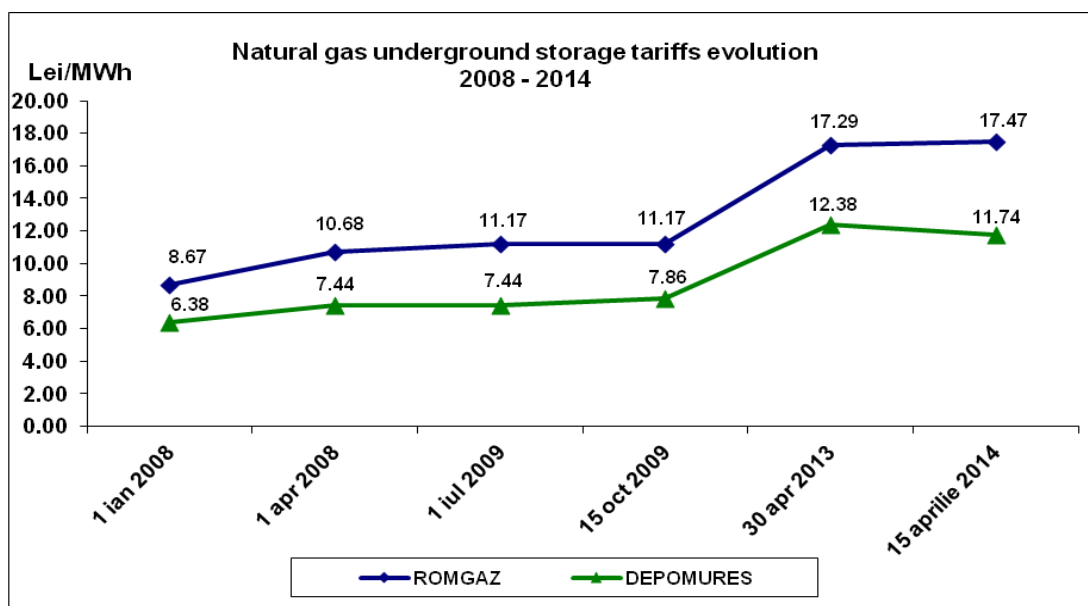
$T(ds)$  – storage tariff

$RC(ds)$  – fixed component for reservation of capacity in the underground storage, expressed in lei/MWh/complete storage cycle;

$I(ds)$  - volumetric component for natural gas injection into the underground storage, expressed in lei/MWh;

$E(ds)$  – volumetric component for natural gas extraction from the underground storage, expressed in lei/MWh.

Underground storage tariffs evolution in the period 2008-2014 is reflected in the figure below:



#### 2.4.1.4. Cross-border issues

There were no developments to the issues presented in the 2013 Report.

#### Monitoring investment plans

Concerning the approval and monitoring of the investments plans of the TSO by the regulator, we mention that these attributions are provided to the regulator by the provisions of the Law no. 123/2012 on electricity and natural gas.

**Natural gas transmission system development plan for the 2014-2023** period provides the development directions of Romanian natural gas transmission network and the main projects that the SNTGN Transgaz S.A. intends to implement over the next 10 years in order to achieve a maximum degree of transparency regarding the development of the national natural gas transmission system and the possibility of updated information for market actors regarding existing and planned transmission capacities, so that, through public consultation, decisions on investment in gas transmission network meet market requirements.

The Development Plan meets the European energy policy regarding:

- ensuring security of supply of natural gas;
- increasing the interconnection of national natural gas transmission network to the European network;
- increase the flexibility of national natural gas transmission network;
- liberalization of the natural gas market;
- creating an integrated natural gas market in the European Union.

TSO sent this plan to ANRE, and it was approved by ANRE decision No. 2819/2014.

#### 2.4.1.5. Compliance with the provisions of the European legislation

## Compliance with binding decisions of the Agency and the Commission

For 2014 there are no such situations to report.

### Compliance of transmission system operators and distribution system operators, system owners and natural gas undertakings with relevant European legislation

ANRE monitored, during the first half of 2014, the compliance with the conditions set out in ANRE Order no. 3/2014 regarding the certification of the transmission system operator under the "independent system operator" (ISO) model.

With the entry into force of Law No. 117/2014 approving Government Emergency Ordinance no. 6/2014, ANRE has analysed the new conditions and approved the certification of the SNTGN Transgaz – S.A. Medias, by issuing ANRE Order no. 72/6 August 2014. ANRE Order was notified to the European Commission.

#### 2.4.2. Promoting competition

Natural gas consumption has decreased in the last year, reaching about 12.0 billion cubic meters, with a decrease of about 4% in 2014 compared to 2013, due to a slight decrease in the consumption of final consumers.

The internal natural gas market consists of:

- a) the **competitive market** that includes all trading, wholesale level (between suppliers) or retail level (between suppliers and eligible customers). In the competitive market, prices are based on the supply and demand as a result of competition mechanisms;
- b) the **regulated market** containing natural monopoly activities, related activities and supply at regulated tariffs and according to framework contracts. In the regulated market, prices and tariffs systems are established by ANRE.

In 2014, the total natural gas consumption was 127,608,082.917 MWh, out of which 87,787,630.477 MWh was the non-households consumption (75.34%) and 28,743,351.279 MWh was households consumption (24.66%).

In 2014, the total number of final consumers was 3,372,559, out of which 178,851 (5.45%), were non-household consumers and 3,193,708 were household consumers (94,70%).

Consumption is covered from domestic production and imports. The domestic production was 118,077,461.595 MWh and the import was 9,530,621.297 MWh.

The share of the 3 main suppliers based on the volume of transactions on the wholesale market is 77.55% and on the retail market is 61.16%.

The number of participants on the natural gas market in Romania has increased steadily as the market was liberalized, especially regarding the supply of natural gas, including in 2014:

- a National Transmission System Operator - SNTGN Transgaz S.A. Medias
- 6 producers: Romgaz, OMV Petrom, Amromco Energy, Raffles Energy, Foraj Sonde and Stratum Energy;

- 2 underground storage operators: Romgaz, Depomureș;
- 39 distribution operators - the largest being Distrigaz Sud Retele SRL and E.ON Gaz Distribuție S.A.;
- 39 suppliers operating in the regulated segment of the natural gas market;
- 63 suppliers operating in the competitive segment of the natural gas market.

#### 2.4.2.1. Wholesale natural gas market

Domestic production of natural gas in 2014, which came into consumption, represented 92.53% of the total sources. The two main producers (Romgaz and OMV Petrom) covered 97.31% of this source.

Imports entering consumption in 2014, current import and extracted from storage, represented the difference – 7.47%. The top three importers - internal suppliers - achieved together 50.56%.

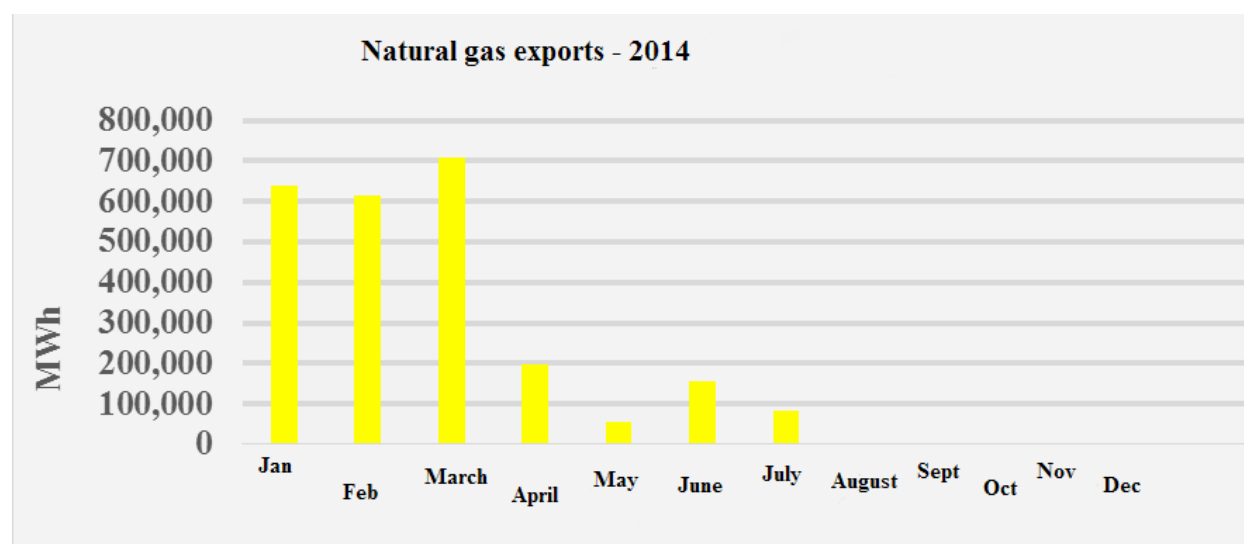
The situation of the companies providing natural gas to the most relevant consumer categories is as follows:

Suppliers Customers	Number of companies with over 5% share	Share of top three suppliers (%)
Electricity and/or heat producers	5	78.08
Industrial customers	5	79.79
Commercial customers	3	82.20
Household customers	2	90.20

In 2014, 34 suppliers conducted commercial activities on the wholesale market in Romania. The total amount supplied by them decreased in the last year, reaching 145,044,443.179 MWh, a decrease of approximately 3% over the previous year, due to a slight decrease in the consumption of final consumers.

The market share of the main three suppliers is of about 75%, with shares between 15% and 30%.

Exports were made by five companies, the volume of natural gas exported reaching 2,451,690.003 MWh. This situation is represented in the following figure:



## Centralized markets

In 2013, licenses were granted for management of centralized markets to Romanian Commodities Exchange (Societatea Bursa Româna de Mărfuri) - BRM respectively Electricity and Natural Gas Market Operator "OPCOM" S.A.

*The general rules on the centralized natural gas market*, approved by ANRE Order no. 50/2013, and *Regulations on organized framework for trading on the centralized natural gas markets for the two operators of centralized markets*, approved by ANRE Orders no. 51 and 52/2013, have undergone during 2014, amendments and completions, both due to developments occurring in national legislation and amid the diversification of products and trading platforms made available to the market by the operators of centralized natural gas markets.

Therefore, in the context of adopting Government Emergency Ordinance no. 35/2014 amending Law no. 123/2012 on electricity and natural gas, by which were set, for natural gas producers, **the obligation to conduct transactions on the centralized natural gas markets** starting with 15 July 2015, for the selling of a minimum quantity of natural gas, respectively for the natural gas suppliers, the obligation to conduct transactions for the selling and buying of a minimum amount of natural gas on the centralized natural gas market, **the principle of voluntary trading** of natural gas on the centralized natural gas markets, provided by Article 1 of *The general rules on the centralized natural gas market*, approved by ANRE Order no. 50/2013, was only partially supported by superior normative acts, in this case the provisions of Law no. 123/2012, as amended and supplemented, which entailed changing the ANRE Order no. 50/2013 for the purposes of invalidating this principle in order to prevent contradictory interpretations of any of the provisions of primary and secondary legislation in force.

In applying the provisions of Government Emergency Ordinance no. 35/2014 amending Law No. 123/2014 on electricity and gas, ANRE issued Order no. 62/11 July 2014, by which was adopted **The methodology for establishing the trading obligation relating to natural gas producers** or their affiliated operators for **July to December 2014**.

In accordance with the provisions of Article 6(1) of ANRE Order no. 62/2014, ANRE has set up and approved by ANRE Order no. 118/2014 **the methodology for establishing the obligation of producers and suppliers of natural gas to trade on the centralized markets in Romania, for the period 1 January 2015 – 31 December 2018**.

For 2014, specific indicators for the centralized natural gas markets activity registered the following values (this includes results of wholesale and retail transactions):

- |                                      |                 |                          |
|--------------------------------------|-----------------|--------------------------|
| a) Number of registered transactions | - BRM:          | 158                      |
|                                      | - OPCOM:        | 12                       |
| b) Offered volumes                   | - for sale:     | <b>25,005,780.67 MWh</b> |
|                                      | - BRM:          | 21,730,780.67 MWh        |
|                                      | - OPCOM:        | 3,275,000.00 MWh         |
|                                      | - for purchase: | <b>5,557,117.60 MWh</b>  |
|                                      | - BRM:          | 5,408,717.60 MWh         |
|                                      | - OPCOM:        | 148,400.00 MWh           |
| c) Traded volumes                    | - BRM:          |                          |
|                                      | - sales:        | <b>1,967,600.00 MWh</b>  |



	- purchases:	<b>1,870,617.60 MWh</b>
	- OPCOM:	
	- sales:	<b>0.00 MWh</b>
	- purchases:	<b>0.00 MWh</b>
d) Registered participants	- BRM:	80
	- OPCOM:	15
e) Active participants	- BRM:	64
	- OPCOM:	4

### 2.4.2.2. Retail natural gas market

For 2014, natural gas consumption in Romania, structured on types of consumers was as follows:

Final customers		Type of connection	No. customers	Consumption - MWh	Share of total consumption	
Households		Customers connected to the NTS	2	596,144	0.00%	
		Customers connected to the distribution system	3,193,706	28,742,755.135	24.67%	
		<b>Total households</b>	<b>3,193,708</b>	<b>28,743,351.279</b>	<b>24.67%</b>	
No-households	Tertiary	Customers connected to the NTS	17	18,953.409	0.02%	
		Customers connected to the distribution system	44,404	5,042,036.692	4.33%	
		<b>Total other non-households customers</b>	<b>44,421</b>	<b>5,060,990.101</b>	<b>4.34%</b>	
	Commercial	Customers connected to the NTS	67	2,402,847.430	2.06%	
		Customers connected to the distribution system	106,123	7,122,670.965	6.11%	
		<b>Total commercial customers</b>	<b>106,190</b>	<b>9,525,518.395</b>	<b>8.17%</b>	
	Secondary	Other secondary	Customers connected to the NTS	111	5,009,350.465	4.30%
			Customers connected to the distribution system	27,292	11,070,789.393	9.50%
			<b>Total Other industrial customers</b>	<b>27,403</b>	<b>16,080,139.858</b>	<b>13.80%</b>
		Chemical industry	Customers connected to the NTS	3	1,417,972.359	1.22%
			Customers connected to the distribution system	164	2,260,250.507	1.94%
			<b>Total Customers in chemical industry</b>	<b>167</b>	<b>3,678,222.866</b>	<b>3.16%</b>
		Electricity/heat producers	Customers connected to the NTS	8	1,113,560.853	0.96%
			Customers connected to the distribution system	631	4,037,754.977	3.46%
			<b>Total Electricity and heat producers</b>	<b>639</b>	<b>5,151,315.830</b>	<b>4.42%</b>
Industrial	Other industrial	Customers connected to the NTS	5	4,109,619.190	3.53%	
		Customers connected to the distribution system	0	0.000	0.00%	



		<b>Total Other industrial customers</b>	<b>5</b>	<b>4,109,619.190</b>	<b>3.53%</b>
	Chemical industry	Customers connected to the NTS	5	18,540,928.325	15.91%
		Customers connected to the distribution system	0	0.000	0.00%
		<b>Total Customers from chemical industry</b>	<b>5</b>	<b>18,540,928.325</b>	<b>15.91%</b>
	Electricity/heat producers	Customers connected to the NTS	12	23,159,066.162	19.87%
		Customers connected to the distribution system	9	2,481,829.750	2.13%
		<b>Total Electricity and heat producers</b>	<b>21</b>	<b>25,640,895.912</b>	<b>22.00%</b>
<b>TOTAL</b>			<b>3,372.559</b>	<b>116,530,981.756</b>	<b>100.00%</b>

\* Total consumption delivered to final customers (not including technological consumption, energy consumption and deviations due to measurement instruments).

In 2014, the share of consumed quantities by household customers out of the total consumption is 24.67% and the number of these customers represents 94.70% of all clients connected to natural gas networks. Of the total consumption for 2014, 5.3% of all consumers connected to natural gas networks (NTS + distribution systems) consume 75.33%.

Final customers category	Group of final customers	Share in total consumption
TOTAL, out of which:		100 %
NON-HOUSEHOLDS	Customers who have not opted to change supplier	12.99 %
	Customers who have opted to change supplier	62.34 %
HOUSEHOLDS	Customers who have not opted to change the supplier	24.63 %
	Customers who have opted to change supplier	0.04 %

On the **regulated market**, in 2014, final customers on the regulated supply market segment were served by 41 suppliers; the total number of these final customers was **3,362,001** and the quantity of gas supplied to them amounted to **43,841.567 GWh**. The market shares of the three main suppliers are listed below:

Suppliers	Market share (%)
GDF SUEZ Energy Romania	50.26
E.On Energie Romania	39.09
Congaz	2.34

On the **competitive market** 54 suppliers were active. In the table below are presented the suppliers of final customers in the competitive market, whose market shares are above 5%; one of them is also a gas producer (S.N.T.G.N. Romgaz S.A.). The total consumption was **72.689,415 GWh**.

Suppliers	Market share (%)
OMV Petrom Gas	24.92
Romgaz	23.52
Interagro Zimnicea	15.26
GDF SUEZ Energy Romania	12.32
E.On Energie Romania	6.94

Romania's natural gas market was opened on 1 July 2007, so that all natural gas final customers have the opportunity to choose their own supplier.

Considering removal of regulated prices (for non-household customers on 1 January 2015, respectively on 1 July 2021 for household customers) and the development of competition in this market, ANRE has established by *ANRE Order no. 106/2014 on the procedure for informing final consumers by natural gas suppliers regarding commercial terms for the supply of natural gas* a set of legislative measures to ensure final customers access to information on commercial conditions for the supply of natural gas in the pre-contractual stage and the stage of contract. These information methods allow final customers to benefit from a level of information corresponding to their needs so as to ensure them the possibility to choose knowingly the natural gas supplier in the context of increased competition between suppliers.

At the end of 2014, there were **10,558** final customers who have switched suppliers on the natural gas competitive market, with a consumption that amounted to an effective rate of **56.99%** market opening.

In 2014, from the final consumer group directly connected to the national transmission system about 98.68% of consumers (in terms of the amount of energy consumed) have chosen to be part of a negotiated supply contract.

In 2014, the share of non-household customers connected to the distribution system that have chosen to be part of a negotiated supply contract was about 53.45% of all non-household customers (in terms of the amount of energy consumed).

According to Law no. 123/2012 on electricity and natural gas, final consumers do not have the right to return to regulated supply if the right to eligibility has been exercised.

### **2.4.2.3. Recommendations on supply prices, investigations and measures to promote effective competition**

#### **Setting regulated prices to customers who have not exercised their eligibility right**

The regulated prices are set differently for each licensed supplier and consumer category, depending on the configuration of the natural gas supply systems. Prices are monomial and quantify the fixed and variable costs relating to the regulated supply activity.

According to the Government Decision no. 22/2012, with subsequent amendments and completions, from February 2013 began the process of domestic production price increase and final prices increase related to the regulated supply activity.

The commitments by the Government to the IMF, WB and EC and embodied in the *Memorandum on the timetable for the removal of regulated natural gas prices* approved in the government meeting of June 2012, published on the ANRE website, provided the projected increases of **regulated natural gas supply prices** from 1 January 2014, 1 April 2014, 1 July 2014 and 1 October 2014.

Adjustment percentages for final regulated prices during 2014, averaged on the market share of each licensed operator which supplies for the regulated natural gas market compared with estimates of the *Timetable for phasing out regulated prices for final consumers* are shown in the table below.

Implementation Date	Households		Non-Households	
	Price increase foreseen by the timetable	Achieved increase for final price	Price increase foreseen by the timetable	Achieved increase for final price
1 January 2014	2 %	1 %	4 %	2 %
1 April 2014	2 %	-1 %	5 %	1 %
1 July 2014	3 %	3 %	5 %	1 %
1 October 2014	3 %	0.35 %	4 %	-3 %
<b>Total</b>	<b>10 %</b>	<b>3.35 %</b>	<b>18%</b>	<b>1 %</b>

Thus, during the year 2014 the final regulated prices recorded:

- an increase of approximately 3% for household customers and thermal energy producers, only for the amount of natural gas used to produce heat in cogeneration plants and thermal power plants for population consumption, compared to 10% estimated in accordance with the timetable, respectively
- an increase of approximately 1% for non-household customers, excepting heat producers for the amount of natural gas used to produce heat in cogeneration plants and thermal power plants for population consumption, compared to 18% estimated in accordance with the timetable.

The application of the provisions of the timetable for gradual phasing out of regulated prices for final customers required analyses on possible evolutions of the purchase price for natural gas from domestic production.

### 2.4.3. Natural gas security of supply

In accordance with Article 102 of Law no. 123/2012 on electricity and natural gas, the Ministry monitors security of supply issues, particularly regarding the supply/ demand balance on the national market at the level of expected future demand and available supplies, envisaged additional capacity, planned or under construction, quality and maintenance of networks and measures necessary to meet peak demand and shortfalls of one or more suppliers. In this respect, every two years, before 31 July, it publishes a report outlining the findings of monitoring these issues, and any measures taken or envisaged to address them and forwards the report to the European Commission.

## 2.5. Consumer protection and dispute settlement in electricity and gas

### 2.5.1. Customer protection

#### Electricity

Law no. 123/2012 on electricity and natural gas sets the definition of "vulnerable customer" as the end customer being part of a residential customer group and for reasons of age, health or low income are at risk of social exclusion, and in order to prevent this risk, benefits from social protection measures, including financial ones. Social protection measures and eligibility criteria are established by norms and regulations. The vulnerable customers are the main beneficiaries of the social aids envisaged in the process of the gradual phasing out the prices/tariffs regulated.

In accordance with the "Procedure regarding terms and conditions for granting the social tariff

to household electricity consumers", approved by ANRE Order no. 38/2005 as lately amended and supplemented, vulnerable consumers with average monthly income per family member less than or equal to the minimum wage set by governmental decision have the right to apply for social tariff. The social tariff was designed based on progressively differentiated increasing prices instalments for consumer, in such a way that up to the threshold of 90 kWh/month the average price of return is less than that resulting from the application of any other tariff for domestic consumers supplied at low voltage. About 1,030,043 consumers (4.5% less than in 2013) of the total of 8,556,650 households benefit of this social tariff.

For the optimum use by household customers of the heating allowance (approved by Government Ordinance no. 27 / 27.08.2013 amending and supplementing Government Emergency Ordinance no. 70/2011 on social protection measures during cold season, published in the Official Journal of Romania, Part I, no. 548 of August 29, 2013), the order approving the regulated tariffs for electricity supplied by suppliers of last resort to household and similar households who have not exercised the eligibility right was amended to allow the client to change the social tariff (beneficial only in cases of relatively small monthly consumption) with another fee for the period of granting the allowance.

We note that the Performance Standard for electricity distribution service approved by ANRE Order no. 28/2007 established the obligation for distribution system operators to offer to the vulnerable consumers with health problems or physical disabilities a range of facilities such as emergency telephone numbers, recording the installation that requires special attention for humanitarian reasons and to avoid disconnection.

According to the Regulation for labelling the electricity supplied to consumers, approved by ANRE Order no. 41/2004 and revised by ANRE Order no. 69/2009, as of 1 January 2005, the electricity supplier has the obligation, once a year but no later than April 15, to issue the electricity bill for each consumer from his portfolio accompanied by the label for the electricity supplied in the previous calendar year.

By ANRE Order no. 64/2014 was approved the new Regulation for electricity supply to final customers. The main provisions of the Regulation relates to:

- Specifying categories of customers and the conditions under which suppliers of last resort provides electricity supply as universal service regime or as last resort supplier;
- The establishment of contracting electricity and transmission and distribution services, of the type and number of required contracts, of the holders of those contracts in various scenarios, assigning a new way of contracting transmission and distribution services in the future;
- Providing a dedicated section for vulnerable customers, specifying the measures taken by the network operator for vulnerable customers for reasons of health / age;
- Shortening the time for switching process, creating the conditions within the period of 21 days imposed by Directive 72/2009 / EC;
- Minimum amount of information that the electricity bill must cover; way of billing;
- Clarify how consumption places connected to networks other than those of the electric distribution concessionaire are supplied, by setting rules for each case, according to the type of contract for the supply used;
- Information offered to end customers;
- Regulation of the power quality supply service.

**The procedure for changing the electricity supplier by the end customer**, approved by ANRE Order no. 105/2014 represents an update of the Procedure for changing electricity supplier, approved by ANRE Order no. 88/2009, as amended and supplemented by ANRE Order no. 14/2011. The review of this document aimed at harmonizing the rules applied in

Romania for switching with EU law, in particular with Directive 2009/72/EC of The European Parliament and of the Council of 13 July 2009 concerning common rules for the internal market in electricity and repealing Directive 2003/54/EC. The main provisions of the procedure concerns:

- Shortening the switching process for a consumption place to 21 days, according to Directive 72/2009/EC; final customer always has the right to terminate the supply agreement, in compliance with contractual terms and the obligation to send to the electricity supplier and to the network operator a notification at least 21 days before changing supplier; It is forbidden the inclusion into the electricity supply contracts of clauses that could impede a change of provider within 21 days;
- The possibility of conclusion of the electricity supply contract in the absence of the network contract;
- Removing the possibility of the suspension of the switching process of the electricity supplier as a result of non-payment of the electricity bills.

Considering the provisions of the Law no. 123/2012 on electricity and natural gas for the regulated market, the universal service of the electricity supply, the tasks and the method of selecting the suppliers of last resort and the need to update/harmonize the regulatory framework during the year 2014 were developed / reviewed the following drafted regulations:

- Regulation for the last resort suppliers on taking over the consumption sites of the final customers who have not secured the electricity supply from any other source;
- Framework contract for the electricity supply to household customers of supplier of last resort;
- Framework contract for the electricity supply to non-household customers of supplier of last resort;
- The methodology for setting up tariffs applied to suppliers of last resort to final customers.

Also it introduced a competitive mechanism for the electricity purchase by suppliers of last resort (simultaneous auctions based on decreased price on the centralized market price for universal service).

With regard to Directive 2009/72/EC of the European Parliament and of the Council of 13 July 2009 concerning common rules for the internal market in electricity which requires to Member States to ensure the implementation of intelligent metering systems in order to support the active participation of consumers on the electricity supply market, provisions that have been transposed into national law (Law no. 123/2012 of the electricity and natural gas), in December 2013 was approved the ANRE Order no. 91/2013 on the implementation of smart metering systems for electricity.

While during the year 2014 significant changes have occurred in the evolution of the legal framework, especially with the entry into force of the Energy Efficiency Law No. 121/2014, whose provisions had have to be transposed into the order on the implementation of smart metering systems, and to enable a greater number of participants to the electricity market to be included in the process of implementing the intelligent metering systems not the least in order to achieve a deeper analysis as pilot projects to ensure the implementation on the basis of objective criteria, it has been initiated the amendment and supplementing of ANRE Order no. 91/2013. Thus in December 2014 it was approved the ANRE Order no. 145/2014.

The concessionaire' distribution operators submitted to ANRE proposals for the implementation of pilot projects during 2015 whose results would provide information needed to establish the terms and elements on developing the national implementation timetable for

smart metering systems and the implementation of the national plan for smart metering systems. ANRE approved 14 pilot projects that include a total number of 97,787 customers.

The benefits resulting from the implementation of smart metering systems will be reflected at final customer's level, by enabling the management of energy consumption, which leads to more efficient consumption and energy savings, access to advanced tariff systems, facilitating the process of switching, in the frame of the electricity market opening.

## **Natural gas**

Taking into account the phasing out of the regulated prices (for non-household customers from 1 January 2015, and on July 1, 2021 for residential customers) and the development of the competition on this market, the establishment of a number of legislative measures to ensure customer access end-to information on commercial terms for the supply of natural gas in the pre-contractual stage and the contractual phase has been considered necessary.

Consequently, ANRE issued Order no. 106/2014 on the procedure for informing end customers by natural gas suppliers on the commercial terms for the supply of natural gas. Providing final customers with various media and handy sources as a key measure to allow final customers to create their own evaluations and comparisons between the commercial terms of the current gas supplier and commercial conditions offered by other suppliers acting on the domestic natural gas market, so choosing and being aware to conclude a sale contract for the supply of natural gas under negotiated terms.

In this regard, the order provides for the pre-contractual stage, suppliers are required to provide information to end-customers on commercial terms for the supply of natural gas, both through its own means and through an interactive web application, to be developed and managed by ANRE.

To enable final customer to compare several offers, it has been imposed the supplier obligation to develop and provide standard offers for categories A1-A2 and B1-B4 of their final customers. The offers are published on their website and their centres of contact, and the final customer request should be made available in printed or electronic format free of charge. However, to be compared, it was established a minimum set of information, which should contain a standard offer.

Also, gas suppliers are obliged to provide to final customer, free of charge, a copy of the contract of sale of natural gas, before the conclusion stage or final form stage of the contract.

During the contractual phase, the information on commercial terms of the natural gas supply is made available to final customers through the contract and the invoice and / or documents attached thereto, and having regard to the provisions concerning the rights and obligations of suppliers and natural gas final customers stipulated within the Law no. 127/2014 amending and supplementing Law no. 123/2012 for electricity and natural gas.

The order establishes the minimum information that the supplier is required to include in their natural gas final customer contract and the obligation to notify the provider final customer of any intention to change to the conditions/contractual terms, including any price/tariff increase, and the notification aims to inform about the right to terminate the contract if the final consumer does not accept the new conditions notified.



As regards the information of final customers through bills and / or attached documents, it is intended that they have the minimum information that enables them to assess the final price invoiced by presenting the price of components and the possibility to understand how to determine billed consumption.

In order to enable the final customers to adjust their own gas consumption it has been introduced the suppliers obligation to periodically make available to final customers (at least every 6 months) price information and their actual consumption of natural gas, comparisons between current consumption and the corresponding past consumption of same period of the previous year and information on the concept of energy efficiency. To give all final customers full, fair and accurate information about the actual consumption of gas it is introduced the requirement that natural gas consumption billing is done by the supplier based on actual consumption, at least once at every six months, in line with provisions of Directive 2012/27 / EU on energy efficiency which states that by 31 December 2014, Member States shall ensure that information on billing is accurate and based on the actual consumption, and billing is required to be based on the real consumption at least once a year.

To quantify the quality of the natural gas supply activity to final customers, by ANRE Order no. 37/2007 regarding the approval of the *Performance standard for the supply of natural gas*, ANRE sets minimum performance level to carry out this activity. The quality of the supply is assessed on the basis of performance indicators.

In 2014, for non-observing the performance guaranteed indicators - PGI the suppliers paid penalties to 31 household customers and 5 non-household customers, amounting to 7.445 lei.

Considering the need to conclude by 1 January 2015 the natural gas sale-purchase contracts for negotiated supply by non-household customers, ANRE approved Order no. 107/2014 for establishing measures on natural gas supply to non-household customers and future elimination of regulated final prices.

By promoting this order, it was aimed on the one hand, the information of the non-household customers from regulated market by suppliers on the steps and implications of the gas market liberalization for them through monthly notifications during November - December 2014 and on the other hand to establish rules concerning the conduct of contractual relationships involving non-household customers amid their transition from the regulated market to the competitive market in order to ensure continuity of gas supply during the cold season for the non-household customers who have not signed up to the liberalization a sale-purchase contract of sale for negotiated supply.

Thus has been established the required information measures for the internal gas market liberalization on 1 January 2015 respectively the monthly notification of non-household customers on the regulated market by their suppliers in the period 1 November to 31 December 2014, as regards the termination of the applicability of regulated price from 1 January 2015 and the need to conclude by 31 December 2014 negotiated sale-purchase contracts for natural gas supply, the commercial proposed offer and information on the options the non-household customer could have when does not accept the supplier offer.

However, through this order it was introduced a transition period in which the non-household customers who have not exercised their eligibility right up to 31 December 2014, will be supplied with natural gas based on their natural gas supply contracts in force at that time, except for the provisions on the regulated final price. Their invoiced price will be the price of the offer proposed by the supplier. By this transition period it was intended to ensure the



continuity of gas supply during the cold season for those non-household customers who have not completed until January 1, 2015 a negotiated sale-purchase natural gas contract.

ANRE monitors the suppliers for the compliance of notification obligation by all non-household customers on the regulated market and all the supply data carried out during the transition period.

With regard to vulnerable customers using natural gas for heating, they receive monthly aid for heating during the cold season, called for natural gas aid. The way the aid is granted is determined through Government Emergency Ordinance no. 70/2011 on social protection measures during the cold season, as amended and supplemented, which is a measure of support, covered by the state budget and / or, where appropriate, local budgets, intended for vulnerable customers with limited incomes up to a threshold established by law that aims to cover all or, where applicable, a part of the costs for heating. The aid amounts and the income levels relate to reference social indicator - ISR.

## 2.5.2. Dispute settlement

### Complaints

**Consumer's complaints management obligations** are included in the licensing conditions, in framework contracts and the supply standards. Supply license holders must ensure the recording, investigating and the solving of complaints made against them by final consumers. It is mandatory that a Customer service department be set up to manage any complaint made against the licensee by a final consumer who considers oneself wronged by the licensee practices. A register of applications, notifications and complaints filed by consumers and the way of solving them must be kept.

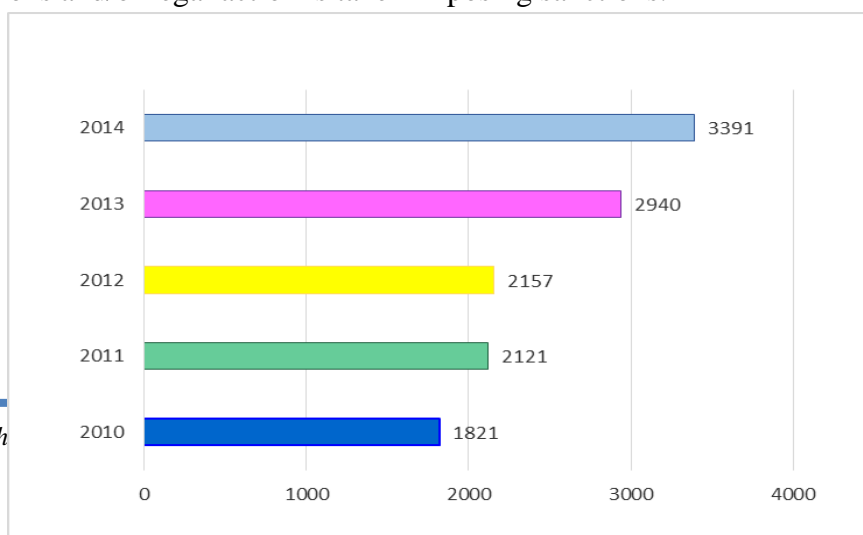
In 2014, electricity supply license holders received 244,460 complaints from final consumers and natural gas supply license holders received 413,635 complaints.

If the consumer is not satisfied with the response of the operator, it may appeal to ANRE under the provisions of Government Ordinance No. 27/2002, as amended and supplemented that assesses and formulates answers to the issues raised in the complaints. Regulator's control actions are required for petitions that require further examination.

The manner to deal these complaints is different depending on the issues addressed: the written answers including explanations, explanations and references to legislation, spot checks, and direct discussions with the parties.

If the problems referred in the petitions concerning infringement of legal provisions by the operators have proved to be justified, ANRE sends reminder letters setting out enforcement measures against legal provisions and/or legal action is taken imposing sanctions.

During 2014, ANRE registered and solved a number of **3391 complaints** submitted by natural and legal persons that benefit/have requested the services provided by operators in the electricity and gas sectors.



Out of the total of 3391 complaints, 2539 were on the electricity and 852 on natural gas.

2626 complaints were sent directly to ANRE and 765 petitions were forwarded to ANRE by other public institutions.

### Electricity

The following table presents the major categories of issues identified in complaints solved in the electricity sector:

No. item	Main issues reported	Total	[%]
1	Electricity billing	689	27.1
2	Electricity quality	359	14.1
3	Suspected theft of electricity	256	10.1
4	Technical connection approval	214	8.4
5	Request for general information	116	4.6

The regulator **control activities** aim at achieving appropriate quality works and service performance requirements required by law to participants involved in the production, transmission, distribution, supply and use of electricity, including those involved in the design and implementation facilities and equipment used for this activity. In 2014, **803 inspections were conducted in the electricity sector**. Following control actions were made **minutes of finding and punishing offences**.

### Natural gas

During 2014, **852 complaints** were for the natural gas sector. All complaints received were resolved in due time and in accordance with regulations, by informing complaints and institutions through which were transmitted to ANRE, as appropriate.

The following table presents the major categories of issues identified in complaints resolved in the natural gas sector:

No. item	Main issues reported	Total	[%]
1	Works involving installations usage, checks, inspections	168	19.71
2	Contracts and bills	140	16.43
3	Connection to the distribution system	126	14.78
4	Access to the distribution system	91	10.68
5	Delivery, disconnection	47	5.51

ANRE conducted **394 inspections in the natural gas sector** during 2014. Following control actions **minutes of finding and punishing offences** were made.

**The total amount of fines imposed on both electricity and natural gas sectors was of 37,301,054.2 lei.**

### Dispute settlement

During 2014, a number of 6 requests were resolved regarding **disputes in the electricity sector** arising from the conclusion of contracts, by applying the provisions of the *Procedure for the settlement of disputes arising from the conclusion of contracts in the electricity and heat produced in high efficiency cogeneration*, approved by Annex to the ANRE Order no. 35/2013.

ANRE mediated a **pre-contractual dispute in the natural gas sector** according to the *Procedure on mediation disputes occurred in the conclusion of contracts for natural gas*, approved by ANRE Order no. 35/2013

**To settle disputes arising in the performance of contracts** between market participants in wholesale and retail markets of electricity or natural gas **ANRE Order no. 61/2013** approving the *Regulation on the organization and functioning of the committee for settling disputes in the wholesale and retail market arising between the participants in electricity and natural gas markets* was issued.

**Network access disputes** were mostly settled by replies to complaints received, without the need to issue decisions in this regard.

The possibility of contesting the individual administrative acts or regulations of the regulator is an important factor in ensuring its accountability to consumers.

Thus, orders and decisions issued by ANRE can be challenged in court by natural or legal persons who believe that by applying those regulations, certain rights have been violated.

Current status of proceedings pending before the courts:

Total: 430 ongoing cases in 2014, of which 139 have been finalized.

Classification of disputes handled by ANRE in courts in 2014, in the electricity, natural gas and efficiency sector, depending on their subject, is presented below:

- administrative - 105 cases;
- contravention law - 180 cases;
- insolvency - 54 cases;
- labour law - 10 cases;
- claims - 72 cases;
- obligation to make - 1 case;
- criminal law - 1 case;
- free access to public information – 2 cases;
- land fund – 1 case;
- actions in progress – 4 cases;
- land registry complaint – 1 case.

Of the total number of cases completed in 2014, respectively 139, 96% were solved favourably by ANRE.

### 3. Electricity market

#### 3.1. Network regulation

##### 3.1.1. Unbundling

According to the provisions of Law no. 123/2012 on electricity and natural gas, the transmission system operator is organized and operates according to the **independent system operator model (ISO)**.

In the first half of 2014, ANRE has monitored the fulfilment of conditions contained in ANRE Order no. 90/2013 regarding the certification of the transmission system operator according to "independent system operator" (ISO) model. In parallel, ANRE has acted in support of relevant Romanian state entities in order to amend the legislative framework to allow separation of ownership rights to the C.N. Transelectrica - S.A. by applying Article 9 (6) of the Electricity Directive, so that there is an effective separation between the powers of the state. ANRE announced the main institutions of the Romanian state about the necessary measures to be adopted to complete certification of transmission system operator in term of 6 months, referred in the order.

On expiry of the deadline, the requirements laid down in the art. 2 and 5 of ANRE Order no. 90/2013 were partly met, given the fact that the draft law for the approval of the Government Emergency Ordinance no.6/2014 amended and supplemented by the requirements of the certification was passed for the approval in the Chamber of Deputies (decision-making body for the draft law), following the approval need to be promulgated by the President of Romania and shall come into force by the publication of the law in the Official Journal of Romania.

With the entry into force of Law no. 117/2014 approving Government Emergency Ordinance no. 6/2014 were fully met the requirements of Articles 2 and 5 of ANRE Order no. 90/2013, conditions necessary to meet requirements for certification of transmission system operator.

As a result, ANRE reviewed the new condition of certification and approved the certification of the National Electricity Transmission Company – "Transelectrica" SA, by issuing ANRE Order no. 91/06.08.2014. The Order was communicated to the European Commission and on 10.11.2014, according to the law in force, ANRE notified the European Commission on the certification as an independent system operator of the National Electricity Transmission Company – "Transelectrica" SA.

Based on the provisions of Government Emergency Ordinance no. 6/2014 the public entity representing the state as shareholder of the Company is the General Secretariat of the Government and the contracting authority for the concession of the transmission network assets and the lands on which it is located is the Ministry of Public Finance.

By publication on 17 December 2014 of the Government Emergency Ordinance no. 86/2014, the rights and obligations arising as shareholder to C.N. Transelectrica S.A. is transferred from the General Secretariat of the Government to the Ministry of Economy, Trade and Tourism.

CN Transelectrica SA manages and operates the electricity transmission system and ensures electricity exchanges between the countries of Central and Eastern Europe as a member of ENTSO-E (European Network of Transmission System Operators for Electricity). The length of overhead electricity networks operated by CN Transelectrica SA is of approx. 8775 km

**The ownership structure of CN Transelectrica SA in December 31, 2014** is as follows: 58.688% - the Romanian state, 28.41% – other corporate shareholders, 6.92% - other shareholders, physical persons, 5.98% -SIF Oltenia. The company has been listed on the Bucharest Stock Exchange since August 2006.

In 2014, in the Romanian electricity market have operated a total of 51 electricity distribution operators, from which 8 are serving over 100,000 customers. All 8 companies have completed the legal separation of the distribution activities of electricity supply. Electricity distribution operators with less than 100,000 customers do not have the obligation to legal unbundle the distribution activity from other company activities in accordance with Directive 72/2009/EC on common rules for the internal electricity market.

The ownership structure of the 8 distribution operators with more than 100,000 consumers is as follows:

1. **SC CEZ Distribuție SA:** CEZ A.S. – holding 99,9999986019 % share capital, CEZ POLAND DISTRIBUTION B.V. - holding 0,00000139810 % share capital;
2. **SC Enel Distribuție Banat SA:** Enel Investment Holding B.V. - holding 51,004 % of shares, S.C. Electrica S.A. - holding 24,868 % of shares, Fondul Proprietatea S.A. - holding 24,128 % of shares;
3. **SC Enel Distribuție Dobrogea SA:** Enel Investment Holding B.V.- holding 51,004 % of shares, Societatea de administrare a participațiilor în energie (SAPE) S.A. - holding 24,903 % of shares, Fondul Proprietatea S.A. - holding 24,094 % of shares;
4. **SC Enel Distribuție Muntenia SA:** Enel Investment Holding B.V – holding 64.43 % of shares, Societatea de administrare a participațiilor în energie (SAPE) S.A. - holding 23.57 % of shares, S.C. Fondul Proprietatea S.A. – holding 12 % of shares;
5. **SC E.ON Moldova Distribuție SA:** E.ON Romania S.R.L. – holding 51 % of shares; S.C. Electrica S.A. – holding 27 % of shares, Fondul Proprietatea S.A. – holding 22 % of shares;
6. **SC FDEE Electrica Distribuție Transilvania Sud SA, SC FDEE Electrica Distribuție Transilvania Nord SA and SC FDEE Electrica Distribuție Muntenia Nord SA,** with the following ownership structure: S.C. Electrica S.A. – holding 78 % of shares and Fondul Proprietatea S.A. - holding 22 % of shares.

The transmission and distribution operators have offices, logos and webpages.

Financial statements of the TSO and distribution operators are published separately.

The regulator establishes detailed rules on costs separation. These rules are included in the conditions for the license granted for transmission and distribution activities and in the specific methodologies for calculating network tariffs. The normative acts in force provide for sanctions in case of breach of requirements on unbundling.

### 3.1.2. Technical functioning

#### Balancing Market

The balance between electricity demand and production is established on a commercial basis, in real time, on the **Balancing Market** (BM). Operating rules for the balancing market were

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established by **ANRE Order no. 25/2004** on the approval of the wholesale market Commercial Code, as amended and supplemented.

To ensure availability of enough electricity to balance the system, the TSO contracts reserves (ancillary services) for periods of one year maximum (regulated contracts or concluded on the ancillary services market). Each contract for reserves establishes the obligation of the seller to hourly provide the TSO a certain amount of reserves, of a particular type, the energy corresponding to the power reserved must be available on BM.

BM begins the day before, after physical notifications were accepted by TSO and ends on the end of the day of delivery. BM is a compulsory market, which means that participants who operate dispatchable units are obliged to offer all available electricity on this market. The balancing energy corresponding to secondary, fast tertiary and slow tertiary regulation is traded on BM.

The balancing energy is ensured by:

- a) power increase, respectively by increasing production of a dispatchable unit or by reducing consumption of a dispatchable consumer or a pumped storage power plant that is registered as dispatchable consumption;
- b) power decrease, respectively by reducing production of a dispatchable unit or by increasing consumption of a pumped storage power plant registered as dispatchable consumption.

BM participants must submit daily offers for the amount of balancing energy they can make available in each dispatching interval (60 minutes) to increase and reduce power.

All valid offers on the balancing market establish the obligation of a BM participant to deliver the amount tendered on BM when it receives order from the TSO.

Only actually delivered quantities of balancing energy are paid on the BM. Payment for balancing energy corresponding to secondary regulation is based on the marginal price of the selected offers, and for the tertiary regulation, payment is made at the price of the selected offer.

Each license holder must assume financial responsibilities towards the TSO for ensuring the physical balance between the measured production, the scheduled purchases and *imports* of electricity, on the one hand and measured consumption, scheduled sales and electricity *exports*, on the other hand, for one or more *points of connection* and/or one or more *transactions*. Balancing responsibility is assumed by the BRP, established by the TSO at the license holders' requests. A license holder can register as a BRP or can transfer the balancing responsibility to an existing BRP.

If a BRP is in negative imbalance, it will pay the amount of electricity bought from the TSO for balancing, with the hourly price for energy deficit, and if a BRP is in positive imbalance, it will sell the excess energy to the TSO at the hourly price for power surplus.

Surplus energy price is determined for each dispatching interval as the ratio of incomes resulting from the balancing of the system and the amount of balancing energy supplied to provide reduction of power during the respectively dispatching period. Energy deficit price is determined for each dispatching interval as the ratio of payments to balance the system and the amount of balancing energy supplied to provide power increase in the respectively dispatching interval.

Imbalance settlement is made after determining the measured values for all measurement points of the participants, settling disputes/ approval by the participants of the values and their aggregation on BRP's, according to the aggregation formulas announced to the measurement



operator; under these conditions, imbalance settlement is done within about 2 months after the end of the month of delivery. The market model leads to net incomes/costs for the TSO after the system balancing, and their calculation and redistribution to suppliers are made at the same time, proportionally to the consumption of the consumers supplied by each of them.

A single balancing area is defined in Romania, operated by a single licensed system operator / balancing market operator, CN Transelectrica SA. Interaction with other control areas is made through exchanges of mutual aid between TSOs, and not through the acceptance of offers that are to be integrated into a common merit order.

### Performance standards and network connection issues

**The performance standard for the transmission service** was revised in 2007, being approved by ANRE Order no. 17/2007.

The main performance indicator concerning the continuity of electricity transmission service is the **average interruption time** - AIT, which represents the equivalent average period of time, expressed in minutes, in which the power supply was interrupted. This indicator's evolution is presented below:

Year	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Average interruption time (AIT), min/year	4.43	1.19	0.86	1.79	0.82	3.10	1.06	1.53	0.35	0.82

From 1 January 2008 the **Performance standard for the electricity distribution service** is applied, approved by ANRE Order no. 28/2007. The standard requires distribution operators (DSO) to monitor continuity of electricity supply, which requires registration of all long outages (any interruption lasting more than 3 minutes).

Monitoring the continuity of electricity supply is realized by calculating the SAIFI and SAIDI indicators for each voltage level separately for urban and rural areas.

**SAIFI** – System Average Interruption Frequency Index for a consumer is the average interruption number borne by consumers supplied by the DSO. It is calculated by dividing the total number of consumers interrupted for over 3 minutes, to the total number of consumers supplied.

**SAIDI** – System Average Interruption Duration Index for a consumer is the average interruption time of consumers at DSO level (weighted average). The indicator is calculated by dividing the cumulative long interruptions to the total number of consumers supplied (served) by DSO. It is an indicator of higher order.

Depending on the type of interruption, SAIFI and SAIDI indicators are classified as follows:

- a) planned outages,
- b) unplanned outages caused by force majeure,
- c) unplanned outages caused by users,
- d) unplanned outages, excluding those caused by force majeure and by users (due to DSO).

The most important are the values of the indicators for planned interruptions (a) and for unplanned interruptions (d), due to distribution operators. In fact, regularly, the values of the indicators for cases (b) and (c), which are not due to DSO, are very low.

The average values of SAIFI and SAIDI indicators in 2014 for Romania are shown below.



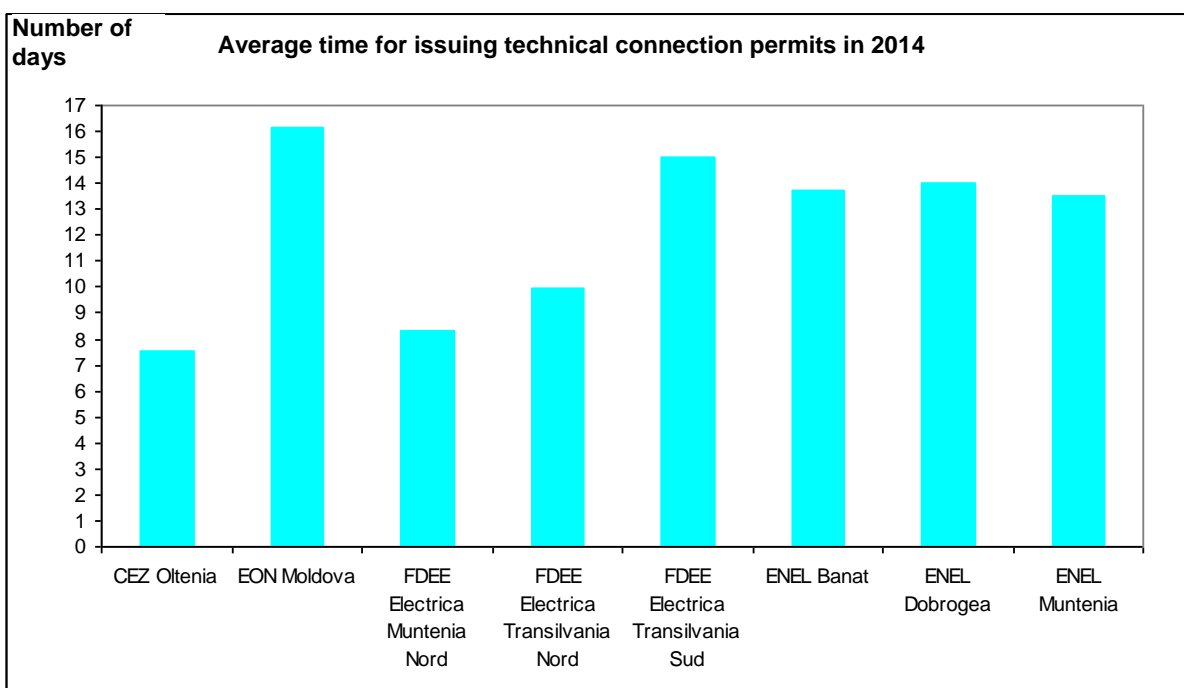
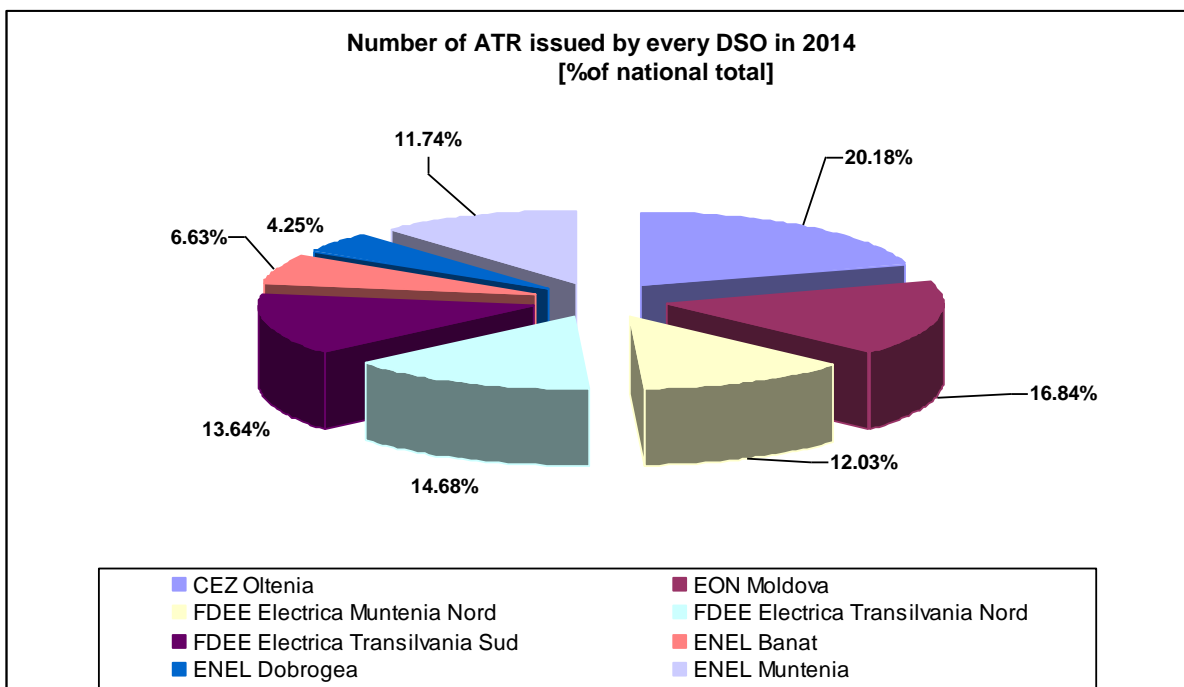
Activity area	SAIFI Planned outages [outages/year]	SAIFI Unplanned outages due to distribution operator [outages/year]	SAIFI Total outages [outages/year]
Urban	0.28	2.97	3.25
Rural	1.4	6	7.4
National Average	0.8	4.35	5.15

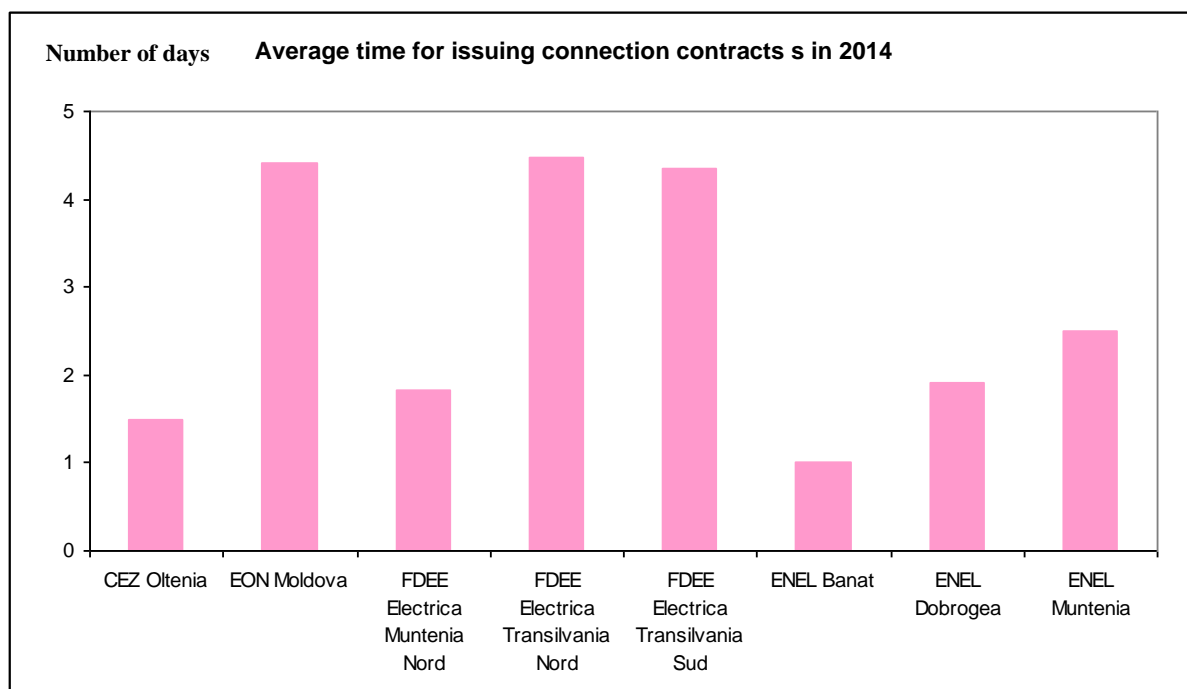
Activity area	SAIDI Planned outages [min/year]	SAIDI Unplanned outages due to distribution operator [min/year]	SAIDI Total outages [min/year]
Urban	86	184	270
Rural	403	574	977
National Average	230	361	591

**The procedures and stages of connection and the way of establishing connection tariff** is regulated by *Regulation on connecting users to public electricity networks, approved by ANRE Order no. 59/2013*, with subsequent amendments and *Methodology for setting tariffs for connecting users to public electricity networks, approved by ANRE Order no. 11/2014*, as amended and supplemented.

**The average time for issuing the technical permits for connection** in 2014 for Romania was 12.28 days, ranging from 7.56 days for CEZ Oltenia and 16.1 days for E.ON Moldova. The maximum period of 30 days was respected by all DSOs.

**The average time for issuing connection contracts** was 2.7 days, ranging from 1 day for Enel Banat to 5 days for Electrica Transilvania Nord. It is noted that the standard time for issuing the connection contract offer is 10 calendar days from the registration of application (accompanied by the full documentation), the average time period falling within the statutory period for all DSOs.





By Regulation on connecting users to public electricity networks, approved by ANRE Order no. 59/2013, which came into force in 18.12.2013, there were introduced several terms in the connection process, mandatory for network operators, in order to reduce the duration of the connection process for users.

### Monitoring safeguard measures

The provisions of Article 37(1) (t) of Directive 2009/72/EC have been transposed in national legislation by Article 9(4) (k) of Law no. 160/2012 on the organization and functioning of ANRE.

ANRE Order no.142/03.12.2014 approved the *Regulation regarding the safeguard measures for the crisis situations arising in the functioning of the National Power System*. According with the provisions of article 24 of the Law no. 123/2012 on electricity and natural gas, as amended and supplemented, the transmission system operator – C.N. Transelectrica S.A. is required to develop and propose to ANRE for approval a set of technical and commercial regulations as safeguard measures to be taken in order to remedy the crisis situations in the operation of NPS.

The Regulation establishes the safeguard measures, both technical and commercial, and describes the technical ones. These measures apply for foreseeable energy crisis, anticipated on the short and medium adequacy analysis of NPS.

The measures to be taken to prevent the crisis situation in operation of NPS that do not affect the functioning of the electricity market, are the following:

- To load up the groups to the maximum available power (including to start the reserved groups);

- To increase the available power of NPS by using the production units under repair (to put in service the groups under repair ahead of the schedule) and/or to remove from preservation of the production units;
- To reduce the declared dispatchable consumption as load offer on the balancing market;
- To request emergency aid from neighbouring TSOs;
- Pass to the minimal voltage band operation in the distribution network.

The technical and commercial safeguard measures to be taken by the TSO in NPS functioning crisis situation, after applying the prevention measures mentioned above, are the following:

- To grow the ancillary technological reserves in the production units that can operate on alternative fuel ( ex. oil fuel), for use as appropriate;
- To reduce/to cancel available interconnection capacity (ATC) on export;
- To reduce/to cancel notified exchanges on export;
- To limit on instalment of the electricity consumption, as determined by the Government decision and in compliance with the regulation regarding limitations.

TSO has the obligation to prepare and submit for approval to ANRE the procedure regarding the development and the implementation of the regulation regarding limitations.

In 2014 there was no unexpected crisis in the electricity market that would threaten physical safety or security of people, appliances or installations or the integrity of the power system.

### **Report on connection, access and dispatching regimes for RES-E. Balancing responsibility for RES-E**

In year 2014, the gross installed capacity in the National Power System recorded a growth of 3.4% compared to 2013, mainly due to generation units using renewable energy sources (approx. 90% of the total).

The transmission system operator and/or distribution operators ensure the transmission, distribution, as well as **priority dispatching** of the electricity generated from renewable sources for all renewable energy sources generators, regardless of capacity, on the basis of transparent and non-discriminatory criteria, with the possibility of amending the notifications within the business day, according to the ANRE approved methodology. The limitation or interruption of electricity production from renewable energy sources shall be applied only in exceptional cases where this is necessary for ensuring the stability and security of the National Power System.

**Guaranteed access to the network** is ensured for the electricity contracted and sold on the electricity market that is benefiting from the support system for renewable energy sources. **Priority access to the network** is ensured for electricity contracted and sold at regulated price (generated in power plants with an installed capacity of less or equal 1 MW per plant or in the case of high efficiency cogeneration from biomass, 2 MW per plant).

Dispatchable production units using renewable sources are responsible for payment of the imbalances created.

### **3.1.3. Network tariffs**

Tariffs for electricity transmission were approved in 2014 based on **the Methodology for setting tariffs for electricity transmission service**, approved by **ANRE Order no. 53/2013**, incentive revenue cap methodology, which aims:

- an equitable allocation of earnings resulting from increased efficiency in transport activity over the targets set by the regulatory authority, between transmission system operator and transmission service customers;
- framework for the efficient functioning of the transport company;
- prevention obtaining the transmission system operator any possible advantages caused by the monopoly position;
- promoting efficient investment in electricity transmission network;
- promoting efficient maintenance and operation practices;
- efficient use of existing infrastructure;
- continuously improve the quality of transport service;
- financial viability of the transmission company.

In 2014, the annual regulated revenues of transmission services were forecasted for the period July 1<sup>st</sup>, 2014 – June 30, 2015 based on the costs forecast deemed to be justified for and based on the annual investment programs proposed by the operator and accepted by ANRE. The revenues were linearized so as to ensure a uniform and predictable trend for the annual tariffs evolution, with compliance to a maximum variation, established by the methodology at 7% for the average tariff and to 10% for the regional tariffs. Annually, the regulated income will be corrected in order to ensure the limited forecasted revenue (revenue cap). The transmission operator is required to reduce certain costs in case of decreasing of the amount of the transmitted electricity.

The mechanisms to stimulate efficiency of electricity transmission service have been established by promoting efficient investment in electricity transmission network, reducing losses, reducing operating and maintenance costs and increase quality of service for the third regulatory period.

The transmission tariff is, currently, monomial and has two components – for the network injection of the electricity and extracting electricity from the grid. Transmission tariff components are different on different tariff zones, according to the impact of the electricity injection or extraction in/from the grid node, expressed by the nodal marginal cost of the transmission.

When designing costs/incomes for each year of the regulatory period, methodological provisions were applied regarding:

- defining an additional mechanism of stimulating a technological consumption buying price reduction with the possibility of retaining a share of the resulting efficiency gain value;
- establishing criteria for prioritizing investment projects, conditions on setting the regulated normal life of fixed assets resulted from investments and conditions for recognition in a regulated base of assets and investments made in addition to the approved investment plan;
- incorporating the provisions of Regulation (EC) no. 714/2009 and Regulation (EU) no. 838/2010, according to which the revenues and costs resulting from the implementation of the compensation mechanism between transmission system operators and the regulated transit tariff are determined by the European Network of Transmission System Operators for Electricity - ENTSO-E and not by ANRE;
- including the provisions of Regulation (EC) no. 347/2013, according to which the projects of European interest are a special category in the key investments, whose funding source

is the revenues from interconnection capacity allocation, respectively other European funds;

- including the provisions of Regulation (EC) no. 714/2009, according to which the revenues of the transmission system operator from transmission capacity allocation on the interconnection lines are used for guaranteeing the actual availability of the allocated capacity and/or for maintaining or increasing interconnection capacities through investments in the transmission network, in particular investments in new interconnection capacities.

Transmission system operator's activity is monitored by the ANRE, in accordance with the provisions of the *Guide on completing the models for monitoring the activity of the transmission system operator*, approved by ANRE decision no. 1769/2006.

TSO provides market participants with information on the average transmission tariff, regional tariffs of injection and extraction of electricity to/from the transmission network, regulations on users' connection to the public transmission network.

C.N. Transelectrica S.A. tariffs for the electricity transmission service, starting with January 1<sup>st</sup>, 2014, were approved by **ANRE Order no. 96/2013** and are the following:

- average transmission tariff – 22.16 lei/MWh;
- average tariff for the injection of electricity in the networks (TG) - 10.16 lei/MWh, with a variation between 5.98 and 12.32 lei/MWh for the 7 injection zones;
- average tariff for the extraction of electricity from the networks (TL) – 12.00 lei/MWh, with a variation between 9.49 and 13.84 lei/MWh for the 8 extraction zones.

ANRE Order no. 51/2014 approved C.N. Transelectrica S.A. tariffs for the electricity transmission service, starting with July 1<sup>st</sup>, 2014, namely:

- average transmission tariff – 22.50 lei/MWh;
- average tariff for the injection of electricity in the networks (TG) - 10.30 lei/MWh, with a variation between 6.04 and 12.32 lei/MWh for the 7 injection zones;
- average tariff for the extraction of electricity from the networks (TL) – 12.20 lei/MWh, with a variation between 9.63 and 14.05 lei/MWh for the 8 extraction zones.

The increase by 0.34 lei/MWh, respectively by 1.5% of the average transmission tariff from July 1<sup>st</sup>, 2014, compared to the approved tariff to the first half of 2014 was mainly due to the investment program proposed by the operator transmission system for the third regulatory period, by approx. 15% higher than the previous program period, and to inclusion in the regulated cost for the transmission service of two additional charges: tax on natural monopoly in the electricity sector, established by Government Ordinance no. 5/2013 regarding the setting out of special tax measures for the activities of natural monopolies in the electricity and natural gas, as well as special construction tax, established by Government Emergency Ordinance no.102/2013 amending Law no.571 / 2013 on the Fiscal Code and regulation of fiscal and financial measures.

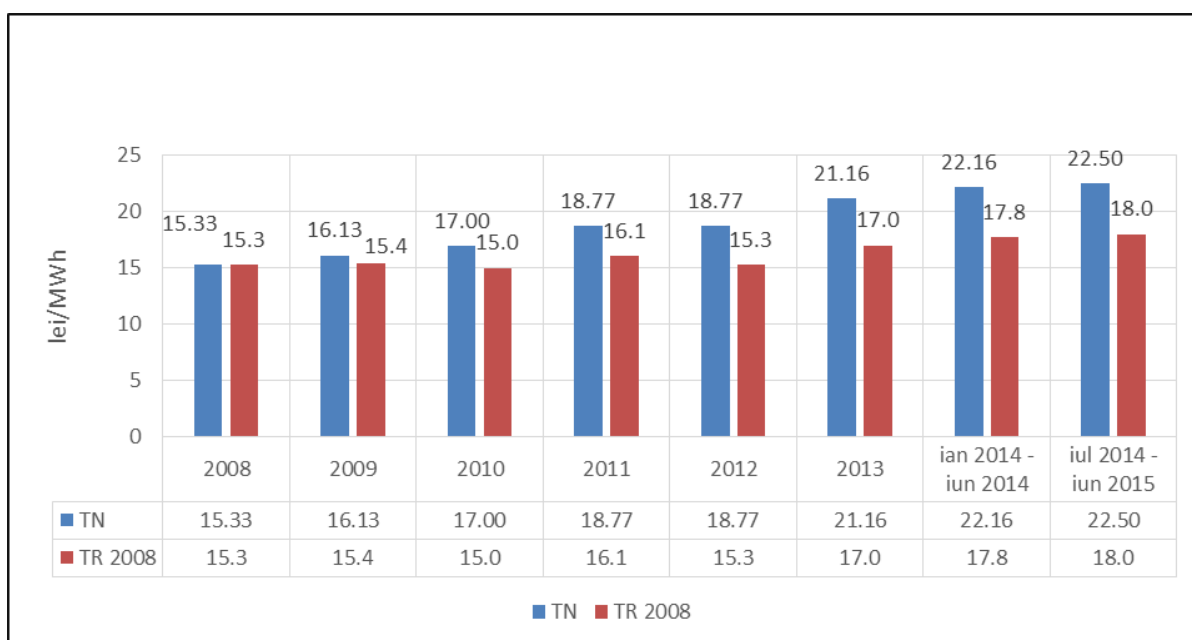
Thus, the amount of these charges was in 2013 approx. 8.000.000 lei, which in transmission tariff represents approx. 0.7% and in 2014 was approx. 23.8 mil. lei, which in transmission tariff represents approx. 2%.

**Zonal transmission tariffs registered increases of up to 4%.** It should be emphasized that the allocation of costs nodes transport service, took into account the additional input of electricity in electricity networks, bounded by the electricity transmission network nodes

(RET) 400/110 kV electrical stations created by Rahman, Stupina and Tariverde to which there are connected wind power plants. In this way, additional costs due to wind power integration RET were transferred to their task. Increased power flows in RET due to significant integration of NPS power from renewable sources located mainly in certain areas of the country, surplus areas in terms of electricity production, has increased the own technological consumption (CPT) in RET.

Regional transmission tariffs increased up to 4%. It should be emphasized that the allocation of the transmission costs on nodes took into account the additional electricity injection zone, bounded by the electricity transmission network nodes (RET) created by the electrical stations of 400/110 kV Rahman, Stupina and Tariverde to which are connected wind power plants. The increase of the power flows in RET due to significant integration in NPS of the power produced by renewable **energy** sources, mainly located in certain areas of the country, surplus area in terms of electricity production, has led to increased technical consumption in RET.

Evolution of the average transmission tariff from 2008 to June 2015 is presented in the following figure, in nominal terms (TN) and in real terms in 2008 (TR 2008).



**Distribution tariffs** are monomial (lei/MWh) and differentiated by three voltage levels: high voltage (110 kV), medium voltage, low voltage and by distribution operators. The regulator approves the distribution tariffs for each distribution operator. Distribution tariffs are calculated according to a “tariff cap basket” methodology. Based on this regulation method, the regulation periods are set for 5 years, except the first period which was of only 3 years (2005-2007).

By **ANRE Order no. 72/2013** was approved the *Methodology for setting tariffs for electricity distribution* which shall apply from 1 January 2014 to determine regulated tariffs in the third regulatory period (2014-2018).

This type of incentive regulation ensures:

- fair allocation of earnings obtained from the increase of efficiency beyond the targets set by ANRE, between the distribution operator and the beneficiaries of the distribution service;



- financial viability of the distribution companies;
- effective and efficient operation of the distribution companies;
- preventing the distribution operator's abuse of dominant position;
- promotion of efficient investments in the electricity distribution network;
- promotion of efficient practices for the operation and maintenance of the electricity distribution network;
- efficient use of the existing infrastructure;
- safe operation of the distribution network;
- improvement of the quality of the distribution service;
- a transparent approach of the regulatory process.

In accordance with the provisions of this Methodology, annual regulated revenues related to the distribution service are forecasted for the entire regulatory period (2014-2018) based on service costs deemed justified, and based on annual investment programs proposed by the operators and accepted by ANRE; specific tariffs forecasted based on revenues and forecasted distributed electricity are linearized so as to ensure an uniform and predictable annual tariff evolution trend, set into a maximum variation limit, established by the methodology at 10% for every specific distribution tariff and 7% for weighted average tariff. Corrections of the regulated revenue are determined annually, so that it would not to exceed the price cap.

The methodology includes mechanisms to stimulate the efficiency of the electricity distribution network by promoting efficient network investments, reducing the technological consumption, reducing operating and maintenance costs and increasing service quality.

During 2014, the methodology above mentioned was amended and supplemented by **ANRE Order no. 112/2014**. The amendment of the Methodology was necessary to create a legal framework enabling the redesigning of the distribution tariffs in exceptional situations. Such a situation was considered to be the privatization of SC Electrica SA, thus the company has founding sources and the three concessionaire operators S.C. Electrica Distribuție Muntenia Nord S.A., S.C. Electrica Distribuție Transilvania Nord S.A. and S.C. Electrica Distribuție Transilvania Sud S.A. can achieve an investment program, more ambitious than the one engaged in 2013. Essentially, the main changes in the methodology took into account:

- changing the mechanism for granting the efficiency gain by reducing the technological consumption progressively on all voltage levels compared to the approved target, evaluated at the end of the regulation period;
- cancelling the update of the assets regulated base value on the inflation;
- to categorize in the investment category all the expenses related to the replacement of parts of the fix assets which has as a result the improvement of the technical parameters or are indispensable at regular interval in order to ensure continuous operation of the fixed assets, for which a regulated rate of return reduced by 3 percentage points applies compared to the regulated rate of return applied to the new investments;
- waving the increase by 0.5 percentage points of the regulated rate of return (RRR) that applies to investments in smart metering systems as effective metering implementation leads to economic benefits for the operators;
- including the possibility of revising the RRR from the second year of a regulatory period given the development of the parameter value considered in its determination in order to put in line this parameter to the reality of the national and international economy and the amendments incurred regarding the parameter value considered to substantiate the RRR.

Changes to the methodology approved by ANRE Order no. 72/2013 had to supplement and detail the three incentive mechanisms to increase the efficiency of distribution operators through: effective investments in networks, reducing network losses and reducing operating costs / maintenance controllable. It is estimated that these changes will have a positive impact on the activity of these operators and the end users by creating the regulatory framework that makes it possible to reduce distribution tariffs where operators do not make the necessary efforts to streamline the work fulfilling targets thereof.

In accordance with art. 68 para. (4) of the methodology approved by ANRE Order no. 72/2013, as amended by ANRE Order no. 112/2014, to avoid recognition within the structure of distribution tariffs of excess capital costs, starting the second year of the regulatory period, ANRE has the right to revise the value of RRR depending on the evolution of the parameters considered in its determination.

Given this methodological provision, by ANRE Order no. 146/2014, the regulated rate of return used in the approval process of distribution tariffs provided by the concessionaire operators of distribution was approved. Thus, as of January 1<sup>st</sup>, 2015, regulated rate of return (RRR), expressed in real terms before taxation applicable to distribution tariffs provided by the concessionaire operators of distribution is 7.7%.

RRR change leads to lower tariffs for electricity distribution by approx. 2-3% annually from 2015 until the end of the regulatory period 2014-2018, with the risk of investments reduction and consequences in the achievement of investment programs initially undertaken.

However, in the event of reducing the amount of annual investments made in relation to the forecasted engaged, there will be large negative adjustments both at the time of the annual corrections and at the time of the corrections made at the ending of the regulatory period.

The work undertaken by the concessionaire operators of the electricity distribution is monitored monthly by ANRE, according to ANRE Decision no.1713/23.07.2014 approving monitoring layouts of the activity of the concessionaire distribution operators and of the completing guide.

Specific tariffs for electricity distribution service applied by the concessionaire distribution operators, in 2014, were approved by ANRE orders no. 98 to 105 in 2013.

The country specific average distribution tariffs, on the voltage levels, approved for the concessionaire distribution operators, in 2014, are:

- specific average tariff for high voltage – 21.55 lei/MWh,
- specific average tariff for medium voltage – 42.67 lei/MWh,
- specific average tariff for low voltage – 134.78 lei/MWh.

These tariffs have been determined by making closing corrections of the second regulatory period 2008-2012, including 2013, which was an intermediate year between the second and third period of regulation.

In determining the corrections mentioned, ANRE analysed justified costs of the distribution system operators, and the results of incentive mechanisms for the increase service efficiency and the costs development for the operation-maintenance, evolution of the costs for own technological losses and development of the indicators for the service performance, given the significant investments in electricity networks of operators made in 2008-2013. Furthermore, ANRE have opened inspections at the distribution operators with the aim of analysing the

correctness of their reported costs, especially those with outsourced services, provided by third parties. Also, corrections have included the redistribution to customers of 50% of gross profits achieved by concessionaire distribution operators from the reactive energy and other activities, given that for these activities it is used the regulated asset base and it is remunerated by the distribution tariff, but that it has not been allocated among distribution service and other activities.

At the end of 2014, ANRE approved **Orders no. 149 to 156** for the tariffs for electricity distribution service, applied by the concessionaire distribution operators in 2015. In determining these tariffs were applied provisions of the Methodology establishing tariffs for electricity distribution, approved by ANRE Order no.72/2013, amended and supplemented by ANRE Order no.112/2014 and took into account the value of the regulated rate of return approved by ANRE Order no.146/2014. The closing corrections for the last four months of 2013 were determined and applied, as well as those resulting from the data expected to be completed in 2014. Also, corrections have been applied resulting from the modification of some methodological provisions, approved by ANRE Order no.112/2014. The corrections applied to determine the regulated tariffs for the electricity distribution service, those for the second period and those for the entire year, related to 2014, are shown in the following table:

Operator	Correction 2013	Correction 2014	Total corrections
Enel Distributie Muntenia	-56.253.937	11.114.625	<b>-45.139.312</b>
Enel Dobrogea Banat	-39.454.506	138.809	<b>-39.315.697</b>
Enel Distributie Dobrogea	-28.868.542	2.473.694	<b>-26.394.848</b>
CEZ Distributie	29.990.513	-1.670.701	<b>28.319.812</b>
E.ON Distributie Romania	-66.994.226	-15.209.477	<b>-82.203.703</b>
Electrica Distributie Muntenia Nord	-88.333.527	-14.731.852	<b>-103.065.378</b>
Electrica Distributie Transilvania Nord	-36.730.470	-11.693.703	<b>-48.424.174</b>
Electrica Distributie Transilvania Sud	-18.303.244	-15.342.309	<b>-33.645.553</b>

Thus, country specific average tariff, on the voltage levels, approved for the concessionaire electricity distribution operators, for 2015, are:

- specific average tariff for high voltage – 21.71 lei/MWh,
- specific average tariff for medium voltage – 42.60 lei/MWh,
- specific average tariff for low voltage – 132.85 lei/MWh.

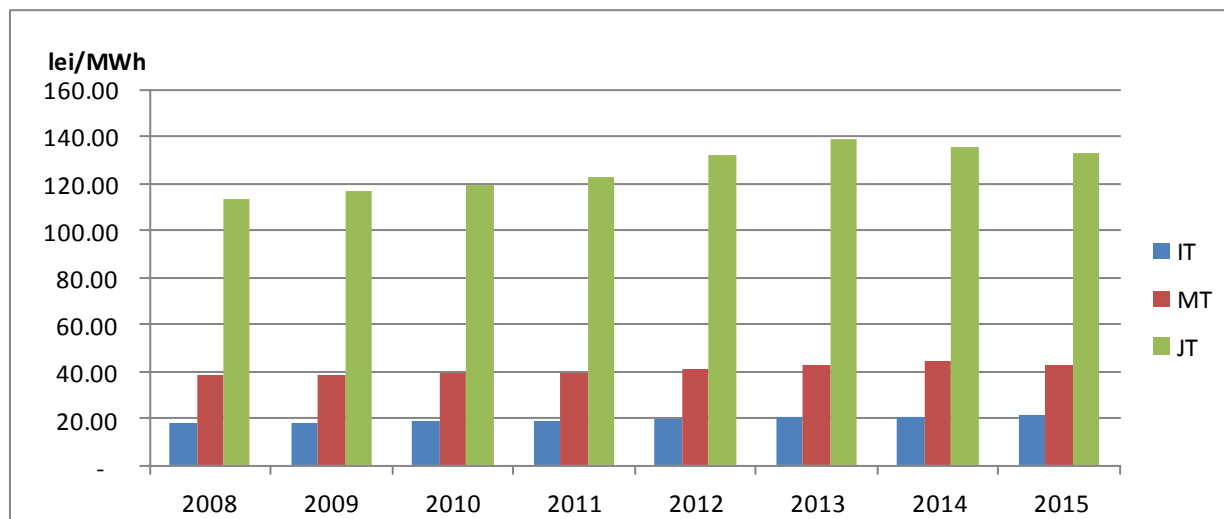
It is found that average tariffs have remained quasi constant (+ 0.7% variation of high voltage - medium voltage 0.1% - 1.4% low voltage relevant to households).

The country average tariff resulted of 122.86 lei/MWh decreased by approximately 0.4% compared to the average national rate 123.38 lei/MWh in 2013.

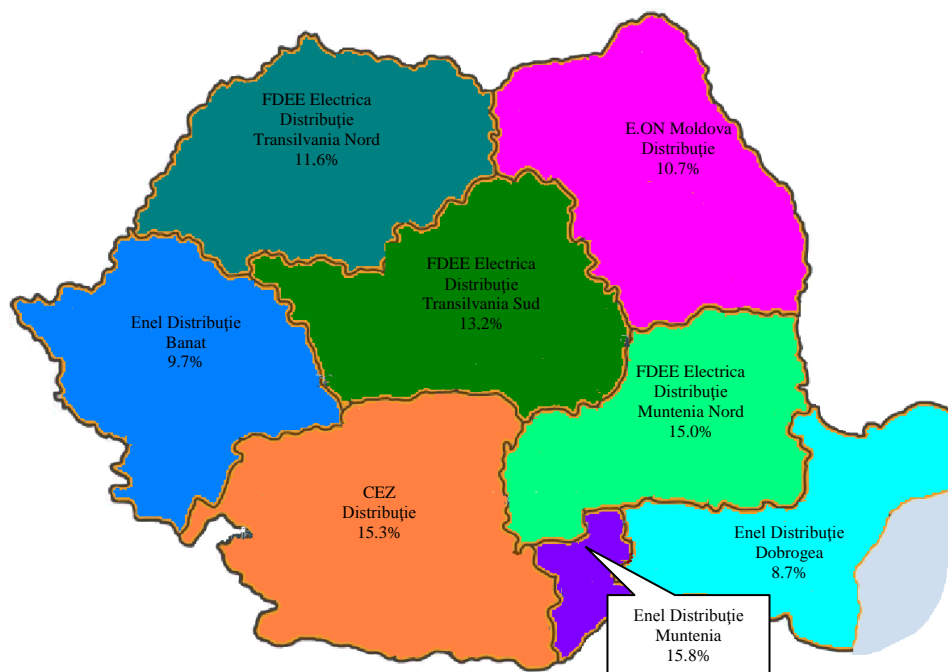
It should be noted that the charge on natural monopoly in the electricity sector and the special constructions charge applied in 2013 and 2014 had a significant impact on the distribution tariffs, as the electricity transmission tariff.

Thus, at the country level, the amount of these charges was in 2013 approx. 28.000.000 lei, which represent approx. 0.6% of the average distribution tariff and in 2014 approx. 186 million lei, which in the average distribution tariff represents approx. 4 %.

The following figure shows the evolution of the specific average tariffs for electricity distribution for the period 2008-2015:



Share of electricity distributed by concessionaire distribution operators of the total electricity estimated to be distributed nationwide, in 2014 (40,5TWh), is shown in the following figure:



Tariffs for the distribution service provided by operators other than concessionaire distribution operators are approved by ANRE at the request of distribution system operators that own, operate, maintain and develop distribution networks and platforms in industrial parks or designated heritage areas and have connected users - beneficiaries of the distribution service.

Tariff rates were determined in 2014 based on the *Methodology for determining the tariff for electricity distribution service operators other than concessionaire distribution operators*, approved by ANRE Order no. 21/2013.

The *Methodology* provides tariff setting by the "cost +" method, i.e. based on justified costs and a regulated rate of return of up to 5%.

During 2014, ANRE approved a total of 11 decisions approving the tariff for electricity distribution service provided by operators of distribution, others than concessionaire distribution operators.

### **Connection tariffs**

**ANRE Order no. 141/2014** approves the tariffs that users pay the network operators for the connection to public electricity networks, established in accordance with the *Methodology for setting tariffs for connecting users to the public electricity networks*, approved by ANRE Order no. 11/2014, with subsequent amendments, namely the connection tariff components:

$T_R$  - component for achieving adequate connection installation, set based on specific categories to achieve energy capacity of network elements, possible components of a connection installation, according to standard schemes and terms.

$T_U$  - corresponding component for the verification of the installation file and commissioning of the substation use of this facility, for which they were set specific rates determined on the basis of general estimate for the average case, representative for the type of installation.

$T_I$  – participation component to the finance of the strengthening works of the grid needed to evacuate power approved users (for connecting a generation place or consumption and generation place), which were set specific tariffs for  $T_I$  component calculation corresponding components of a public electricity network.

Before entry into force of ANRE Order no. 141/2014, for the calculation of  $T_R$  and  $T_U$  components, the network operators have used the tariffs and specific indices approved by ANRE Order no. 15/2004. Its provisions are far exceeded the present situation. In this context, the approved values for  $T_R$  component were increased compared to the previous ones within the cumulative growth index of consumer prices for the period 2004 - 2014 (63.97%), while the specific indices are increased with 80% to 141%.

$T_U$  approved values are increased to previous levels but not more than the cumulative growth of consumer prices for the period 2004 - 2014 (63.97%).

#### **3.1.4. Cross-border issues**

Interconnection capacity allocation on the National Power System interconnection lines with neighbouring systems, for electricity import/export transactions and transit activities, was performed bilaterally coordinated through explicit auctions, for 100% of the allocation capacity, on long term (annual and monthly) and short-term (daily and intra-day), on the borders with Hungary, Bulgaria and Serbia.

For short-term auctions (daily and intra-day), the situation has undergone some changes compared to previous years. Thus, as of 19 November 2014, the daily allocation of interconnection capacity on the border with Hungary was done implicit, following Romania's accession to the DAM coupling project with Czech Republic, Slovakia and Hungary (hereinafter referred 4M MC project).

Another change to the previous situation was on the border with Bulgaria, regarding intra-day auctions: C.N. Transelectrica S.A. was officially informed in November 2014 by the Bulgarian (ESO-EAD) that the Bulgarian market rules do not allow intra-day cross border exchanges, because the change of notified exchanges is no longer permitted after 15:30 CET day D-1 for day D.

On the border with Serbia allocation of interconnection capacity in the short term auctions held further bilateral coordinated explicit auctions, for 100% of the capacity allocation for the whole year.

On the borders with Bulgaria and Hungary, daily and intra-day auctions are organized by Transelectrica, while long-term auctions are organized by the TSOs of the two neighboring countries, ESO-EAD and MAVIR. On the border with Serbia, Transelectrica organizes long-term and intra-day auctions, while EMS (the Serbian TSO) organizes the daily auctions.

Setting the ATC (available transmission capacity) for daily and intra-day auctions uses the principle of "netting" and participants are obliged to respect the principle of exclusive partnership (1:1). Currency trading is the euro.

Use of the capacity obtained by auction on the borders with Ukraine and Moldova is subject to the written approval of the TSO in Ukraine, namely the distribution operator from the area in which the consumption island for Moldova is realized.

The data published on the website [www.transelectrica.ro](http://www.transelectrica.ro) and communicated by C.N. Transelectrica S.A. in the monthly monitoring reports on the electricity markets show that at the auction organized for the annual allocation of interconnection capacity, the resulted prices did not exceed 2 euro/h \* MW on any of borders and directions, the maximum value of 1.56 euro/h \* MW respectively 1.51 euro/h \* MW are obtained on the border with Bulgaria import respectively export directions.

The prices set from organizing monthly auctions were located in a wide range, with peaks approaching 8 euro/h \* MW for export on the 3 borders; the levels were still lower than those at the daily auctions. The maximum number of participants-bidders joined the Hungarian border export direction (between 20 and 29 participants), followed by Hungary import (between 13 and 18 participants).

The prices set at daily auctions held throughout the year varied greatly depending on the border, direction and auctioned time slot. Maximum hourly prices were reached on the borders with Hungary, Serbia and Bulgaria export direction, each month there are at least a schedule with prices above 10 euros/h \* MW. Maximum time price of year for export to the border with Hungary was 30.10 euro/h \* MW (June), on the border with Bulgaria 25 euro/h \* MW (September) and the Serbian 35, 5 euro/h \* MW (October).

As of November 20, daily allocation of capacity on the Hungarian border in both directions is done implicit after starting 4M MC project. In November 2014 when the coupling mechanism operated, congestion maximum price was 13.50 euros/MWh, while the average price was 4.1 euro/MWh, and for December 2014, when only implicit allocation was applied, maximum congestion price on the export was 37.31 euros/MWh, with an average price of 7.9 euros/MWh.

Export contracts of suppliers, due most likely to the acquisition of electricity carried on CMBC from renewable producers at relatively low prices (80-90% of PIP on DAM or lower) have been concluded on long-term (capacity allocated on annual and monthly auctions). In those circumstances, notification of exports by contracts had the effect of increasing import capacity from Hungary to Romania through the netting mechanism, with the amount of exchanges notified before DAM, which has led to discrepancies between the values of ATC



available for implicit allocation on the two-way (between Romania to Hungary and from Hungary to Romania).

**Interconexiuni transfrontaliere (utilizare capacitate totală alocată %)**

Graniță	Direcție	2014 [%]	2013 [%]	2012 [%]
Ungaria	export	75,50	30,28	18,02
	import	16,02	17,28	22,20
Bulgaria	export	51,20	45,46	8,63
	import	18,04	25,88	44,10
Serbia	export	78,88	25,39	50,69
	import	7,26	17,16	2,67
Ucraina	export	0,00	0,00	0,00
	import	14,61	7,55	41,38
Moldova	export	0,00	0,00	0,00
	import	0,00	7,43	44,86

*Valorile prezentate în tabel reprezintă medii anuale calculate ca medii aritmetice simple ale valorilor lunare medii*

In 2014, the highest annual average values of the use of the total capacity allocated in the auctions (calculated as the ratio of energy related to notified trades and the corresponding energy to total capacity allocated to all participants) were registered on export to the borders with Serbia (78.88%), Hungary (75.50%) and Bulgaria (51.20%). Since July 2014, the monthly usage percentages have exceeded 87% in all 3 borders on export.

Source: C.N.Transelectrica S.A.

**Over 94% of C.N. Transelectrica S.A. revenues from the interconnection capacity allocation process resulted from long-term auctions** (annual and monthly), the highest values deriving mainly from auctions for capacity allocation on the border with Hungary and Serbia, followed by auctions for the border with Bulgaria, in both directions.

Although following daily auctions resulted in some cases significant prices per hourly intervals, revenues of C.N. Transelectrica S.A. represented approx. 5.8% of total revenues in this market. In May, June and July 2014 revenues were recorded from intra-day auctions, but, as value, they were insignificant compared to the total value of income from the allocation of capacity.

**Reporting the revenues from congestions in the period 1 July 2014-30 June 2015 of the transmission system operator** is done in accordance with paragraph 6.5 of Appendix 1 - Guidelines on the management and allocation of available transfer capacity of interconnections between national systems, in Regulation (EC) no. No 714/2009 of the European Parliament and of the Council of 13 July 2009 on conditions for access to the network for cross-border electricity and repealing Regulation (EC) no. 1228/2003.

In accordance with Art. 16 (6) of the Regulation, the revenues resulted from the allocation of interconnection capacity are used by the transmission system operator, to the following purposes:

- a) to guarantee the actual availability of the allocated capacity; and/or
- b) to maintain or increase interconnection capacities through network investments, especially investments in new interconnections; or
- c) as income to be taken into account when calculating transmission tariffs up to a maximum amount determined by ANRE, where it cannot be used effectively for the purposes mentioned above.

Every year, C.N. Transelectrica S.A. forwards ANRE an analysis of the amount of revenue obtained through auctions.



The following table presents revenues from auctions organized for allocation of interconnection capacity on the borders in the period July 1, 2014 - June 30, 2015.

Lei													
Interconexiunea	iul.14	aug.14	sep.14	oct.14	nov.14	dec.14	ian.15	feb.15	mar.15	apr.15	mai.15	iun.15	Total
Romania - Serbia*	2.708.397	2.735.904	2.305.409	6.260.261	4.042.211	2.689.400	3.446.799	2.259.245	1.842.724	4.549.162	2.727.929	2.650.705	38.218.145
Serbia - Romania*	19.968	19.627	18.950	21.094	19.062	26.278	2.443	2.539	1.711	1.933	14.275	23.667	171.548
Romania - Bulgaria*	675.607	1.025.032	952.219	1.158.368	491.743	525.732	603.132	638.088	1.326.204	909.077	990.651	999.351	10.295.204
Bulgaria - Romania*	282.051	294.364	265.557	440.189	378.841	353.269	358.233	206.592	185.573	155.327	155.189	311.830	3.387.016
Romania - Ungaria*	3.153.506	2.994.397	3.416.591	6.197.732	6.026.886	3.612.595	3.880.260	3.199.837	3.815.867	5.909.607	3.370.922	3.848.259	49.426.460
Ungaria - Romania*	62.768	57.215	72.528	79.323	114.504	457.332	30.017	253.995	126.565	28.703	264.018	750.978	2.297.946
Romania - Ucraina	3.303	3.270	2.947	1.388	3.179	3.281	37.888	34.222	40.997	14.293	16.443	0	161.210
Ucraina - Romania	26.714	68.965	52.050	6.939	26.982	72.399	41.984	117.549	91.198	56.560	81.414	36.515	679.269
Romania - Moldova	0	0	0	0	0	0	0	0	0	0	0	0	0
Moldova - Romania	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>TOTAL</b>	<b>6.932.314</b>	<b>7.198.773</b>	<b>7.086.251</b>	<b>14.165.294</b>	<b>11.103.409</b>	<b>7.740.287</b>	<b>8.400.756</b>	<b>6.712.066</b>	<b>7.430.839</b>	<b>11.624.663</b>	<b>7.620.841</b>	<b>8.621.305</b>	<b>104.636.798</b>
Export	6.540.813	6.758.603	6.677.166	13.617.749	10.564.020	6.831.009	7.968.079	6.131.391	7.025.792	11.382.139	7.105.945	7.498.315	98.101.020
Import	391.501	440.170	409.085	547.546	539.389	909.278	432.677	580.675	405.048	242.524	514.896	1.122.990	6.535.778

The revenue analysis indicates that 94% of revenue comes from export capacity auctions and only 6% for imports. Analysis of the border indicates that 49% of revenue comes from allocated capacity between Romania and Hungary, 37% in auctions between Romania and Serbia, 13% of auctions between Romania and Bulgaria. Only 1% of revenues come from auctioning capacity between Romania and Ukraine.

Between 1 July 2014 and 30 June 2015, C.N. Transelectrica S.A. recorded revenues from congestions in a total amount of 104.6 million lei (23.6 million Euros).

In setting the transmission tariff from July 1<sup>st</sup>, 2015 ANRE established in accordance with Regulation (EC) no. 714/2009, as the revenues of the transmission system from management congestions in the period 1 July 2014-30 June 2015 will cover the costs with cross-border trade in value of 17.7 million lei. The difference remained available to the C.N. Transelectrica S.A. in a dedicated account for use in investments in new interconnections.

C.N. Transelectrica S.A. reported in the analysed period 24.041 million lei investment expenditures financed from revenues from allocation of interconnection capacity.

### Monitoring technical co-operation between TSO and third-country operators

Regional cooperation on infrastructure projects represents a significant dimension of the CN Transelectrica SA activity in terms of the collaboration with power systems of neighbouring countries. In this regard, the TSO attention has been focused on continuing infrastructure projects meant to increase interconnection capacity to improve mutual exchanges of energy between neighbouring systems and eliminate potential congestions. Thus, the projects with Serbia, Republic of Moldova and Turkey were continued.

### Interconnection between Romania and Moldova

**Asynchronous Interconnection** - The study on the analysis of the operating modes asynchronous interconnection scheme with Moldova aims to analyse the operating modes of the transmission network in Romania, in terms of achieving exchanges with Moldova interconnection scheme through stations "back to back". By meeting the conditions for contracting a joint study to analyse all operating modes on power systems of Romania and Republic of Moldova, based on assumptions agreed by the parties concerning the export and booking mode in case of network unavailability, C.N. Transelectrica S.A. initiated a preliminary study to examine internal network transport capability to support exports from Romania to Moldova.

The following interconnection projects through stations "back to back" on the territory of the Republic of Moldova are analysed, namely:

- 400 kV Isaccea (RO) - Vulcănești (RM);
- 400 kV Iasi (RO) - Ungheni (Moldova) - for which there are alternatives on end stations, both in Romania (ex: Iasi/Munteni) and Moldova (ex.: Chisinau/Strășeni); the final solution to be determined after the system and feasibility common study;
- 400 kV Suceava (RO) -Bălți (RM) - for which a Memorandum of Understanding signed and preliminary analysis.

**Synchronous Interconnection** – For the feasibility study for the synchronous interconnection of power systems of Ukraine and Moldova to ENTSO-E, CN Transelectrica S.A. is the Supporting Party and is providing the project management for the feasibility study for synchronous interconnection of power systems of Moldova and Ukraine with ENTSO-E network. Ministry of Economy of the Republic of Moldova, in partnership with the Ministry of Economy of Romania and the Ministry of Energy and Coal Industry of Ukraine, submitted to the European Commission an application for financing the feasibility study. The project was pre-selected by the Joint Monitoring Committee of the Program Scale Projects (Large Scale Projects - LSP) under the European Neighbourhood and Partnership Instrument (ENPI), framed in the regional program Joint Operational Program Romania - Ukraine - Republic of Moldova. The official project launch was held in Bucharest, on 6 November 2014. The study will be completed in late 2015 and will provide a list of measures needed to be implemented in order to achieve synchronous interconnection and an estimate of transmission capacity on borders.

LEA400 kV Suceava-Balti and 110 kV Line Fălciu-Gotești projects remain under debate.

### **Romania Interconnection with Serbia**

LEA 400 kV project double circuit Resita (Romania) - Pancevo (Serbia) is considered a project of regional relevance and targets the increase of electricity exchanges between Romanian system and Serbian system by increasing the interconnection capacity between the two countries. The total length of the line is 133 km, of which 63 km in Romania and 70 km in Serbia. The estimated value of the project, excluding VAT, is 127.09 mil. lei

### **Romania Interconnection with Turkey**

C.N. Transelectrica S.A. ensured the realization of a feasibility study on the construction of undersea DC cable between Romania and Turkey. The resulting technical solution was a cable with a capacity of 800 MW. Subsequently, given the fact that Turkey has changed the situation in Power System by implementing measures in the study on the synchronous interconnection of ENTSO-E Continental Europe, additional analysis is needed, respectively a new feasibility study. The new feasibility study has not yet started. C.N. Transelectrica S.A. further supports the development of the project, the main benefits of the project consisting of:

- creation of additional opportunities to escape strong surplus Dobrogea area (due to integration of renewable);
- increase the potential market trading of electricity;
- need safe operation of the two power systems interconnected synchronous.

TSO participation in the process of coordinated allocation of transmission capacity on the interconnection lines between the power systems in the 8th region depends on the involvement in the project of neighbouring countries - Serbia and Bulgaria.

## Monitoring the TSO and DSO investment plans

In accordance with the provisions of Article 9(4) (c) and (5) (d) of the Government Emergency Ordinance no. 33/2007 on the organization and functioning of ANRE, approved with subsequent amendments and complements by Law no. 160/2012, regulatory authority monitors electricity network development plan and TSO investment plans and the technical condition and level of maintenance of electricity networks. In this respect, TSO and distribution operator's development and investment plans are assessed.

Applying the provisions of methodologies for setting tariffs for electricity distribution service ANRE approved annual investment plans of the concessionaire distribution operators for the regulatory period 2008 - 2013, accepting RAB inclusion of fixed assets resulting from prudent investments, namely that investment is demonstrated to be necessary, appropriate and effective.

Analysis of investment by operators concessionaire in 2013 was reviewed during 2014 in order to apply corrections costs of capital at the end of its last four months, provided the methodology for establishing tariffs for electricity distribution, approved by ANRE Order no. 72/2013 and the following results, shown in lei and nominal terms:

No.	OPERATORS	2013		2014	
		Planned investments	Done investments	Planned investments	Done investments
1	SC Enel Distributie Muntenia SA	182,173,083.00	143,053,837	174,936,373	166,995,964
2	SC Enel Distributie Banat SA	96,333,791.84	85,139,714	70,207,151	66,769,654
3	SC Enel Distributie Dobrogea SA	91,940,466.96	80,082,495	63,282,582	61,816,565
4	SC CEZ Distributie SA	190,272,753.06	197,943,851	150,539,220	155,055,639
5	SC E.ON Distributie Romania SA	127,488,518.73	111,662,551	168,066,761	156,397,728
6	SC FDEE Electrica Muntenia Nord SA	109,419,843.00	100,557,914	113,807,400	113,011,777
7	SC FDEE Electrica Transilvania Nord SA	105,000,000.00	123,661,955	126,000,000	120,387,761
8	SC FDEE Electrica Transilvania Sud SA	112,415,153.00	118,677,643	117,000,000	122,216,042
	<b>TOTAL</b>	<b>1,015,043,610</b>	<b>960,779,960</b>	<b>983,839,488</b>	<b>962,651,129</b>

For the transmission system operator, the third regulatory period began at July 1, 2014 and therefore the investments analysis was performed in the first quarter of 2014 in compliance with the objectives set and the values accepted by ANRE and included in RAB (Regulatory Asset Base) upon determining the corrections of the capital costs at the end of the regulatory period as per the provisions of ANRE Order no. 53/2014 - *Methodology to setting up prices for electricity transmission service*.

Investments in the transmission system made by the TSO in the period 2008-2014 totalled 1,921,149,738 lei, approx. 10% less than the projected amount. Investments included in the transmission tariff represented 84% of the achieved value. Investments made by the TSO in system services in the same period totalled 114,678,427 lei, a value entirely recognised in the system service tariffs.

At the basis of planning the development of the transmission network there are the provisions of the *Transmission Network Technical Code*, which in addition to detailing the tasks, competences and responsibilities of the transmission system operator, establishes the principles, criteria and obligations relating to the planning activity.

Transmission network development planning seeks to achieve the following objectives:

- the safe operation of the NPS and the transmission of electricity at quality levels compliant with the requirements of the Network Technical Code and of the Performance Standard for electricity transmission and ancillary services;
- the appropriate sizing of the transmission network for the transmission of the electricity expected to be generated, consumed, imported, exported and transited;
- providing transmission infrastructure necessary for the proper functioning of the electricity market;
- providing applicants access to the public network, as provided by the rules in force;
- minimizing investment costs in choosing solutions to transmission network development.

In accordance with Article 35 of Law no. 123/2012 on electricity and natural gas, the transmission system operator is required to develop **10 year investment and development plans for the transmission network**, consistent with the current state and future evolution of energy consumption and sources, including energy imports and exports.

Development plans include the financing and realization of investments on transmission networks, taking into account the development and systematization plans for the territory crossed by them, in compliance with environmental regulations.

Unlike the previous legislative framework when these plans were endorsed by the regulatory authority and approved by the line Ministry, currently development plans shall only be approved by the regulatory authority.

The electricity grid is sized in compliance with the requirements of the N-1 criterion. Inspection of the N-1 criterion is performed for the maximum forecasted power transfer through the network. For the transmission network (400, 220 kV), the N-1 criterion is applied to the sizing of specific sections of the system in terms of its stability, for certain levels of the load curve, corresponding to the most difficult operating situations based on: the unplanned outage of the largest generator in an area with power deficit and the maximum power generated in an excess area. The N-2 criterion is used in sizing of the evacuation from the system of the nuclear power plants energy. Other sizing criteria are the technical criterion for the verification of the size of the network in terms of NPS stability and the verification and determination of the short-circuit limit and nominal current of equipment.

The Ten Years Network Development Plan for the transmission network for the period 2014-2023 was issued by C.N. Transelectrica S.A. and approved by ANRE in the first quarter of 2014.

The plan includes projects necessary to maintain network adequacy, so that it is properly sized for the transmission of electricity expected to be produced, imported, exported and transited, in compliance with technical regulations. Proposed investments seek to:

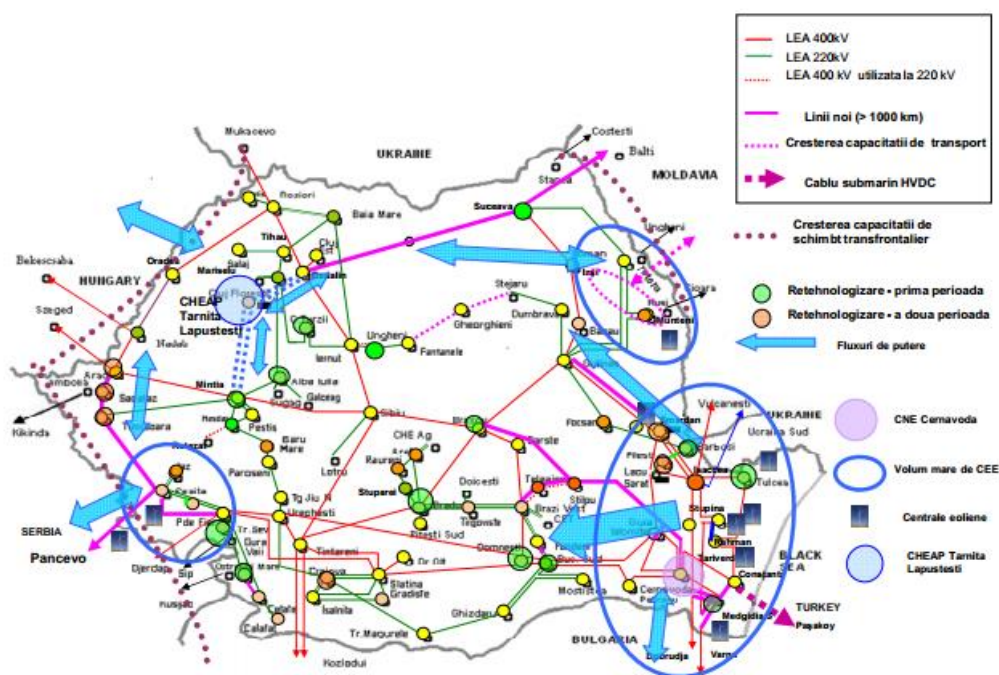
- increase interconnection capacity by continuing interconnection projects with neighbouring systems already in various stages of implementation (with Hungary, Serbia and Bulgaria) and accelerating / introducing new projects (Moldova);
- strengthen and develop the transmission network (new lines/ stations) to increase the discharge capacities for the electricity produced in new facilities developed in recent years in certain geographical areas (for example nuclear energy and that produced from renewable energy sources in the Dobrogea region) to consumption areas in the north and



west of the country, and completion of the 400 kV ring around the country to increase security of supply in all the country's regions and increase the transit capacity of the transmission network;

- upgrade equipment in order for a complete replacement of the 60s - 70s installations to increase network reliability, reduce operating costs and ensure an appropriate degree of operational safety.

The following map shows the main projects included in the transmission network development plan for 2014 - 2023.



Source: CN Transelectrica SA

### Other relevant aspects regarding cross-border cooperation

The third legislative package on energy, in Regulation 714/2009 of the European Parliament and of the Council on conditions for access to the network for cross-border electricity and repealing Regulation (EC) no. 1228/2003 and Directive 72/2009 of the European Parliament and of the Council on common rules for the internal market in electricity and repealing Directive 2003/54 / EC requires clear objectives on the need to improve cooperation and coordination between transmission system operators and power exchanges at regional and pan – European level providing and managing effective and transparent access to transmission networks across borders, improving security in the supply of electricity to regional/European level and the implementation of the internal electricity market.

In this context, DAM constitutes a major element of the European target model for the internal electricity market, model which provides a medium-term vision for a progressive implementation of the framework for the European market with a view to an efficient allocation of interconnection capacity and congestion management through market mechanisms. Please note that the EU Council Decision of February 2011 establishes a deadline for achieving a fully functioning internal market in 2014.

Transmission system operators, power exchanges and regulation authorities from Czech Republic, Slovakia and Hungary signed, in May 2011, a Memorandum on the electricity

market coupling according to the model and principles applied in the Central Western European region (Central West Europe - CWE). The project was launched successfully; the results up to date confirm the initial coupling option. Service coupling provider is EPEX SPOT SE, the German-French power exchange.

On 14 December 2011, following a process of analysis and assessment within the National Working Group (Ministry of Economy, ANRE, OPCOM and Transelectrica SA), Romanian entities involved have formally expressed in a letter of intent the interest to join the market coupling project in the Czech Republic, Slovakia and Hungary. The regional project management Czech-Hungary-Slovakia approved Romanian request. In December 2012 Poland has also expressed the intention of joining the trilateral project.

Following the meeting of the Project Steering Committee to extend the engagement Czech-Slovakia-Hungary to Romania and Poland which took place in Prague on 04.03.2013, it was decided to finalise the text of the *Memorandum of Understanding (MoU)* on cooperation towards accession Romania and Poland to electricity market coupling in the Czech Republic, Slovakia and Hungary and its signing by all 15 stakeholders (transmission system operators, power exchanges and regulators). The document was signed in July 2013.

Following a public consultation, project participants concluded that there is not a common position in all markets concerned about the proposed scenarios of market coupling in the five countries. In order not to hinder the further integration of markets, the Project Steering Committee proposed enlargement takes place in two stages: the first stage will involve coupling of day-ahead markets in the Czech Republic, Slovakia, Hungary and Romania - project entitled 4M MC – and in a later stage coupling to be dedicated to the Polish market, in the context of the CEE FBM (coupling markets in Central and Eastern Europe based on the energy flows).

Implementation of the 4M MC project (CZ-SK-HU-RO Market Coupling) continued in 2014 and as a result in January 2014 the power exchanges under the 4M MC project successfully finalised the preliminary stages to implement the Price Coupling of Regions solution (PCR) in their IT infrastructure in order to achieve the overall EU target of a harmonized European electricity market. The service provider for the implementation of PCR solution (a single price coupling solution to be used to calculate electricity prices across Europe, and allocate cross-border capacity on a day-ahead basis) was also selected.

The involved TSOs in the 4M MC project agreed upon the architecture of the Management Function system at TSO level (mTMF) which ensures an efficient management of the responsibilities that are common to all transmission system operators and operate a single communication interface between the power exchanges and the TSOs. Once implemented, the mTMF will establish a universal platform to promoting trans-regional integration of markets with the aim to extend it towards other markets.

In order to adapt the Romanian regulatory framework to the requirements of the coupling process, the payment of the  $T_G$  and  $T_L$  components in the transmission tariff for import-export activities and of the cogeneration contribution for electricity exports were eliminated.

The Law no. 123/2012 on electricity and natural gas was complemented with provisions clarifying the shipper role of C.N. Transelectrica S.A. Introduction of negative prices in the centralized markets and adjustment of certain trading parameters were subjects covered by ANRE Order no. 82/2014.

In September 2014, several workshops were organised at national level for market participants in order to notify them of the final arrangements and to inform them with respect

to the tests involving the market participants. At the same time, information campaigns were organised at regional level with respect to the implementation of the new trading rules and of the PCR solution characteristics.

On 19 November 2014, the 4M MC Project was successfully launched.

Completion of this first phase of the project entails continuing engagement with the Polish market, in the context of the CEE FBM. At the beginning of 2014 it was signed in the CEE region a *Memorandum on the implementation of a congestion management* and CEE project by allocating capacity based on flows started. Given these developments, 4M MC Project Steering Committee recommended the Romanian party requesting access to the CEE FBM project. At the end of 2014, observer status in this project has been granted; Romanian parties will participate in the meetings organized and have access to project information. It is still under debate the possibility of participation of the Romanian party as a full member of the project.

### **3.1.5. Compliance with the provisions of the European legislation**

#### **Compliance with binding decisions of ACER and EC**

In accordance with the provisions of Law no. 160/2012 on the organization and functioning of ANRE, respectively Article 9(1)(w), ANRE complies with and implements all relevant and legally binding decisions of the Agency for the Cooperation of Energy Regulators – ACER - and the European Commission; the decisions of the European Commission issued under Article 39(8) of Directive 2009/72/EC of the European Parliament and of the Council of 13 July 2009 concerning common rules for the internal market in electricity and repealing Directive 2003/54/EC shall be implemented within 60 days after entry into force.

For 2014, there are no such situations to report.

#### **Compliance of the transmission system operators, distribution operators, system owners and electricity undertakings with relevant Community legislation**

Certification of C.N. Transelectrica S.A. as an independent system operator was approved through ANRE Order no. 90/2013 in compliance with Article 31, (1) of the Law no. 123/2012 on electricity and natural gas, with subsequent amendments and complements.

In accordance with Article 2 of ANRE Order no. 90/2013, within 6 months from the date of entry into force C.N. Transelectrica S.A. was required to make proof of the fact that the measures relating to its constitutive acts and shareholder structure were implemented. Also, according to Article 5 of the Order, in the same 6-month period further measures were necessary to be adopted by other public competent bodies in order to meet the provisions relating to ownership structure.

Since the date of entry into force of ANRE Order no. 90/2013 (December 17, 2013), ANRE have permanently monitored and assessed the progress made with a view to meeting the requirements of Articles 2 and 5 of the said Order.

On expiry term provided by art. 6 of ANRE Order no.90/2013, requirements set out in art. 2 and 5 of ANRE Order no.90/2013 were partly met, given that the draft law approving Government Emergency Ordinance no.6/2014 amended and supplemented by the requirements of the certification was passed at that time for approval to the Chamber of



Deputies (decision-making body for this bill) and, following the approval of the President of Romania to be promulgated and enter into force by the publication of the law in the Official Journal of Romania.

Thus, at the end of the period provided for in Art. 6 of ANRE Order no.90/2013 became subject to the provisions under which the order is void and the certification of CN Transelectrica S.A. lapse for both past and future, without any further formality.

Subsequently, the draft law approving Government Emergency Ordinance no. 6/2014 was approved and entered into force with its publication in the Official Journal no.527/16.07.2014. With the entry into force of Law No. 117/2014 approving Government Emergency Ordinance No. 6/2014, the requirements of Articles 2 and 5 of ANRE Order no. 90/2013 were fully met which means that the necessary conditions for the certification of the transmission system operator have been observed.

Through the letter registered with ANRE under No. 46064/25.07.2015, the members of the CN Transelectrica S.A. Executive Board submitted a new application for the certification of the company as an 'independent system operator' (TSO).

Consequently, due to the full compliance with the certification requirements following the entry into force of the Law 117/2014, a new order was issued for the certification of C.N. Transelectrica S.A. as an independent transmission system operator of the National Power System.

Transparency of interconnection transactions is ensured by C.N. Transelectrica S.A. through the information published on the company's website [www.transelectrica.ro](http://www.transelectrica.ro), as per the Regulation (EU) No. 714/2009.

No requests to settle disputes between the transmission system operator and the transmission system operator's owner were recorded in 2014. In the period under analysis, to examine the condition of the surveillance equipment in stations and head-offices an inspection mission was conducted at C.N. Transelectrica S.A. that ended in 2015

## **3.2. Promoting Competition**

### **3.2.1. Electricity wholesale market**

#### **Romanian wholesale electricity market structure**

The wholesale market is defined as all transactions carried out by the market participants, holders of a license issued by ANRE, which includes and resells among participants, performed in order to adjust the contractual position and obtain financial benefits. Volumes traded exceed the physical quantity delivered from production to consumption.

Changes in the structure of the wholesale market which occurred with the entry into force of the Law no. 123/2012 on electricity and natural gas have continued to evolve and consolidate as market participants complied with the obligation to conduct transparent, public, centralized and non-discriminatory transactions on the competitive electricity market and migrated from the market for negotiated bilateral contracts towards the centralized market organized by Opcom SA.

The centralized market with continuous double negotiation of bilateral contracts for electricity (PC-OTC) became operational as of May 2014 and the participants activity on this market intensified towards the end of the year; in contrast, the centralized market of organized

framework of contracting energy for large final customers was virtually inactive as no bids were submitted on this market by the end of 2014.

The wholesale market also includes the transactions on the **ancillary services market** (STS) and on the **interconnection capacities market** with the power systems of the neighbouring countries (ATC).

**Ancillary services market** is the market where contracts are concluded between producers qualified to provide every type of ancillary service and the transmission system operator (TSO), aiming at providing the National Power System (NPS), against payment, with production capacities that can be mobilized at the request of the national dispatcher, under conditions determined by the technical capabilities of those production units (according to the types of ancillary services for which they were qualified); contracts require offering the capacities on the Balancing Market, and the possible amounts of energy produced/ reduced are subject to settlement on the balancing market (BM).

Also, network operators (transmission and distribution) must ensure the technological consumption related to the networks they operate on the basis of transparent and non-discriminatory procedures, in compliance with competitive mechanisms.

### **The structure of the electricity generation sector**

In the current form, the electricity generation sector is structured based on primary resource used (hydro, nuclear, thermal, wind, photovoltaic and biomass). Generation operators, including those belonging to the state sector and private sectors, operate under generation licenses issued by the regulator, participating in the electricity market.

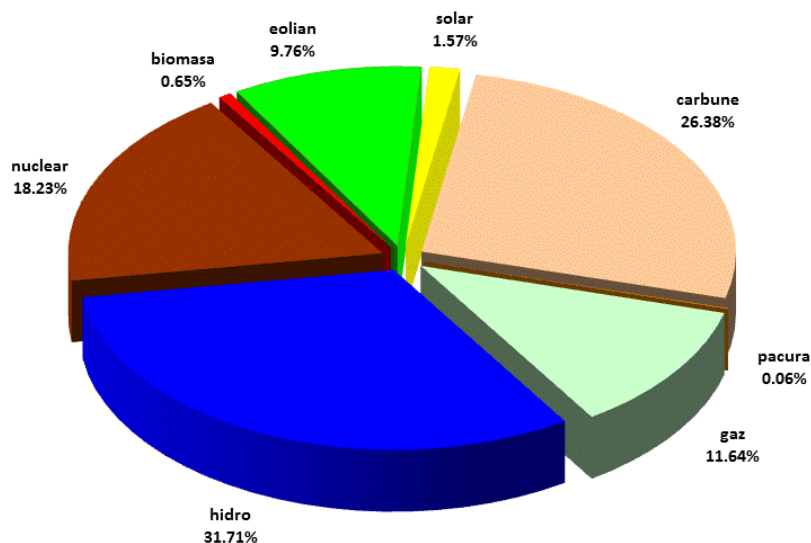
Of these, under the provisions of the *monitoring methodologies* in place, producers holding dispatchable units are monitored in terms of energy produced and delivered in NPS and activity on the Romanian electricity market, according with the provisions of the Law on electricity and natural gas no .123/2012, as amended and supplemented.

In 2014 were monitored the following categories of producers (classified according *Regulation of programming dispatchable production units and dispatchable consumers*, approved by ANRE Order no. 32/2013):

- hydroelectric power group with installed capacity exceeding 10 MW;
- heat power turbogenerator group (including biomass, nuclear) with installed capacity exceeding 20 MW;
- wind power, photovoltaic plant or plant with internal combustion engines with installed capacity exceeding 5 MW.

The total amount of electricity delivered into the grid in 2014 by the producers holding dispatchable and undispatchable units was 59.65 TWh (as per the data in the Electricity Label). As came out of the monthly monitoring of producers holding dispatchable units the amount delivered by these producers was 57.85 TWh (which includes the own consumption of some producers, including electricity sold to final consumers directly at generators' site).

The following graph shows the structure of electricity supplied by producers of undispatchable and dispatchable unit holders, calculated on types of conventional and unconventional resources, reported in accordance with *Regulation of electricity labelling - Revision 1*, approved by ANRE Order no. 69/2009.



Source: reports of the electricity producers according to ANRE Order no. 69/2009

A comparison with the values of electricity delivered in 2014 shows an increase of approx. 9% of the electricity delivered into SEN, due to an intense export activity and increased internal consumption.

Thus, the amount of nuclear power injected in the grid remained approximately the same as in the previous year (10.74 TWh in 2014 as against 10.67 TWh in 2013).

There is an increase of approx. 6% for electricity delivered in the grid from coal and 27% from hydro sources respectively, while oil fuel and gas deliveries represent less than 95% and 11% respectively as compared to 2013. There are increases of electricity from renewable power plants as follows: about 68% from biomass, about 20% from wind and about 102% from photovoltaic plants.

Although 2014 has seen an unprecedented development, production based on non-conventional sources (wind, photovoltaic, and biomass) holds a share of 11.98% of the annual electricity delivered in networks, production share from conventional sources remains predominant (88.02%).

Below it is presented the annual quantities of electricity produced by the holders of dispatchable groups, ranked by annual individual market shares. From the comparison with individual data of the previous year, one can find that about 70% of production was carried out by three producers, Hidroelectrica, CE Oltenia and Nuclearelectrica. The ranking top 3 producers remained the same as in 2013.

With the exception of the nuclear producer, whose production is comparable to the previous year, the two producers with largest market shares have produced more with 24.5% (Hidroelectrica) respectively 12.5% (CE Oltenia) from the previous year, while other generators have registered a decline in production compared to the previous year (decrease of 40% for OMV Petrom, 10% for CE Hunedoara and 14.7% for Electrocentrale Bucharest).

The first seven producers, which had an annual production in 2014 of more than 1 TWh, produced approx. 84% of the total annual production registered by dispatchable producers.

Dispatchable producer	Electricity produced	
	TJ	GWh
Hidroelectrica SA	5126	18454
Complexul Energetic Oltenia SA	3695	13303
S.N. Nuclearelectrica SA	3243	11676
Complexul Energetic Hunedoara SA	753	2711
Electrocentrale București SA	654	2356
OMV Petrom SA	570	2051
Romgaz SA	429	1544
Enel Green Power Romania SRL*	208	750
Tomis Team SRL	194	699
Regia Autonomă de Activități Nucleare	211	758
CET Govora SA	188	677
Ovidiu Development SRL	135	487
Dalkia Termo Prahova SRL	128	460
Others (under 0,5%)	1690	6082
<b>TOTAL</b>	<b>17224</b>	<b>62007</b>

\*for November and December, it was considered the electricity produced in the power plants of the companies merged with through absorption

Source: Monthly reports of the dispatchable electricity producers

In 2014, Romania imported a quantity of about 1.07 TWh and 8.20 TWh were exported. Those values are not cross-border physical flows, but are the result of trade, according to C.N. Transelectrica S.A. monthly monitoring reports.

Compared to 2013, the cross-border commercial activity intensified in 2014, as the amount of electricity exported on contracts increased 3.3 times, while imports more than doubled.

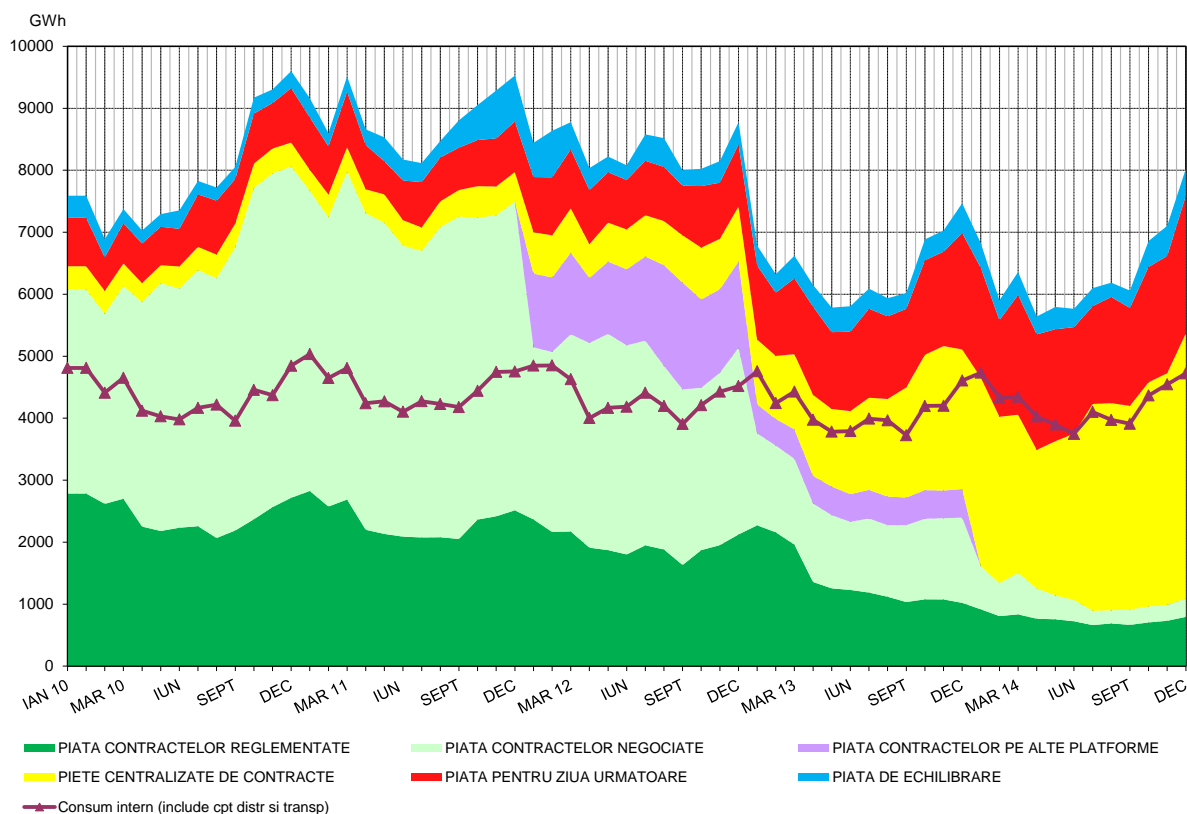
Please note that electricity imports was developed by electricity suppliers and CN Transelectrica S.A. as transfer agent, while the export of electricity was developed by electricity suppliers, CN Transelectrica S.A. as transfer agent and producer Hidroelectrica SA

NPS operation in 2014 was characterized by an increase of internal electricity consumption of approx. 2% as compared to 2013, percentage calculated based on the energy delivered into the networks and on the import-export balance in conjunction with the continued growth in the share of installed power plants operating on RES, given a normal hydrological year.

At the monthly level, the same indicator was higher than the one in most months of 2013, with monthly increases of 0.6% (August) and 8.1% (November). Moreover, the second half of 2014 was characterized by monthly internal consumption higher than in the same period of 2013.

### Developments of the wholesale electricity market in 2014

The following graph presents the monthly evolution of volumes traded on the main wholesale electricity market components during 2006-2014 as compared to domestic consumption.



Source: Monthly reports of the participants on electricity wholesales market, OPCOM S.A. and C.N. TRANSELECTRICA S.A.

Across the wholesale market, trading was prevalent on the centralized market of bilateral contracts held in Opcom SA, ensuring in particular transactions contracts on medium or long term, seconded by DAM for short-term transactions. In the legislative context imposed by Law no.123/2012, brokerage platforms transactions were virtually halted in 2014, participants heading towards new centralized OTC market of the OPCOM with various trading tools, and the volume of those carried out on negotiated contracts decreased significantly, reduced to a third of that achieved in 2013. It is also noteworthy, quasi-constant volume of electricity traded on the balancing market to at 2013.

The following table presents the volumes traded in 2014 on each component of the wholesale market and their evolution compared to those the previous year. It appears that about 70% of all deals aggregates from a year in all parts of the wholesale market were made on centralized markets administered by OPCOM SA.

Wholesale market components	Volumes traded in 2014 -GWh-	Evolution compared to 2013 - % -	Percentage of internal consumption 2014 - % -
Regulated contracts market	9058	▼ 45,9	17,9
Market of contracts on brokerage platforms	0	-	-
Market of directly negotiated contracts	4611	▼ 70,0	9,1

Centralized market of bilateral contracts*	37284	▲98,5	73,5
Day ahead market	21496	▲31,5	42,4
Intra-day market	64	▲350,9	1,3
Balancing market	4169	▲0,08	8,2
Export	8200	▲232,5	16,2

\*PCCB, PCCB-NC, PC-OTC.; Source: Monthly reports from wholesale electricity market participants, OPCOM S.A. and C.N. TRANSELECTRICA S.A

Compared to 2013, in 2014 a decrease by aprox.50% is noted in the quantity of electricity sold on regulated contracts. This fact was mainly due to the increase of deregulation degree established by the Memorandum of Understanding signed by the Romanian Government with the European Commission on March, 13th, 2012 in accordance with the obligations assumed by Romania in relation to the IMF, the World Bank and the European Commission, the roadmap for phasing out regulated tariffs to end customers which do not use their eligibility right. Unlike last year, Hidroelectrica S.A. and S.N. Nuclearelectrica S.A. were the only producers who had quantities and tariffs regulated by ANRE.

Another landmark of 2014 is the complete disappearance of transactions on brokerage platforms other than Opcom's and the drastic reduction of contracts concluded through direct negotiation, practically the ones remaining being the contracts concluded before the entry into force of Law no. 123/2012 and officially declared so by the market participants. This trend was also sustained by the large number of forewarning notifications signalling cases involving market participants who continue to conclude negotiated sale/purchase contracts after the entry into force of Law no.123/2012.

**Also noticeable is the extent of the two market segments of the centralized bilateral contracts on Opcom S.A., CMBC and CMBC-CN, compared to the previous year** (the comparison is made on the sum of two components, given that in 2013 the reporting of the centralized contract market transactions was not made separately), doubling the volume of energy traded.

Export transactions recorded a significant increase however, showing the interest of participants for trading on other markets depending on the needs in the area and the availability of energy at competitive prices on the centralized contract markets.

Although it recorded the highest increase over the previous year (351%), the volume of intra-day transactions has no influence on the functioning of the wholesale market.

Distribution operators bought electricity only on the competitive market (approx. 69% of the CMBC and 31% of DAM). It is noted that one of the distribution operators carried out transactions of purchase/sale on DAM by the supplier of last resort within the group/holding and approx. 16% of the CMCB purchase from suppliers is from the same supplier of last resort.

A comparative analysis of the annual average prices resulting from transactions on the wholesale market components in 2014 over the previous year indicates the following:

- Average annual price drop for all components of the wholesale market,
- Decrease in average prices on centralized markets can be explained mainly by the increase in hydroelectric production and heightened marketing of competitive market;



another explanation is to increase the share of renewable energy production and supply to the falling prices for electricity related to the sale of green certificates on the centralized market organized in Opcom S.A. while there is a minimum price of green certificate trading;

- A decrease in the difference between the average annual prices negotiated bilateral contracts and other competitive contracts and their proximity to the closing price of DAM;
- Annual average price match the two producers regulated contracts with regulated quantities and prices; the annual average export price corresponds to transactions of competing suppliers, given that in 2014 no producer reported export transactions, even if Hidroelectrica notified the C.N. Transelectrica S.A. in December 2014 about exports of electricity, allocating for this purpose an interconnection capacity.

Average prices on the wholesale market	2014 -lei/MWh-	2013 -lei/MWh-	Evolution 2014 compared to 2013 - % -
Regulated contracts market	142,68	171,13	▼ 16,6
Market of contracts on brokerage platforms	-	222,51	-
Market of directly negotiated contracts	163,75	185,82	▼ 11,9
Centralized market of bilateral contracts*	173,90	204,47	▼ 15,0
Day ahead market**	153,92	156,05	▼ 1,4
Intra-day market***	162,63	194,30	▼ 16,3
Balancing market****	243,35	242,44	▲ 0,4
Export	173,47	179,63	▼ 3,4

PCCB, PCCB-NC, PC-OTC

\*\* the annual average price is that published by OPCOM SA and is calculated as simple arithmetic average

\*\*\* the annual average price is calculated based on the annual traded volume and value, published by Opcom SA

\*\*\*\* the annual average price is calculated as arithmetic average of the monthly average deficit prices

Source: monthly reports from market participants, OPCOM S.A. and C.N. TRANSELECTRICA S.A.

Regarding average prices on the wholesale electricity market, we make the following comments:

- average prices do not include VAT, excises or other taxes and were determined by weighting the prices with the quantities corresponding to sales transactions reported monthly by market participants;
- all prices include the  $T_g$  component of the transmission tariff (for the centralized markets this is embedded in the price by the bidders).

### **Regulated bilateral contracts market**

The regulated component of the wholesale market also operated in 2014 to supply electricity at regulated tariffs to household and partially non-household customers who did not use their right to switch suppliers.

Prices and quantities of the regulated contracts of electricity in 2014 have been established in accordance with the *Methodology of pricing for electricity sold by producers on regulated*

*contracts and quantities of electricity from regulated contracts concluded by producers with supplier of the last resort*, approved by ANRE Order no.83/20.11.2013.

In 2014, suppliers of last resort have bought on the wholesale market (regulated and competitive market) 15275 GWh to cover electricity demand of the regulated customers, including the purchase corresponding to the CMC, of which about 59.3% was bought on the regulated market, and the remaining on the competitive market. The average electricity buying price was 157.34 lei/MWh.

Based on the *methodology* referred to, decisions were issued to determine the quantities of electricity sold on contracts subject to regulated prices for electricity delivered in 2014 by S.C. Hidroelectrica S.A. and S.N. Nuclearelectrica S.A., namely:

- for Hidroelectrica - ANRE Decision no.3905/20.12.2013, with a total of 5,316,131 MWh at an average price of 115.2 lei / MWh, as amended by ANRE decision no.1409/06.18.2014 which approved an average price of 125.8 lei/MWh for the second half of 2014;
- For Nuclearelectrica - ANRE Decision no.3906/12.20.2013, with a total of 3,742,450 MWh at an average price of 145.88 lei/MWh, as amended by ANRE decision no. 1408/06.18.2014 which approved an average price of 154.2 lei/MWh for the second semester of 2014.

### **The competitive market**

The volume of transactions in the competitive market had the same level as in 2013, with modifications in the structure of the types of transactions: the quantities traded on the centralised markets organized by Opcom SA increased with approx. 67% and the export with approx. 115%, the transactions concluded on brokerage platforms were eliminated and the transactions negotiated directly decreased by approximately 70%.

On the directly negotiated contracts concluded before the entry into force of the new law, market participants reported a total of approx. 4.6 TWh, traded at an annually average price of 163.75 lei/MWh, lower than the average price recorded on the centralized markets from OPCOM (173.90 lei/MWh).

The volume of transactions in the competitive market conducted on import/export contracts varied from a month to another, pointing out significant increase of import transactions in the quarter IV 2014 and the upward trend in export transactions since March 2014. These developments were influenced and by spot market coupling starting with November 2014.

By analysing transactions under import/export contracts, in 2014, it is noticed that:

1. the existence of significant differences between the quantities reported as traded by some suppliers and the amounts reported by C.N. Transelectrica S.A., the operators explained as transactions of import/export run by the same operator in the absence of actual contract of import/export or between operators belonging to the same group; the problem was analysed and adopted measures which should lead to the elimination of differences in reporting;
2. the increase of import due to implementation of the DAM market coupling, transfer agent activity of CN Transelectrica S.A. corresponds to 35% of annual quantity;
3. substantial increase in the amount of electricity exported both on bilateral contracts and through DAM.

Seen from the point of view of producers, the competitive market (without taking into account the volumes traded on BM) had sales structure comprises in the following table:

<b>Total sales of producers on competitive market</b>			<b>100%</b> <b>(49569 GWh)</b>
<b>A.</b>	<b>Transactions made upon bilateral negotiated contracts</b>		<b>12,8%</b>
	1.	With suppliers	6,8%
	2.	With external partners (export)	0,0%
	3.	With other producers	0,0%
	4.	With distribution operators	0,0%
	5.	With final customers	6%
<b>B.</b>	<b>Transactions made upon auctions on the centralized markets</b>		<b>50,4%</b>
	1.	With suppliers	44,1%
	2.	With distributors	5,9%
	3.	With other producers	0,2%
	4.	With the transmission operator	0,2%
<b>C.</b>	<b>Transactions on DAM and ID</b>		<b>36,8%</b>

Source: Monthly reporting of wholesale market participants electricity OPCOM SA and C.N. TRANSELECTRICA S.A.

Note: Hidroelectrica export transaction was not included in the relevant box in the reporting model and therefore is not individualized in the sales structure of producers.

Overall, dispatchable producers' sales in the competitive market, except BM, in 2014 represented an amount of nearly 50 TWh at an average price of 168.20 annually lei/MWh (including the  $T_g$  of the transmission tariff). The comparison with 2013 data is not relevant due to the redefinition of the concept of dispatchable group.

If in 2013 the negotiated sales, those on the centralized markets and DAM represented, each of them, about a third of the total competitive producers selling, in 2014 the structure has changed significantly in favour of centralized contract markets, selling cota on DAM remained alike. Thus, the producers sold the most on the electricity centralized contracts market Opcom SA (24971 GWh), of which 19,795 GWh were sold at an annually average price to suppliers 173.07 lei/MWh; the next place was occupied by DAM sales (18,214 GWh at the price of 159.62 lei/MWh).

Seen from the point of view of suppliers, the competitive market consists of sales shown in the structure of the following table:

<b>Total sales of suppliers on the competitive market</b>			<b>100%</b> <b>(50132 GWh)</b>
<b>A.</b>	<b>Transactions made upon bilateral negotiated contracts</b>		<b>70,3%</b>
	1.	With other suppliers	2,4%
	2.	With external partners (export)	15,5%
	3.	With producers	0,0%
	4.	With distribution operators	0,0%
	5.	With final customers	52,3%
<b>B.</b>	<b>Transactions on OTC platforms</b>		<b>0,0%</b>
<b>C.</b>	<b>Transactions upon auctions on the centralized markets</b>		<b>24,6%</b>
	1.	With other suppliers	20,3%
	2.	With producers	0,6%
	3.	With transmission operator	0,9%
	4.	With distribution operators	2,8%
<b>D.</b>	<b>Transactions on DAM</b>		<b>5,1%</b>

Source: Monthly reporting of wholesale market participants electricity OPCOM SA and C.N. TRANSELECTRICA S.A.

Average sales prices achieved by the suppliers in the competitive market in 2014 (including the  $T_g$  of the transmission tariff) were: 160.50 lei/MWh for negotiated sales to other suppliers, 173.47 lei/MWh export and 182.49 lei/MWh to the final consumer, indicating that the latter price does not include network costs ( $T_1$  tariff component for transmission, distribution, system services).

For the transactions on DAM, the average price realized by suppliers was 152.78 lei/MWh, and for deliveries on contracts on centralized markets, it was 180.92 lei/MWh with the producers, of 175.83 lei/MWh with the suppliers, 173.25 lei/MWh respectively with the distribution operators, 177.68 lei/MWh with the transmission system operator.

### **Centralized Market for electricity bilateral contracts, with two ways of trading - CMBC and CMBC-NC**

In 2014 the increase in the number of participants continued, also in the number of bids placed and quantities of electricity traded on the centralized market of bilateral contracts with the two ways of trading - by public auction (CMBC) and continuous trading public auction (CMBC -NC). Thus, if in December 2013 were registered 376 participants, their number has gradually increased from month to month, so that in December 2014 the number of participants was 588, with 56% more than in the same period last year.

In 2014, participants in PCCB have introduced a large number of sale offers or responded to buying offers with quantities offered in a wide range, not specified exactly, or incorporating pricing formulas, thereby causing variability information. After analysing each such deal in part, there are under preparation and submission by the Control General Directorate referral notes for deals outside the regulatory framework established by the *Regulation on the organized trading of bilateral contracts for electricity* in force.

The number of the offers placed increased significantly, so that if in 2012, of the 609 offers introduced (sale or purchase) were concluded 254 transactions, representing approx. 42%, in 2013, following the introduction of a number of 2493 deals ended as contracts 866 - 3.5 times more than in 2012- representing approx. 35% of trading intentions, as for 2014 to be entered 3521 offers of which 1579 contracts were traded, representing approx. 45% of trading intentions.

In the last 4 years, the volumes reported by OPCOM, as traded on CMBC after winning public tenders, evolved from year to year, with close growth rates: 2.6 times higher in 2012 compared to 2011, the 2.3 times higher in 2013 compared to 2012, 1.82 times in 2014 to 2013, reaching a volume of 34.2 TWh traded in 2014. The minimum price traded in 2014 was 40 lei/MWh (and attributed to a quantity similar to the peak delivery period January 2015-December 2019 from a PV producer to a provider), while the maximum price traded was 210.95 lei/MWh (also for a delivery contract with profile at the top, on 3 months, in early 2015). In 2014 are ended and contracts with a delivery period longer than 1 year.

The months with the most offers on CMBC - 430 - were February and December 2014. The months with the largest volumes traded were July and August (approx. 3.1 TWh per month), October and November (approx. 3.3 TWh per month), while in December to achieve the maximum of 3.5 TWh.

The producers most active in terms of introducing selling offers on minimum price and had the largest volume of energy delivered pursuant to contracts concluded on CMBC and

CMBC-CN 2014, were CE Oltenia, Nuclearelectrica Hidroelectrica, and the suppliers who bought the contracts on CMBC and CMBC-CN were Tinmar Ind., Electrica, E.ON Energie Romania and Transenergo Com. Suppliers Tinmar Ind, Alpiq and Transenergo RomIndustries Com recorded the highest sales of energy in this market, but the amounts were smaller than those purchased.

The volumes delivered as a result of transactions concluded on CMBC and CMBC-CN increased more than 1.9 times over the previous year, reaching an unprecedented amount from the beginning of trading on the market until now, to 35.94 TWh, representing approx. 71% of domestic consumption. The months with the delivery of quantities in excess of 3.4 TWh per month were those in the fourth quarter of 2014.

The annual average price recorded on contracts concluded on CMBC and CMBC-CN on delivery in 2014 was 173.91 lei/MWh, 13% higher than the annual average price on DAM (the difference is 20 lei/MWh). The evolution of the monthly average prices recorded variations between 170.05 lei/MWh (September) - 177.29 lei/MWh (January). The annual average price recorded in 2014 decreased by 15% over the 2013 average value.

### **The centralized market with continuous double negotiation of electricity bilateral contracts - PC OTC**

Starting in May 2014, PC-OTC is an organized level in Opcom SA for centralized trading on a competitive condition based on pre-established contracts for the buying and selling electricity and lists of eligibility established according criteria set to each participant. Trading is based on standard tools using framework contracts agreed by the parties before trading; since November 2014, in accordance with the regulations approved by ANRE Order no. 49/2013, the use EFET type contracts is mandatory.

In the 8 months of operation, the PC OTC activity has increased from month to month. Thus, if at the end of May 2014, 30 participants were enrolled, by the end of the year, 54 participants have registered. Based on a number of 19 transactions in May 2014, the participants came in the last month of the year to a total of 254 transactions.

Monthly volumes traded on the standard tools available (day, weekend, week, month, quarter, semester, year) increased from 76.5 GWh in May, up from 1946 GWh in December, with a total traded wide year of 6223 GWh, of which 54.6% was traded on year-standard instrument delivery in 2015.

Weighted average transaction prices on each month varied depending on the instrument used and the delivery profile from a minimum of 50 lei/MWh (made on a transaction-band on one weekend day in October) and 267.5 lei/MWh (made on a transaction sleeve peak for one day of work in December) with monthly weighted average values between 155.24 and 173 lei/MWh.

A part of the transaction was concluded through mediation procedure (transactions sleeve), and in December 2014 a transaction was identified being more than 50 MW per time slot. The data on traded volumes and prices were obtained from analysis of monthly surveillance reports transmitted by OPCOM and refers to transactions in the reporting month for future delivery periods.

The annual quantity delivered on buying-selling contracts concluded on PC OTC was 1344 GWh, representing 2.6% of domestic consumption at an annually average price of 173.50 lei/MWh. Monthly quantities delivered evolved from almost 1 GWh (0.02% of domestic

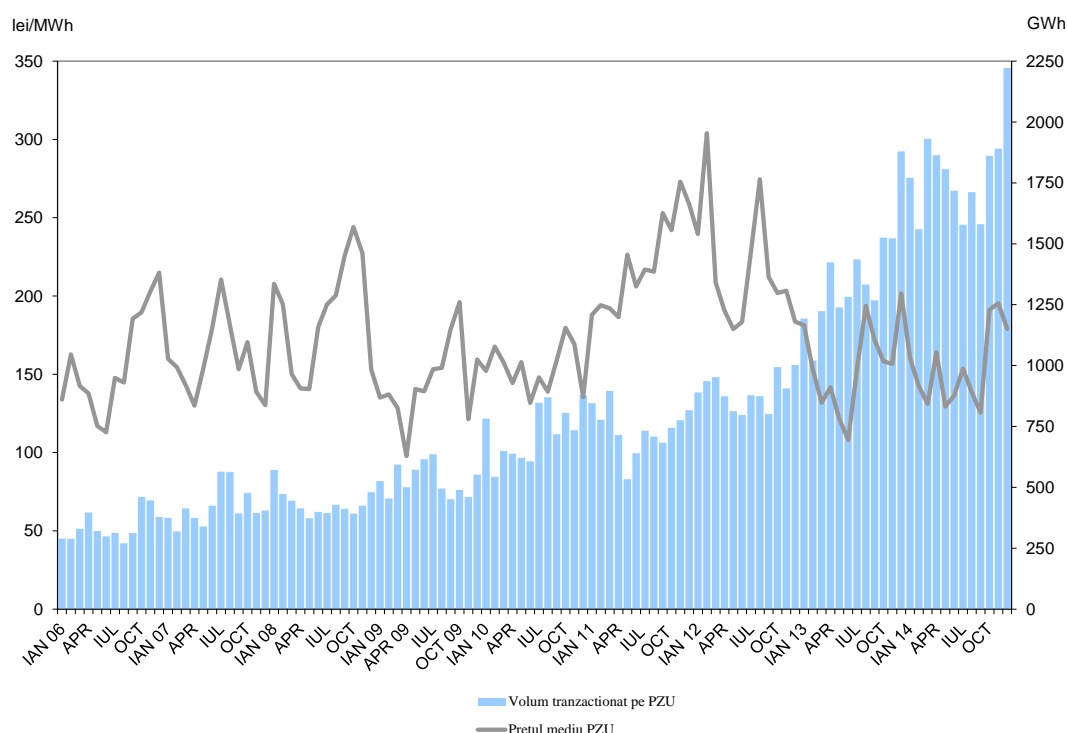
consumption) in May 2014 to 504 GWh (approx. 11% of domestic consumption) in December 2014 with monthly average prices ranging breeder along the year from 144.31 lei/MWh to 181.21 lei/MWh in December 2014. Approx. 54.3% of the traded amount was sold by the supplier to the average annual price of 173.88 lei/MWh and approx. 45.7% of producers with annual average price of 173.06 lei/MWh. Data on quantities supplied and prices were obtained on the basis of monthly reports of the participants in PC OTC and refers to electricity actually delivered during the reporting month.

Regarding the information published on the website [www.opcom.ro](http://www.opcom.ro), chapter *Centralized market with continuous double negotiating PC OTC* is noted the limited transparency of the market, reflected in the publication of aggregated data, summary and statistics without individual data/information on each participant offers and transactions, in contrast with trading details published on the centralized market of bilateral contracts CMBC and CMBC-CN. The information contained in the monthly monitoring reports submitted by OPCOM it also notes the high number of transactions between participants of groups of companies and that some of them, including suppliers of last resort, conclude exclusive contracts with related companies within their group.

### Day-ahead market – DAM

The volume of electricity traded on DAM in 2014 increased by approx. 32% compared to 2013. The share volume traded on DAM transactions in domestic consumption in 2014 ranged from 36% in February and 46.3% in April. The annual figures are about 42% in 2014, compared to approx. 33% in 2013.

DAM average closing price (arithmetic average of the monthly closing market prices) decreased by approx. 1% of the average of 2013. The chart below illustrates the monthly average price and the volume traded on DAM in the period 2006-2014.





Source: Monthly reporting of OPCOM S.A. and C.N. TRANSELECTRICA S.A.

Variations from one month to another of the monthly average price established on DAM existed in both ways. The minimum period was reached in September 2014 (125.43 lei/MWh) and the maximum in the month of November 2014 (195.34 lei/MWh). The average price annual - arithmetic average of the monthly average prices - recorded in 2014 was 153.92 lei/MWh.

On November 19, 2014, the market coupling CZ-SK-HU-RO was launched integrating DAMs in the Czech Republic, Slovakia, Hungary and Romania.

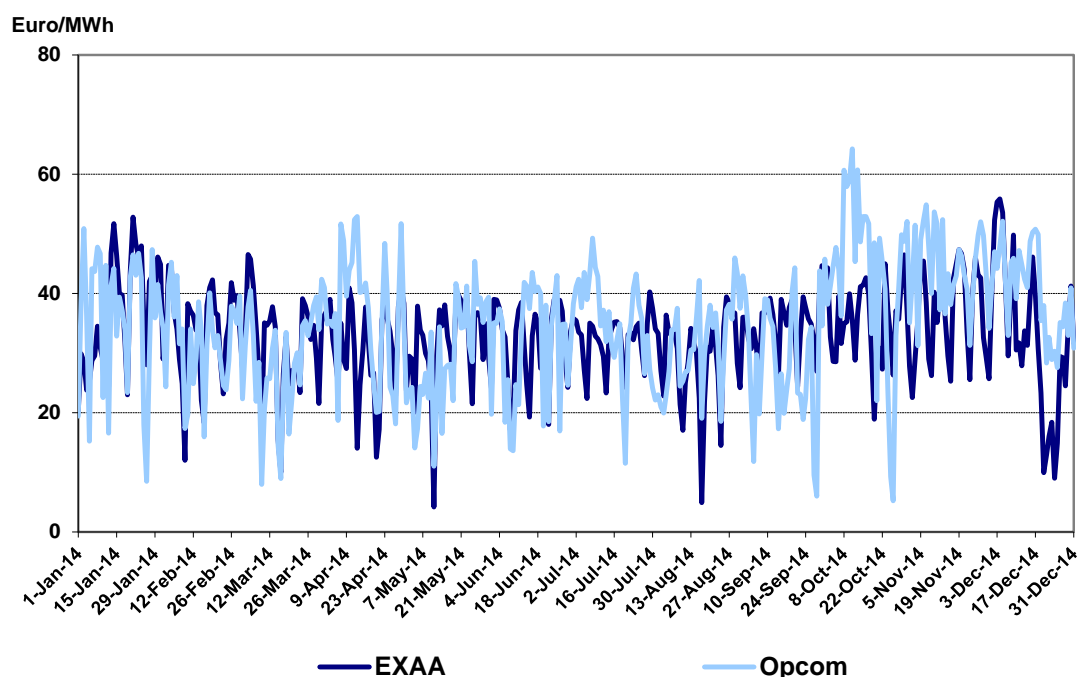
The coupled day-ahead markets operation of the 4 countries has led to changes in trade flows recorded on the Romania – Hungary border; thus stepping up imports from Hungary and minor changes on the export to Hungary.

The results of coupled DAM operation are influenced by ATC value established in each direction through implicit auctions. On the export, usually ATC is busy due to the allocations on long and medium-term contracts, which leads to low levels of ATC established on implicit auctions and insignificant exported electricity quantities.

It also notes that the availability of significant amounts of ATC on implicit auctions on import direction after applying the principle of netting leads to higher electricity imports where domestic prices are higher than those in partner countries in the mechanism.

It is estimated that this year, the DAM price stated incorporates with sufficient accuracy the available information on the resources and energy demand corresponding to the moment, showing at the same time, specific high volatility.

In comparison of the closing price of DAM with the spot prices of other European power exchanges in 2014, it is noted that values prices recorded of OPCOM were, except for January, February and March, higher than those on EXAA.



Source: Daily reports of OPCOM S.A. and information published by EXAA

### **Intra-Day Market – IDM**

Component of the wholesale market, the intra-day market is the centralized electricity trading framework organized by the operator of the electricity market, OPCOM SA, that is also the counterparty and was created for adjusting the portfolio of contracts to the production possibilities, demand consumption and cross-border transactions and to reduce potential imbalances. Responding to the principles of non-discrimination, transparency, public and centralized market, IDM is a voluntary market that offers participants standard-tools transaction, which may submit offers for sale and/or purchase after the DAM close almost to the starting time of the electricity delivery. On this market hourly transactions are secure, independent and are based on participants anonymizing.

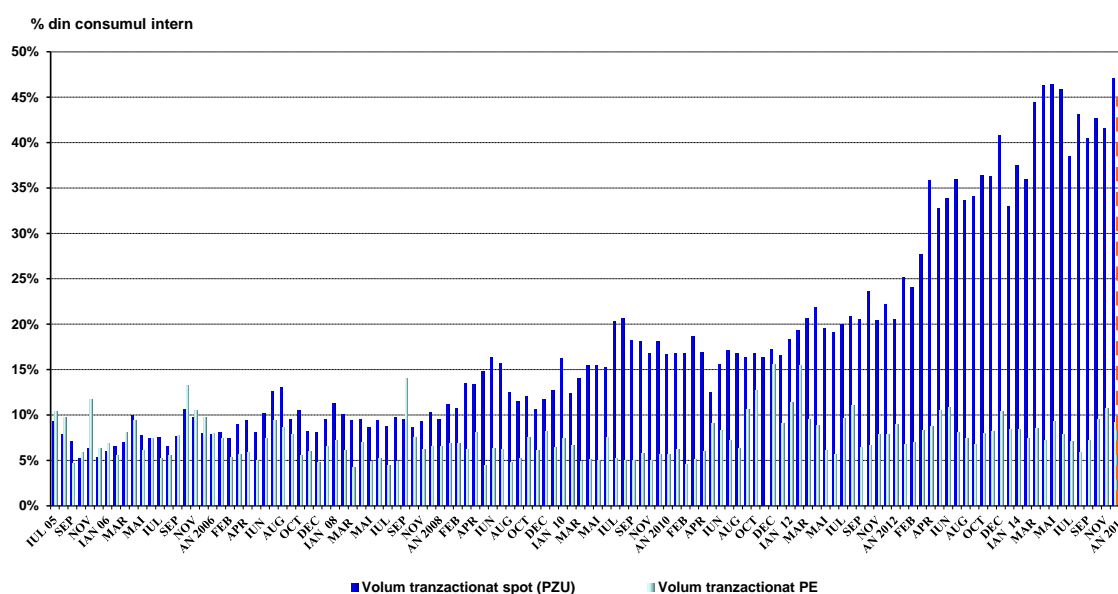
Although it is still underutilized by market participants, intra-day market experienced a positive development compared to the previous year as regards the monthly traded volumes, registering in the end of the year to a total of 64 GWh, approx. 4.5 times higher than in 2013. With a total of 97 license holders that have signed the intra-day market participation convention, the monthly participation degree (the number of participants who have placed offers of the total subscribers) ranged this year from 25% (February, June and August 2014) to 34% (achieved in March 2014).

### **Balancing Market – BM**

In December 2014, there were registered 116 producers and 100 Balancing Responsible Parties (BRP). The increase in the number of producers was determined by starting the qualification process as dispatchable units of renewable producers with installed capacity higher than 5 MW.

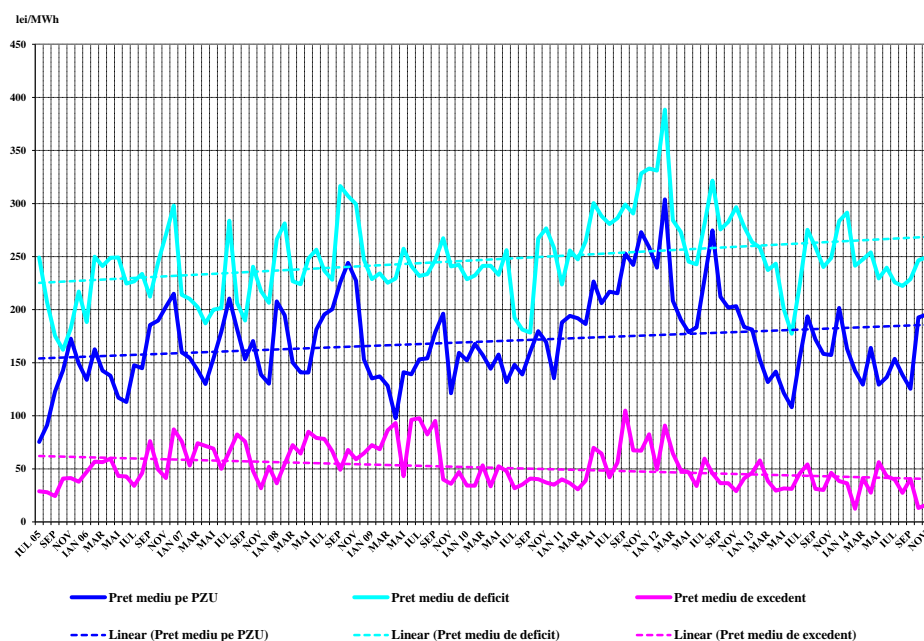
The total volume traded on the BM in 2014 is similar to the one registered in 2013 (approx. 0.08% increase).

Monthly amount has consistently been below the one traded on the DAM, as shown in the chart below; the link of the two markets (DAM and BM) in 2014 is generally correct.



Source: Monthly reports of OPCOM S.A. and C.N. Transelectrica S.A.

The following graph shows the monthly average settlement prices for imbalance recorded by BRP's (surplus price and deficit price) for July 2005 - December 2014. Average values of settlement prices for 2014 were 243.35 lei/MWh for the deficit price (about 0.04 % higher than the one registered in 2013) and 30.77 lei/MWh for the surplus price (about 23.2% lower compared to 2013). These values are determined as an arithmetic average of hourly prices recorded.



Source: Daily reports of OPCOM SA

In 2014, the monthly additional value resulting from BM and settlement of imbalances by BRPs had the sense of a cost in some of the months and in others the sense of a revenue (January, February, April, July, August, and September), the aggregate value for the entire period was a cost of 10.73 million lei, 42.4% lower than the one recorded in 2013.

The monitoring reports submitted by the TSO in 2014 show that there were recorded transactions periods in which have been ordered cuts of power of wind power plants and photovoltaic plants registered as dispatchable units in the BM. The reason was, every time, balancing the production - consumption balance and compliance with the balance scheduled, when all other possibilities had been exhausted. Information on ordered cuts were published on Transelectrica website at, [Transparență/Echilibrare și STS](#), item 21 of the table.

In 2014, Transelectrica has identified three participants who complied with the obligation of publication of tenders and transactions as a result of exceeding the 40% limit of the transactions for a particular type of regulation and direction. They are Hidroelectrica, Romgaz and CE Oltenia, and the data was published on Transelectrica website at, [Transparență/Echilibrare și STS](#), point 19 of the table.

### **The Ancillary Services Market**

To ensure safe operation of the NPS, the market for ancillary services (AS) was organized through which the transmission system operator C.N. Transelectrica S.A. concludes contracts for AS intended for the secondary control and respectively tertiary fast and slow reserves, in accordance with rules ENTSO-E, with provisions Technical Code of electricity transmission network and of Wholesale electricity market Commercial Code.

In 2014, following the implementation of the legal framework in force (Government Decision no. 138/2013 as amended by Government Decision no. 941/2014) and the related regulatory framework, AS quantities were contracted of both regulated based on ANRE decisions and from organizing auctions sessions on different time horizons.

Participants, holding a generation license, dispatchable units qualified by C.N. Transelectrica S.A. for the service provided, enrolled in the balancing market and part of a BRP, can enrol in auctions for the acquisition of AS and make offers on the holdings portfolio if they have an EIC code. AS producers-providers have a contractual obligation to supply on the balancing market each time slot, the energy adjustment of STS for the quantities contracted, in which case it is considered that the amounts were made. They shall be paid by C.N. Transelectrica S.A. at the contract price, for those unrealized, AS providers are those who pay to CN Transelectrica S.A. a penalty representing the double price of the contract price.

In 2014, as providers were Hidroelectrica, CE Oltenia, Hunedoara EC, OMV Petrom, Electrocentrale Bucharest, Romgaz, Electrocentrale Galati, Dalkia Termo Prahova and Southern Energy Electro. They participated in the AS market both on the regulated component concluding bilateral agreements based on quantities and the regulated prices established by ANRE decisions and on the competitive component, having contracts with quantities and prices resulting from the monthly and weekly auctions organized by CN Transelectrica S.A.

In the year, the acquisition of control reserve amount for secondary and slow tertiary control was higher by 14% respectively 23% over the previous year, while the reserve for fast tertiary control for the total quantity purchased by CN Transelectrica S.A. decreased by 8%.

If in 2013, the purchase for the reserve for secondary and fast tertiary control reached 99% or 100% on regulated component and the reserve for slow tertiary only 19% was achieved by auction, the situation in 2014 was different: the purchase by auction was predominant for fast tertiary control (88% of total purchases) and 54% for secondary control. However in case of slow tertiary reserve, the regulated quantities have covered the estimation of C.N. Transelectrica S.A., auctions were not necessary.

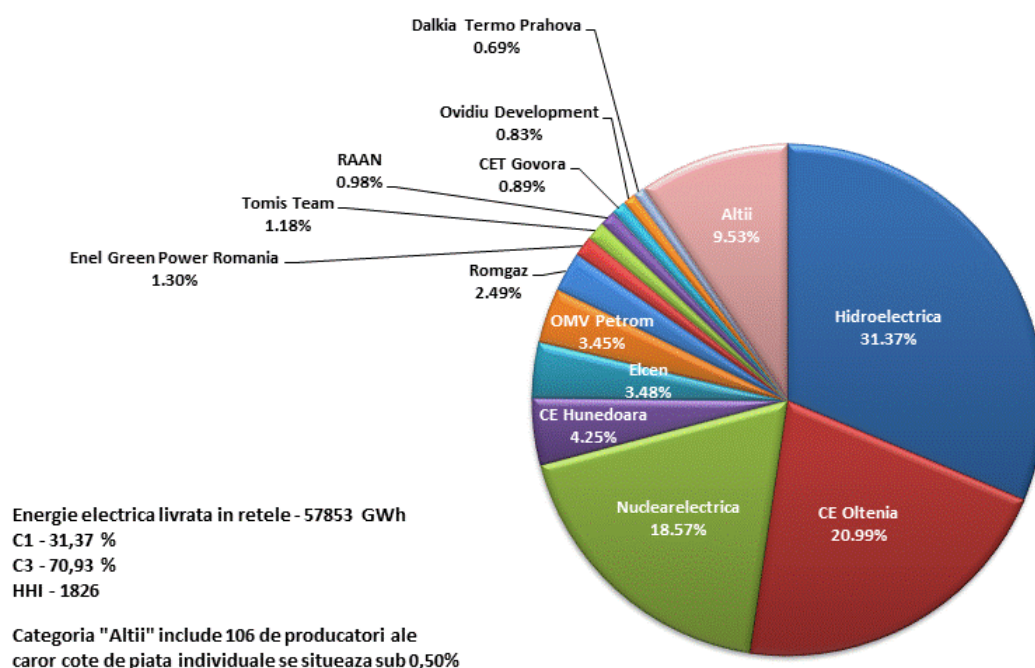
If in the first half of 2014, it can be noted the achievement of a total coverage through bilateral contracts ranging between 69.26% and 100.63% over the requirements set, in the second semester the coverage exceeded every month the values considered necessary for the proper functioning of NPS. Noteworthy is the fact that in slow tertiary reserve case this indicator exceeded 100% in all months of 2014, ranging between 102.51% -115.28% coverage through regulated contracts.

If along the first 6 months of 2014, the regulated tariffs for the 3 types of reserves remained at the same level as in 2013 for all providers of AS, since July 2014 the tariffs were regulated at different levels, depending on the used generation technology. The prices resulting from the auctions ranged from month to month around 63 lei/h \* MW for secondary control reserve and in the range from 29.86 to 31.75 lei/h \* MW for the purchase of the fast tertiary reserve.

## **Concentration indicators evolution on the wholesale electricity market**

### *Generation*

The following figure presents the market shares of producers with dispatchable units in 2014, on the basis of the electricity supplied to the network.



Source: monthly reports of producers

The following table shows the average annual values for 2004-2014 of **C1 structure indicators** (market share of the largest producer market participant) and HHI, both determined based on electricity delivered by producers holding dispatchable units to the networks.

The values listed above take into account the existing structure at companies with distinct legal personality, disregarding interests held by some operators in other operator's shareholding.

Year	C1	HHI
2004	32%	1573
2005	37%	1831
2006	31%	1562
2007	28%	1404
2008	28%	1523
2009	29%	1641
2010	36%	1947
2011	26%	1469
2012	30%	1914
2013	28%	1759
2014	31%	1826

Source: monthly reports of producers holding dispatchable units

During 2014, the value of HHI (Herfindahl-Hirschman Index) indicator was 1826. The annual market share for the most important producer that is the hydro producer was 31.37%, which also was first place producer in 2013 regarding injection of electricity networks. The C3

concentration indicator was in 2014 of 70.93%, higher than in 2013, although this year based on increased monitoring by including unconventional sources producers 5-20 MW installed power.

As can be noted, C3 and HHI indicator values easily exceed the boundaries that separate markets with a moderate degree of concentration of the ones with a high degree of concentration, as they are set by the literature.

#### *Day-Ahead Market*

The HHI concentration indicator had values that generally indicate lack of buying concentration (monthly values in the 433 – 716); in sales, there is a less concentrated market in the first four months and last month of 2014, with monthly values of HHI in the 676-812 and in May-November 2014, there is a moderately concentrated market, with the exception of August, when there was an HHI value of 2516.

#### *Centralised Market for Bilateral Contracts*

Trading through public auction (CMBC) and concentration indicators on centralised market for bilateral contracts were organized at the market operator OPCOM SA, based on purchase / sale deals. The following table shows the concentration indicators on the centralised market for bilateral contracts, organized at the market operator OPCOM SA, based on the volumes in the annually concluded transactions, during 2005-2014:

#### **Concentration indicators on the centralised market for bilateral contracts based on the volumes in the annually concluded transactions**

Year	Selling		Buying	
	C3 [%]	C1 [%]	C3 [%]	C1 [%]
2005	99.68	57.61	93.33	43.21
2006	82.77	38.30	46.58	16.15
2007	87.55	35.21	32.52	11.27
2008	95.32	36.51	25.00	9.85
2009	98.28	51.34	66.58	35.93
2010	98.80	45.22	76.87	45.22
2011	83.47	41.79	45.77	17.73
2012	94.05	59.14	44.58	22.29
2013	61.43	30.73	36.08	17.25
2014	63.25	22.60	45.62	16.56

*Source: OPCOM SA data and interpretation*

In 2014, it is noted a decrease of the concentration degree both in selling and buying. The market share of the participant which traded the most was in both cases lower compared to the previous year. Due to legislative provisions provided by Law no. 123/2012 on electricity and natural gas, signing contracts is allowed only in transparent and non-discriminatory way on centralized market organized at OPCOM SA. Therefore, even if in December 2013 were 376 registered participants, their number has gradually increased from month to month, reaching in December 2014 a record of 588 participants, over 50% more than the same period last year.

#### *Balancing market*

The following table presents the concentration indicators for 2006-2014, determined based on the energy actually delivered by producers on the BM for each type of regulation and direction.



### Concentration indicators on the Balancing market

Year	Regulation type	Direction	2006	2007	2008	2009	2010	2011	2012	2013	2014
C1	Secondary	Upward	80%	60%	71%	64%	68%	59%	60%	61%	59%
		Downward	80%	56%	71%	64%	67%	56%	57%	58%	58%
	Fast tertiary	Upward	69%	51%	70%	55%	53%	75%	78%	67%	58%
		Downward	53%	30%	38%	47%	62%	46%	53%	47%	70%
	Slow tertiary	Upward	29%	29%	27%	39%	45%	30%	46%	39%	61%
		Downward	31%	19%	27%	32%	34%	42%	46%	37%	63%
HHI	Secondary	Upward	6510	3915	5438	4526	5067	3986	4815	4700	3495
		Downward	6612	3538	5367	4501	4943	3703	4665	4423	3396
	Fast tertiary	Upward	5061	2979	5065	3543	3320	5729	6250	4841	3400
		Downward	3452	1590	2319	2843	4204	2868	3926	3202	4836
	Slow tertiary	Upward	2203	1769	2021	2478	2749	1679	2375	2777	3759
		Downward	2582	1276	1838	2017	2089	2563	3446	2470	3959

Source: C.N. TRANSELECTRICA S.A. monthly reports

The values of the concentration indicators for 2014 show a dominant participant and an excessive concentration of the balancing market for all types of regulation.

#### Ancillary Services Market

The following table presents the concentration indicators for the Ancillary Services Market in 2014, which were obtained based on data reported by Transelectrica and producers qualified for this type of service.

Year 2014		Secondary reserve	Fast tertiary reserve	Slow tertiary reserve
Regulated component	Contracted quantity (h*MW)	1,662,940	700,800	6,465,380
	C1 (%)	76.5	75.0	51.4
	C3 (%)	100	100	100
Competitive component	Contracted quantity (h*MW)	1,945,010	5,091,691	-
	C1 (%)	88.2	86.3	-
	C3 (%)	97.0	95.7	-
	HHI	7822	7497	-

Source: C.N. TRANSELECTRICA S.A. monthly reports

In 2014, it is noted the high degree of concentration on all three reserves purchased by C.N. Transelectrica S.A., both on regulated component as well as on the competitive one. Therefore, during 2014 the thermal producers CE Oltenia and CE Hunedoara received regulated quantities on all three types of reserves, a regulated share on the secondary reserve being also ensured by the producer Hidroelectrica.

It is noted the high degree of concentration on the secondary reserve and fast tertiary reserve purchased that were provided by the hydro producer, as well as the fact that the difference was insured by six producers that had a 0,3%-4,6% share on the secondary reserve and by nine producers with shares between 0,1-6,8% on tertiary reserve.

### 3.2.2. Electricity retail market

#### 3.2.2.1 Monitoring the level of prices, the level of transparency, the level and effectiveness of market opening and competition

In 2014, the number of electricity suppliers operating on the retail market was 87, of which 19 electricity generation license holders and 5 incumbent suppliers.

On the regulated market, 5 incumbent suppliers operated –1 state-owned and 4 with majority private ownership. The electricity supplied for these 5 suppliers, both on regulated and competitive market was about 15213 GWh, representing a decrease of 20% from 2013, in terms of increasing total final consumption by approx. 1.5% from the same year, 2013.

Regarding the evolution of the structure of electricity consumption to final consumers, based on data processed by ANRE for 2014, the following are emphasized:

- final electricity consumption recorded in 2014 increased by approx. 1.5% from the level recorded in 2013;
- maintaining the quantity and share of household consumption in final consumption in 2014 compared to 2013;
- increase consumption for the non-households who have switched supplier by about 18% in 2014 compared to 2013; an increase of share in final consumption with 9% in 2014 compared with 2013;
- decrease consumption for the regulated non-households by approx. 51% in 2014 compared to 2013; a decrease of share in final consumption with 9% in 2014 compared with 2013.

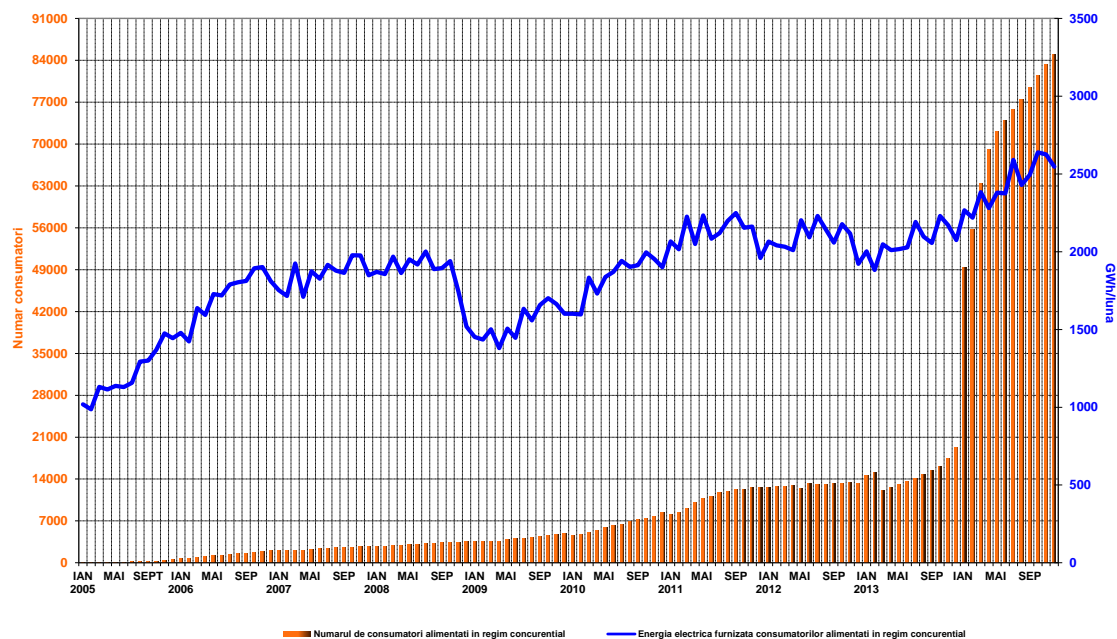
	2008		2009		2010		2011		2012		2013		2014	
	GWh	%	GWh	%	GWh	%	GWh	%	GWh	%	GWh	%	GWh	%
<b>Consumers supplied on the regulated market</b>	<b>23416</b>	<b>51</b>	<b>23046</b>	<b>55</b>	<b>23165</b>	<b>49</b>	<b>20289</b>	<b>44</b>	<b>20779</b>	<b>45</b>	<b>18966</b>	<b>43</b>	<b>15213</b>	<b>34</b>
households	10376	23	10990	26	11246	26	11590	25	11987	26	11670	27	11626	26
non-households	13040	28	12057	29	10119	23	8699	19	8792	19	7296	17	3587	8
<b>Consumers supplied on the competitive market</b>	<b>22414</b>	<b>49</b>	<b>18536</b>	<b>45</b>	<b>22075</b>	<b>51</b>	<b>25525</b>	<b>56</b>	<b>25105</b>	<b>55</b>	<b>24805</b>	<b>57</b>	<b>29235</b>	<b>66</b>
households														
non-households	22414	49	18536	45	22075	51	25525	56	25105	55	24805	57	29235	66
<b>Total final consumption</b>	<b>45830</b>	<b>100</b>	<b>41583</b>	<b>100</b>	<b>43440</b>	<b>100</b>	<b>45814</b>	<b>100</b>	<b>45884</b>	<b>100</b>	<b>43771</b>	<b>100</b>	<b>44448</b>	<b>100</b>

Source: monthly reports of the suppliers

NOTE: The amount of electricity supplied to customers supplied regulated in the years 2012, 2013 and 2014 includes CMC and last resort components

In December 2014, on the competitive market were 84,933 non-households consumers, electricity supplied to these consumers in 2014 being 29,235 GWh, 18% increase compared to the same period of the previous year.

The evolution of the number of customers in the supply competitive market is shown graphically from the beginning of the market opening in the following figure. As it can be noted, **the number of the customers who has changed the electricity supplier strongly increased in 2014, due to the evolution of the deregulation process for the non-household customers**. The electricity supplied ranged from one month to another, recording higher values of approx. 2200 GWh/month. Since January 2011, the supplied energy includes the amount of self-supplied electricity to other consumption locations by the producers whose self-provided quantities exceeded 200 GWh in the previous year.



Source: monthly reports of the suppliers

The values of **competitive retail market concentration indicators during 2004-2014**, showed in the following table highlights a positive evolution. Year 2014 is characterized by a non-concentrated market, due to the large number of suppliers who competed in this market and dividing them as market power.

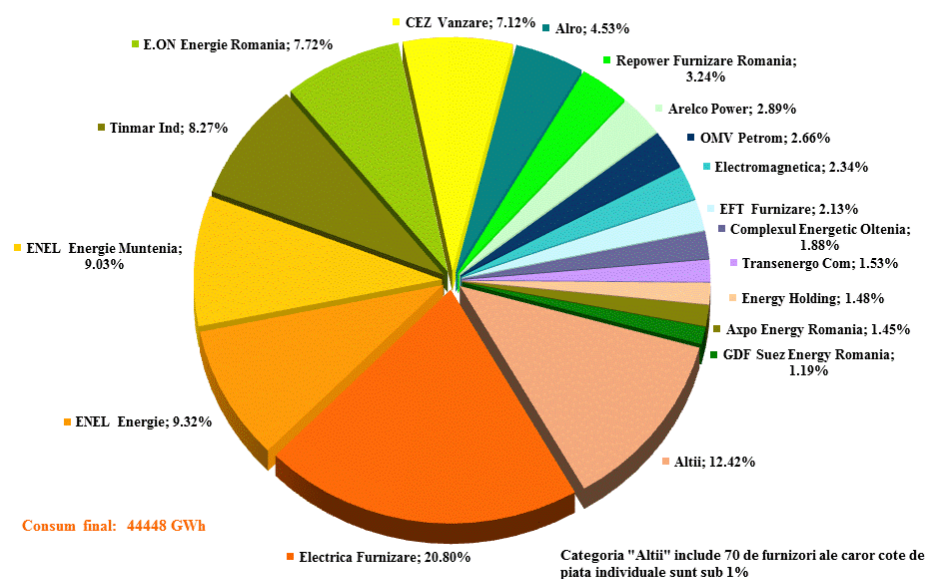
Year	C1	HHI
2004	62%	4323
2005	39%	1930
2006	20%	885
2007	19%	904
2008	17%	659
2009	16%	669
2010	14%	562
2011	13%	467
2012	12%	530
2013	12%	570
2014	13%	557

Although the whole retail market indicators show a non-concentrated market, at the level of the retail competitive market segments, by category of consumption, there is a non-concentrated market only for IC, ID and IF categories; IB, IE categories and others have a moderate level of concentration and IA category has a high level of concentration.

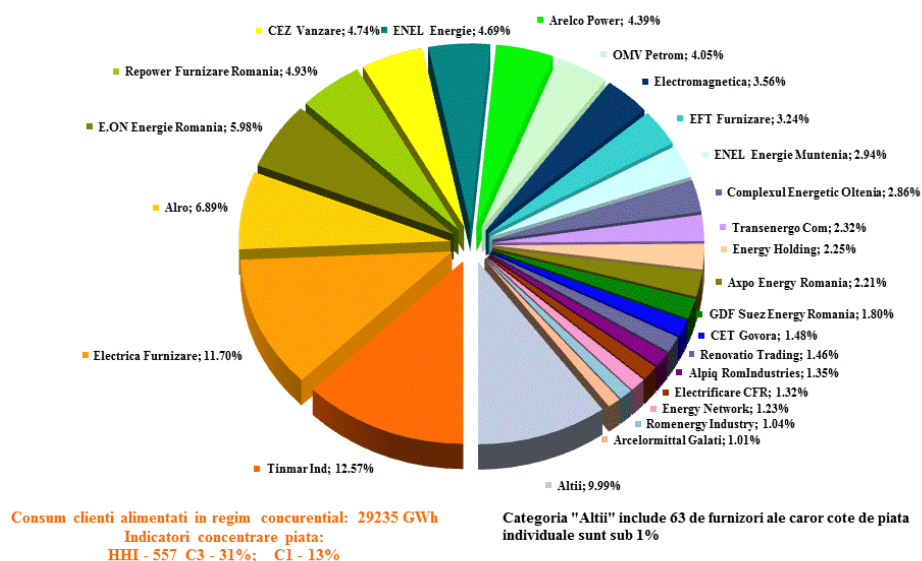
Indicatori - an 2014	Categorie consumator								Total PAM conc
	IA	IB	IC	ID	IE	IF	Altii		
C1 - % -	38	25	22	17	27	17	21	13	
C3 - % -	72	55	41	35	43	39	48	31	
HHI	2187	1293	900	712	1081	928	1116	557	
Consum - GWh -	339.0	2937	3342	7367	3916	2165	9169	29235	
NR. FURNIZORI	55	76	68	61	28	17	19	87	
nr. furnizori de ultimă instanță	5	5	5	5	3	4	2	5	
nr. furnizori concurențiali	39	57	51	49	21	12	11	63	
nr. producători	11	14	12	7	4	1	6	19	

Source: Monthly reports of suppliers

The market shares of suppliers for final customers and the market shares of suppliers delivering the electricity on competitive retail market for the year 2014 are presented in the following graphs:

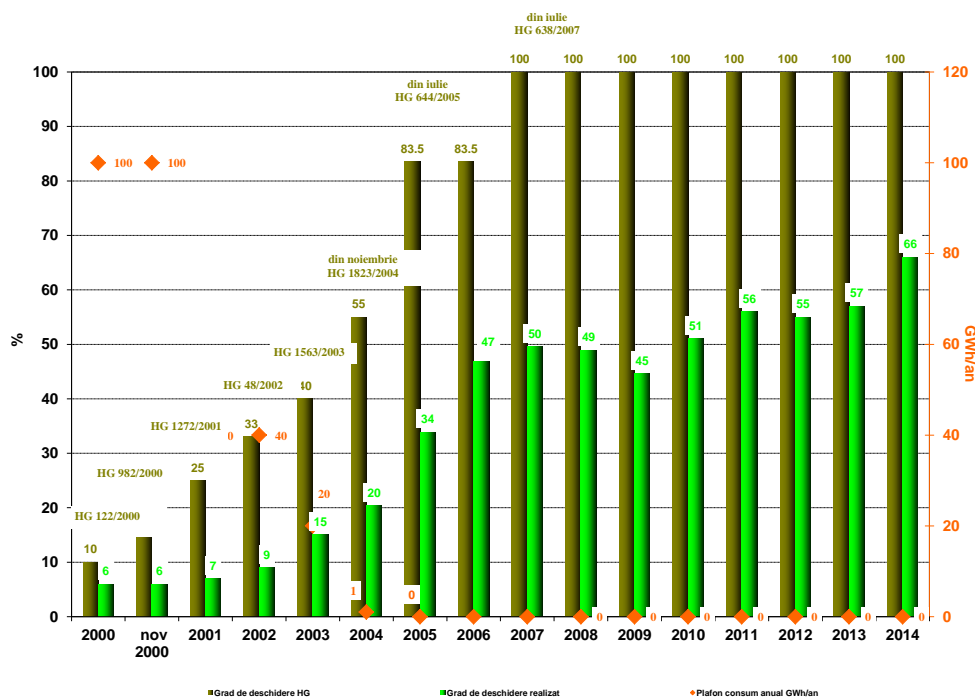


Source: monthly reports of the suppliers



Source: Suppliers monthly reports

In 2014, there is an increase of nine percentage points of the actual degree of electricity market opening compared with 2013, representing about 66% of total final consumption. Annual evolution of the degree of opening of the retail market is shown in the following chart:



Source: Suppliers monthly reports

The switching rate for 2014, shown in the following table is determined for each type of consumer in two ways: by the number of customers sites that have switched supplier in 2014 and according to the energy supplied to places of consumption. It is noted that the self-consumption of the largest industrial consumers who own also supply license and decided to buy energy on the wholesale market, as competing supplier, is not included.

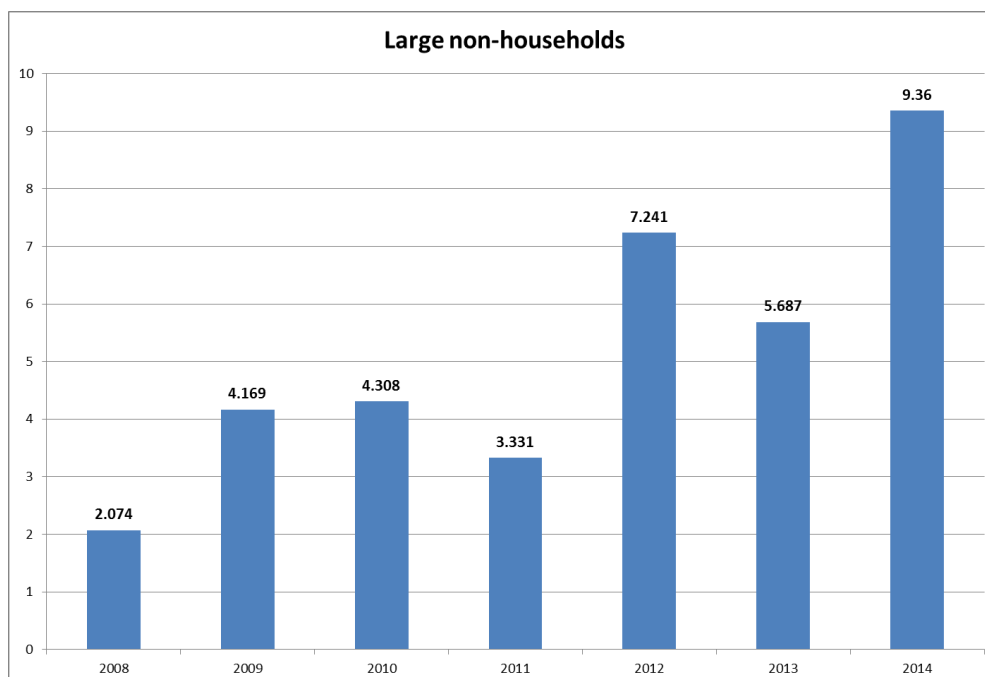
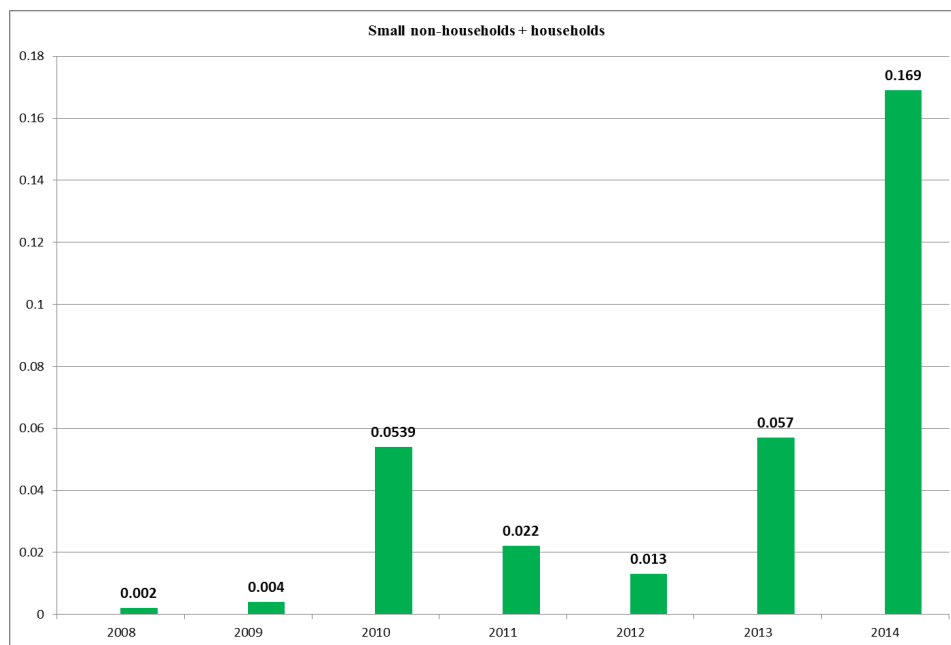
No. crt.	Consumer type	The rate of switching the electricity suppliers (%)	
		No. location places	Supplied electricity
1.	Small non-households + Households (contracted power less than or equal to 100 kW)	0,169	5,950
2.	Large non-households (contracted power between 100 kW and 1000 kW)	9,360	13,351
3.	Very large non-households (contracted power higher or equal to 1000 kW)	12,481	20,554
<b>4.</b>	<b>TOTAL Retail market</b>	<b>0,203</b>	<b>12,534</b>

Source: supplier's data, ANRE processing data

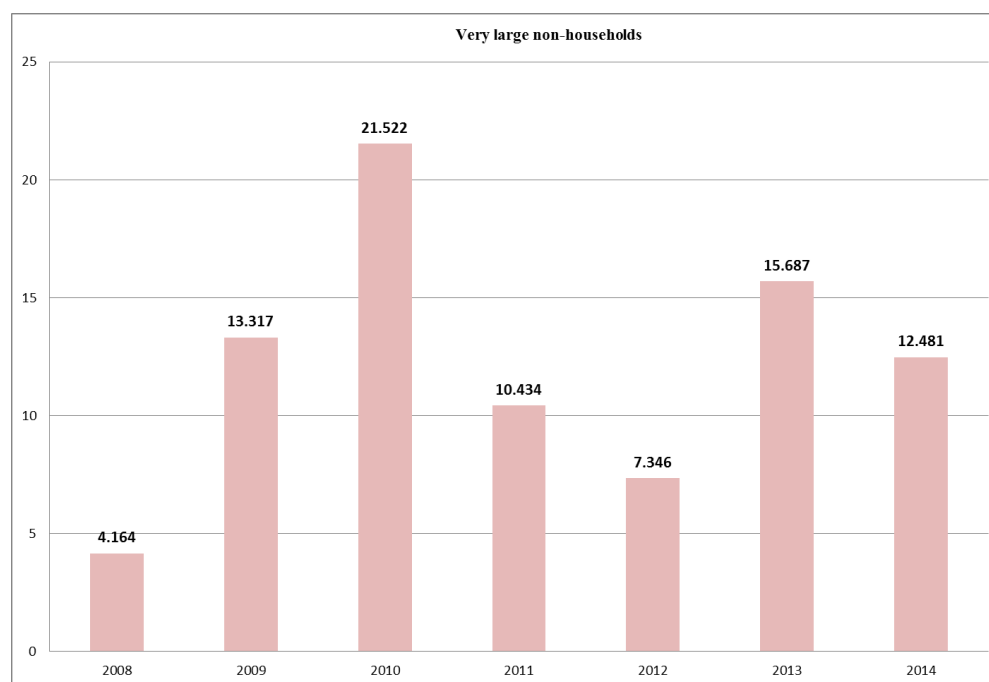
The rate value of switching electricity supplier for the retail market determined on the basis of number of consumer places registered high increase compared to values resulted last year, which indicates that migration of consumers from one provider to another was resumed; there

can be noticed significant increase value of indicator for small non-households and households category, as a result of the deregulation undertaken by Romania.

The rate value of switching electricity supplier for the retail market determined based on the supplied volumes has quadrupled as compared with the last year results for small non-households and households category. It is noted a migration from one supplier to another for all the categories of consumers. The evolution of the rate of switching supplier on the number of customer's sites in 2008-2014 is shown below:







The next table shows the number of suppliers with market shares above 5% and market concentration indicators for each category of final consumers registered in 2014.

We mention that the dominance principle was taken into account in the calculation and the delivered electricity based on which was established the market share of each supplier does not include self-consumption of industrial consumers who have a supply license and decided to buy electricity on the wholesale market, as competing supplier.

No.	Consumer type	Number of suppliers with market shares above 5%	C1 (%)	C3 (%)	HHI
1.	Small non-households + Households (contracted power less than or equal to 100 kW)	5	33	78	2445
2.	Large non-households (contracted power between 100 kW and 1000 kW)	5	27	55	1264
3.	Very large non-households (contracted power higher or equal to 1000 kW)	7	13	29	590
<b>4.</b>	<b>TOTAL Retail market</b>	<b>5</b>	<b>22</b>	<b>49</b>	<b>1096</b>

Source: supplier's data

Values of market structure indicators calculated for 2014 indicate:

- non-concentrated market for retail market segment corresponding to very large non-households and to the whole retail market;
- a moderate level of concentration retail market segment corresponding to large non-households;
- large concentrated market for retail market segment corresponding to small non-household and households.

### 3.2.2.2 Recommendations on supply prices, investigations and measures to promote effective competition

The following table shows average prices achieved for each **category of non-households supplied in competitive market**. It is noticed that the average price decreased by comparison to 2013, when its value was 297.34 lei/MWh.

Consumers	Consumption (MWh)	Average price (lei/MWh)
IA	338,995	412.57
IB	2,937,251	396.68
IC	3,342,258	336.89
ID	7,366,898	310.72
IE	3,916,183	275.21
IF	2,164,892	254.38
Others	9,168,695	221.97
<b>Total</b>	<b>29,235,173</b>	<b>286.87</b>

For each category of customers, the average selling price resulted by dividing the total value of sales revenues (including the equivalent value of services provided: transportation components  $T_g$  and  $T_l$ , system services, distribution, settlement, market imbalances, fees aggregation BRP, measurement) to the total amount of electricity sold to that category. Prices do not include VAT, excise or other taxes.

Non-households categories	Annual consumption in the range	
Band - IA		<20
Band - IB	20	<500
Band - IC	500	<2000
Band - ID	2000	<20000
Band - IE	20000	<70000
Band - IF	70000	<=150000
Others	>150000	

Classification of consumer categories was based on their annual consumption forecast, in accordance with the provisions of Directive 2008/92/EC. The table below details the consumption ranges for each category separately.

#### Regulated tariffs for household customers

Starting with 01.01.2014, according to the roadmap for phasing out regulated prices, the percentage of purchasing electricity from the competitive market for non-households who have not used for eligibility right is 100% of consumption. Accordingly, in 2014 regulated electricity tariffs to non-household customers were no longer approved.

Based on the *Methodology of establishing prices and tariffs for end customers who do not use their eligibility right*, approved by ANRE Order no. 82/2013, regulated tariffs for household consumers into force from 01.01.2014 were maintained at values approved by ANRE Order no. 40/2013.

The calculations for determining the average price return of the electricity supplied at regulated tariffs necessary in 2014 were based on:

- quantities and prices of regulated contracts for the sale of electricity in 2014, of each suppliers of the last resort and producers SC Hidroelectrica S.A. and S.N. Nuclearelectrica SA, established by ANRE decisions no. 3905 and no.3906 from 20.12.2013;
- suppliers of the last resort costs and revenues in 2013 (conducted during January-August 2013 and estimated between September to December 2013), respectively loss/profit estimated in 2013 on the supply at regulated tariffs;
- corrections related to recovery value of green certificates included in the regulated tariffs for the period 26 July to 31 December 2012 (the date of entry into force of the Law no.134/2012 on separate billing costs with green certificates) and to compensate

for losses due to activation clause force majeure in contracts covered by SC Hidroelectrica S.A. 2012.

Calculations determining the average price return of the electricity supplied at regulated tariffs were resumed at the end of the first semester 2014 for the second semester 2014 for the following reasons:

- Adjustment in the second half of 2014 of regulated electricity sale-purchase contract prices between each supplier of last resort and electricity producers SC Hidroelectrica S.A. and S.N. Nuclearelectrica S.A., by ANRE decisions no. 1408 and 1409 from 18.06.2014;
- Adjustments in the second half 2014 of transmission tariff and the tariff ancillary services;
- Entry, on July 1st 2014, in a new phase of the roadmap for phasing out regulated tariffs (increasing by 10% the degree of deregulation to household customers, by comparison the first semester of 2014).

Pursuant to ANRE Order no. 82/2013, the regulated tariffs into force had to be increased by 1.89%. Accordingly, by ANRE Order no. 57/26.06.2014 regulated electricity tariffs to household consumers into force from 01.07.2014 were approved.

At the end of 2014 were approved regulated tariffs to household customers applicable since 01.01.2015 (ANRE Order no. 157 of 15 December 2014). After the calculations determining the average price return of the electricity supplied at regulated tariffs necessary in 2015, was identified a need to increase by 2.25% the regulated tariffs in force.

### Competitive Market Component - CMC tariffs

According to the roadmap for phasing out regulated tariffs to end customers, pursuant to the Memorandum of Understanding signed by the Romanian Government with the European Commission on March, 13th, 2012, in 2014 stages 6 and 7 of phasing out regulated tariffs were concluded, the percentage of purchasing electricity from the competitive market for end customers who have not choose to change supplier are:

-100% of consumption for non-households and 20% of consumption for households who have not used their eligibility right, stage 6 of phasing out regulated tariffs (the period 01.01.2014 - 30.06.2014);

-100% of consumption for non-households and 30% of consumption for households who have not used their eligibility right, stage 7 of phasing out regulated tariffs (the period 01.07.2014 - 31.12.2014);

Pursuant to the *Methodology of establishing prices and tariffs for end customers who do not use their eligibility right*, approved by ANRE Order no. 82/2013, the values of CMC tariffs were approved, as following:

- for the 6 stage of phasing-out regulated tariffs:

Supplier of the last resort	Tariffs CMC January – June 2014 [lei/kWh]		
	IT (110 kV)	MT (1-110 kV)	JT (0,1-1 kV)

		exclusive)	inclusive)
<b>S.C. Electrica Furnizare S.A. (Aviz nr. 60/20.12.2013)</b>			
-Muntenia Nord	0.2711	0.3153	0.4582
-Transilvania Nord	0.2716	0.3182	0.4297
-Transilvania Sud	0.2734	0.3204	0.4447
<b>S.C. CEZ Vânzare S.A. (Aviz nr. 57/20.12.2013)</b>	0.2885	0.3349	0.4750
<b>S.C. E.ON Energie România S.A. (Aviz nr. 56/20.12.2013)</b>	0.3395	0.3858	0.5332
<b>S.C. Enel Energie Muntenia S.A. (Aviz nr. 59/20.12.2013)</b>	0.2301	0.2698	0.4160
<b>S.C. Enel Energie S.A. (Aviz nr. 58/20.12.2013)</b>			
- Banat area	0.2683	0.3150	0.4517
- Dobrogea area	0.2609	0.3026	0.4530

- for the 7th stage of phasing-out regulated tariffs:

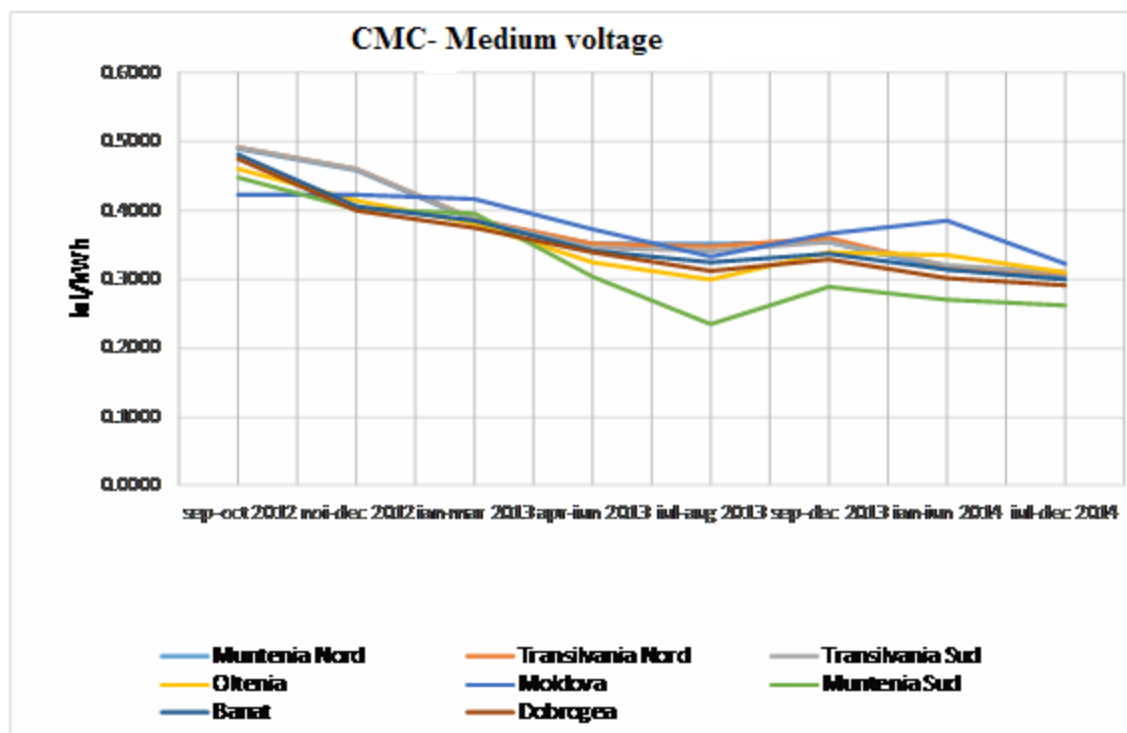
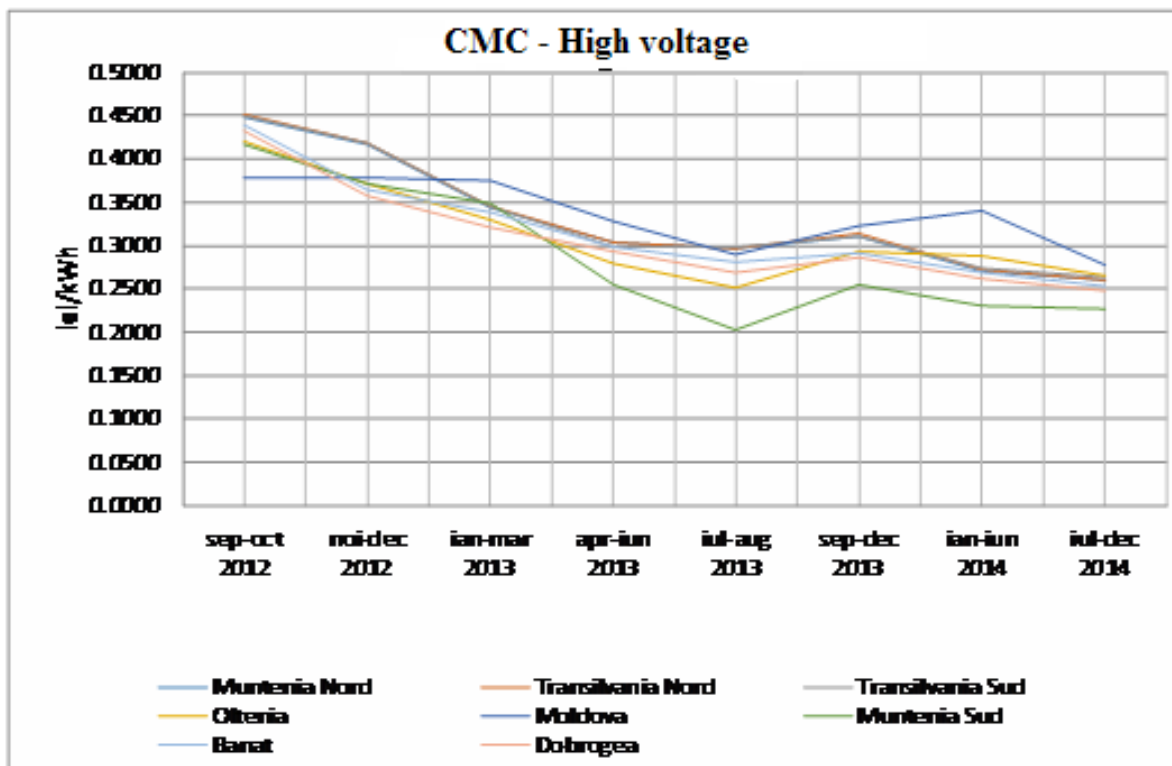
FUI	Tariffs CMC July – December 2014 [lei/kWh]		
	IT (110 kV)	MT (1-110 kV exclusive)	JT (0.1-1 kV inclusive)
<b>S.C. Electrica Furnizare S.A. (Aviz nr. 36/26.06.2014)</b>			
-Muntenia Nord	0.2603	0.3045	0.4474
-Transilvania Nord	0.2608	0.3075	0.4189
-Transilvania Sud	0.2640	0.3110	0.4353
<b>S.C. CEZ Vânzare S.A. (Aviz nr. 39/26.06.2014)</b>	0.2650	0.3114	0.4515
<b>S.C. E.ON Energie România S.A. (Aviz nr. 38 / 26.06.2014)</b>	0.2776	0.3238	0.4712
<b>S.C. Enel Energie Muntenia S.A. (Aviz nr. 37 / 26.06.2014)</b>	0.2266	0.2628	0.3969
<b>S.C. Enel Energie S.A. (Aviz nr. 35/26.06.2014)</b>			
- Banat area	0.2538	0.2999	0.4366
- Dobrogea area	0.2482	0.2923	0.4378

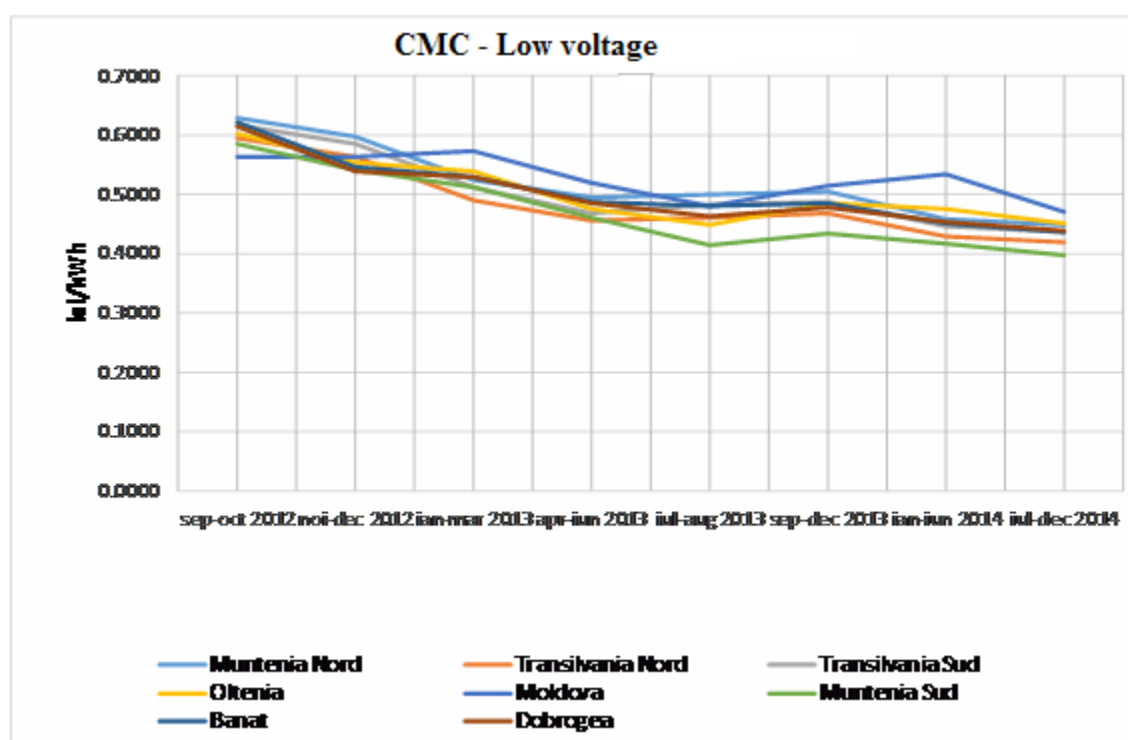
### Competitive Market Component - CMC tariffs

According to the roadmap for phasing out regulated tariffs to end customers, pursuant to the Memorandum of Understanding signed by the Romanian Government with the European Commission on March, 13th, 2012, in 2014 stages 6 and 7 of phasing out regulated tariffs were concluded, the percentage of purchasing electricity from the competitive market for end customers who have not choose to change supplier are:

- 100% of consumption for non-households and 20% of consumption for households who have not used their eligibility right, stage 6 of phasing out regulated tariffs (the period 01.01.2014 - 30.06.2014);
- 100% of consumption for non-households and 30% of consumption for households who have not used their eligibility right, stage 7 of phasing out regulated tariffs (the period 01.07.2014 - 31.12.2014);

Pursuant to the *Methodology of establishing prices and tariffs for end customers who do not use their eligibility right*, approved by ANRE Order no. 82/2013, the values of CMC tariffs were approved, their evolution being presented in the following figures:





The evolution of the average prices invoiced to households and to non-households in 2013 and 2014 are as follows:

	Households		Non-households	
	Price	Service tariff	Price	Service tariff
	lei/MWh	lei/MWh	lei/MWh	lei/MWh
<b>year 2013</b>	581,31	232,74	534,42	134,35
<b>year 2014</b>	575,07	234,66	455,35	138,77

The **price** includes the purchase of energy, supply service, service charges, VAT, excise, contribution for cogeneration and value of green certificates, and the **service tariff** is the average tariff for transmission, distribution, ancillary service and administration of the electricity market.

### 3.3. Security of supply

In accordance with article 24 of Law no. 123/2012 on electricity and natural gas, in case of unexpected crisis in the electricity market and where physical safety is threatened or security of persons, appliances or installations or system integrity, TSO may propose ANRE and to the competent ministry safety measures. The measures taken in these situations should cause the least effect on the proper functioning of the European internal market and stick strictly to fix the crisis that generated them. Implementation of these measures is made by Government decision, initiated by the competent ministry.

During 2014, there was no crisis in the electricity market.

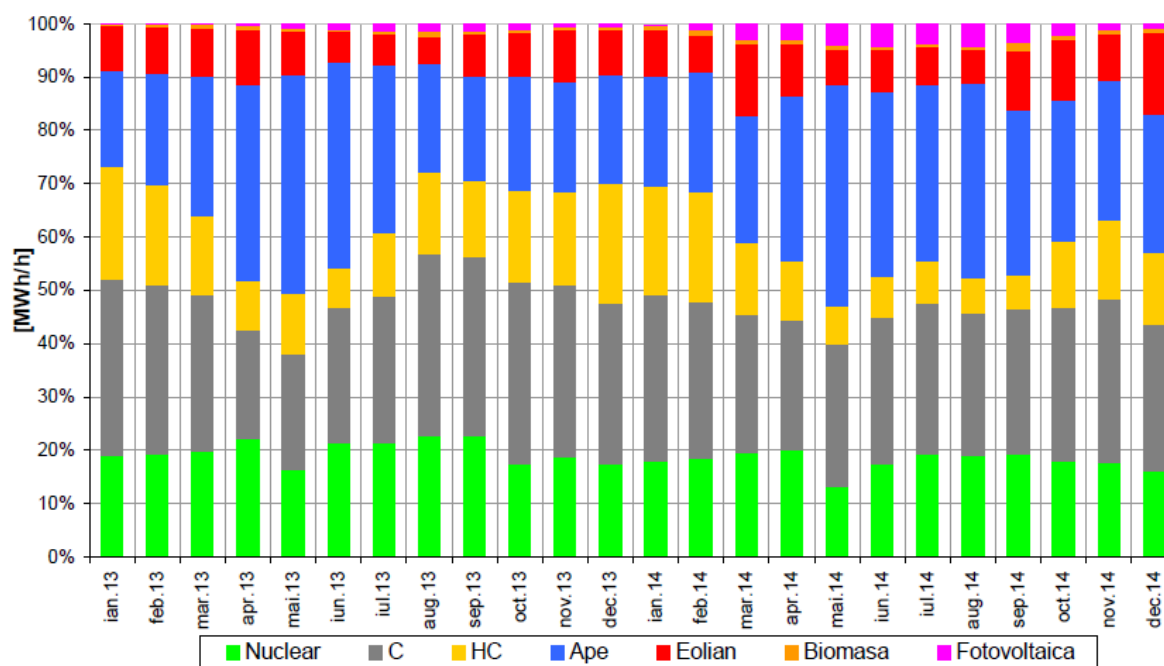


### 1.3.1 Monitoring balance between supply and demand

In 2014, electricity production was 64.863 TWh, about 10.5% higher than in 2013. The internal consumption was about 57.74 TWh, with about 1.9% higher than in 2013. Romania was a net exporter of electricity during 2014, import-export balance is negative (- 7.123 TWh).

Regarding the mix of resources, with increasing installed capacity in renewable wind and photovoltaic power plants increased their share in the mix of production in 2014 reaching a share of 9.56% of wind production (8, 05% in 2013) and photovoltaic production 2.52% (0.70% in 2013). It notes, however, a decrease of 3.54% of energy production in hydrocarbons power plants from 15.50% in 2013 to 11.96% in 2014 and respectively the production generated in coal power plants of 1 , 7%, from 29.65% in 2013 to 27.95% in 2014. In terms of hydropower production, given that the average flow of the Danube remained within high values, respectively 6019 m / s, the percentage of hydro production was 29.22%, registering an increase of 3.47% compared to 2013.

Structura pe resurse a productiei de energie electrica in perioada  
ianuarie 2013 - decembrie 2014



The maximum value of consumption in 2014 was 145 MW higher than the maximum values recorded in 2013, but also 217 MW lower than the peak of 2012, which had an extremely cold winter. Thus maximum gross consumption was 9303 MHz / h and was registered on December 03, 2014 at 18:00. The minimum value of consumption (4092 MHz / h) was recorded in June 8th, 2014 at 7:00 am.

The sum of the net maximum installed generation capacity of individual plants at 31.12.2014 was 21,136 GW. Net available power and consumption values on the third Wednesday of the month at 11am CET (net values) is shown below.

2014	Jan	Feb	March	April	May	June	July	August	September	October	November	December
Net Available Power (MW)	20142	20157	20252	20294	20294	20334	20391	20499	20499	20721	20721	21136
Consumption (MW)	7216	6690	6035	6874	5524	5835	6059	5926	5970	6136	7185	7439

Source: CN Transelectrica SA

Generation park of a system is considered adequate if it can meet the demand of electricity in all the stationary states of the system in normal conditions. For perspective evaluation, this capacity for the time of year when NPS reaches the maximum consumption, namely, peak winter evening is checked, using the European methodology applied by ENTSO-E.

Installed capacity is required to be significantly higher so that the generation park can provide available power because groups are periodically removed from operation for repairs and maintenance, are affected by unplanned freezing or partial reduction of the availability due to different causes. Also, an operational reserve should permanently be kept available to TSO. Currently, this is sized to balance rapid continuous consumption variations balance and the unexpected trigger of the largest group in the system. After mobilization of rapid reserve, this must be replaced by loading slow tertiary reserve so that it can be used in the following incident.

According to the specifications of the ENTSO-E study on system adequacy forecast (Scenario Outlook and System Adequacy Forecast 2015-2030), the forecast of the net generation capacities and of the electricity consumption in Romania based on 2 scenarios is presented below:

Scenario A	2016		2020		2025	
	January 19:00 pm	July 19:00 pm	January 19:00 pm	July 19:00 pm	January 19:00 pm	July 19:00 pm
Net generation capacity (GW)	21.14	21.14	22.95	22.95	25.25	25.25
Consumption (GW)	7.91	6.12	8.18	6.29	9.02	6.81

Scenario B	2016		2020		2025	
	January 19:00 pm	July 19:00 pm	January 19:00 pm	July 19:00 pm	January 19:00 pm	July 19:00 pm
Net generation capacity (GW)	21.27	21.27	24.59	24.59	26.98	26.98
Consumption (GW)	7.91	6.12	8.18	6.29	9.02	6.81

### 3.3.2. Monitoring investment in generation capacities

The establishment of new generation capacities and rehabilitation of existing ones is done under authorisations issued by ANRE. Authorisation and licensing procedure and the conditions of granting: criteria, power levels, approvals, differentiated by power category and activities are specified in the *Rules for granting authorizations and licenses in the electricity sector*, approved by **ANRE Order no. 48/2013**.

Refusal to grant the authorization or absence of a reply within deadline, or any decision of the authority considered to be unlawful or tortuous may be appealed to the Court of Appeal Bucharest in accordance with legal provisions.

In 2014, 110 establishment authorisations were granted (photovoltaic plants – 71, wind farms – 12, hydrocarbons power plants – 9, hydro power plants – 12, power plants using biogas – 4, power plants using biomass – 3), 92% being awarded to units of production using renewable sources. **The installed power in authorized capacities of RES-E was 1056MW.**

Reducing the number of authorizations granted during 2014 is largely due to modifications to the support scheme for electricity produced from renewable sources.

The promotion of RES-E production set by *Law no. 220/2008 on the establishment of promotion system for the production of energy from renewable sources*, republished with subsequent amendments was approved by the European Commission in July 2011 by **Decision C (2011) 4938 on State aid SA 33134 (20011 / N) for Romania - green certificates to promote electricity production from renewable energy sources.**

To the form approved by the European Commission in 2011, the main amendments to Law no. 220/2008, republished, as amended and supplemented, are:

- not applying the promotion system for electricity produced from photovoltaic plants located on land that on 31 December 2013 were aside the law (infield);
- not applying the system to promote electricity from renewable sources for additional supplied electricity quantities by the dispatchable units to the quantities from physical hourly notifications submitted by the producers to the transmission system operator;
- the postponement of a number of green certificates from trading, depending on the type of renewable source, for the power producers holding power plants using renewable sources commissioned until 31.12.2013 inclusive;
- recovery of the postponed green certificates will be deferred from 1 April 2017 for new hydro plants and solar power plants, respectively with effect from 1 January 2018 for wind power plants, spread to no longer than 30.12.2020;
- the annual mandatory quotas for electricity produced from renewable energy sources that have benefited from the green certificate promotion system for 2010-2013 are: 2010 to 8.3%; 2011-10%; 2012-12%; 2013-14%. Since 2014, ANRE annually monitors the annual quotas made by electricity produced from renewable energy sources covered by the promotion system of green certificates and, depending on the degree of achievement of the national target and downstream impacts, estimates, publishes on its webpage and informs the Government until 30 June of the current year on the level of annual mandatory quota of electricity produced from renewable energy sources, benefiting from green certificate promotion system for the coming year;
- for electricity produced in power plants using biomass derived from energy crops it is granted one additional green certificate for each 1 MWh produced and delivered;
- green certificates issued by the transmission system operator have a shelf life of 12 months;
- eliminating the guarantee fund administered by the electricity market operator;
- producers of electricity from renewable energy holding units/power plants that benefit from the promotion system, with installed capacity of more than 1 MW per producer and 2MW per producer for high-efficiency cogeneration from biomass, may conclude bilateral contracts for purchase/sale of electricity and green certificates, negotiated directly with suppliers to final consumers, by exception to the centralized trading rule;
- failure to include in the final customer's bill the value of green certificates not acquired;
- in the electricity bill sent to final consumers, the value of green certificates are billed separately from tariffs/prices for electricity, stating the legal basis, after the acquisition by the supplier of corresponding mandatory quota of green certificates acquisition. This value is the

product of the annual mandatory acquisition quota certificates estimated by ANRE (CV/MWh), the amount of electricity charged (MWh) and the price of green certificates purchased by the respective supplier on the centralized markets administered by the operator of the electricity market;

- trading of green certificates is allowed to the producers of electricity from renewable energy and economic operators with the obligation to purchase green certificates in a transparent, centralized and non-discriminatory way from the centralised markets administered by the commercial operator of the electricity market.

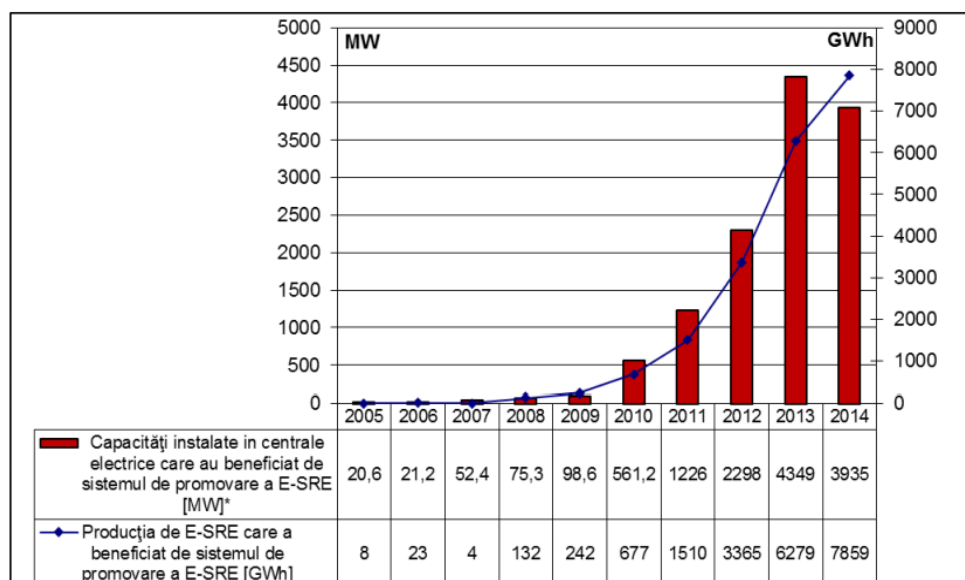
Installed power capacity in units producing electricity from renewable accredited sources during 2014 was 357 MW, from which 219 MW in wind farms, 21 MW in hydro power plants with installed capacity of 10 MW, 34 in power plants using biomass, including power plants using waste and power plants using waste and sludge digester gas from wastewater treatment plants; as well as 83 MW in photovoltaic plants.

During 2014, from the total installed capacity in the power plants producing electricity from renewable sources who have received accreditation, an installed capacity of 256 MW came out of the scheme (4 MW wind power, 241 MW in hydro power plants with installed capacity of 10 MW, and 11 MW in photovoltaic) and an installed capacity of 515 MW has been temporarily suspended from accreditation, representing power plants with installed capacity exceeding 125 MW which were notified to the European Commission in accordance with national legislation. At the end of 2014 the installed capacity accredited in production of electricity from renewable sources was 3935 MW, 3853 MW with a generation licenses and 82 MW with establishment authorizations.

The structure of total capacity installed at the end of 2014, on the types of technology was as follows:

- 2294 MW installed capacity in wind power plants;
- 311 MW installed capacity in hydroelectric power plants;
- 100 MW installed in biomass power plants, including gas stations and landfill gas, fermenting sludge from wastewater treatment plants;
- 1230 MW installed in photovoltaic power plants.

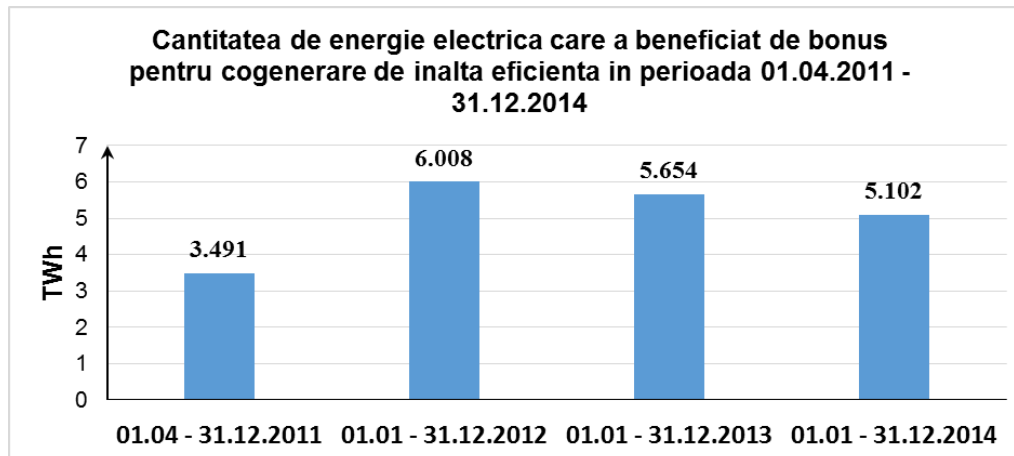
The following chart shows the evolution of the installed power in renewable sources that have benefited from the promotion system based on green certificates during 2005-2014. Around 4733 MW have benefited by the support scheme.



\* - 3935 MW is the value from the end of 2014, during the year the value had greater or lower values.

The **bonus support scheme** has been introduced for **cogeneration capacities** since April 2011. The scheme was notified to the Commission in accordance with European regulations on state aid.

42 cogeneration units, belonging to 36 producers - legal persons, received bonus in 2014 according with the support scheme introduced in 2011. The total amount of electricity produced in high efficiency cogeneration that received bonus for the period January to December 2014 was 5102 GWh (a decrease with 9.76% compared to 2013).



Concerning the **development of electricity networks**, the main investments proposed to be made in accordance with the Development Plan of Power Transmission Grid - 2014-2023 are following:

*To increase the exchange capacity on western and south-western site of Romania*, are planned network reinforcements in the area, that will remove congestion, on the direction E - W border with Hungary and Serbia and on transit direction N - S, by strengthening

corridor Portile de Fier - Resita - Timisoara - Arad.

Considering the contribution to the implementation of the strategic priorities of the European Union regarding the Trans-European energy infrastructure, these projects have been included by the Commission in the first list of projects of common interest (PCI), forming together the "Group Romania-Serbia, between Resita and Pancevo "which includes the following projects of common interest:

- LEA 400 kV d.c. Reșița (RO) – Pancevo (Serbia);
- LEA 400 kV Porțile de Fier – Reșița and development of the power station 220/110 kV Reșița by the a new building of 400 kV;
- Pass to 400 kV of LEA 220 kV d.c. Reșița –Timișoara – Săcălaz – Arad, including the building of the power stations 400 kV Timișoara and Săcălaz.

Projects will also allow integration in the National Power System of wind power generation units expected in the South-West (Banat) and the Portile de Fier hydroelectric power plant.

*To increase the transmission capacity in the East area, with Republic of Moldova,* asynchronous interconnection by converting stations back-to-back is analysed. LEA 400 kV Suceava (RO) - Balti (Moldova) will increase the transmission capacity provided by the LEA 400 kV Isaccea (RO) - Vulcanesti (MD) and four LEA 110 kV. Using the maximum capacity of this project is conditioned also by the building of LEA 400 kV Suceava - Gădălin included in the Plan.

*To increase the transmission capacity between the eastern area (especially Dobrogea) and the rest of the power system,* there were planned several projects to strengthen the transmission network. The draft provided in the 2010 edition of the plan, and several projects were added to increase the capacity of existing lines of 400 kV and 220 kV.

Among these projects, several major projects contribute significantly by increasing the interconnection capacity with Bulgaria and strengthening transport infrastructure that will support the flow of power between the Black Sea coast and the coast of the North Sea / Atlantic Ocean, the implementation of the strategic priorities of EU regarding Trans-European energy infrastructure, prerequisite for achieving energy and climate policy objectives. Therefore, these projects have been included by the European Commission in the first list of projects of common interest (PCI). Part of these projects is also on the second list of projects of common interest, list which is in the approval process.

Transmission projects in the east section (Dobrogea) that are included in the development plan for the next ten years are the followings:

- LEA 400 kV d.c. Smârdan – Gutinaș;
- LEA 400 kV d.c. Cernavodă - Stâlpu, circuit input/output in Gura Ialomiței, that will be continued with LEA 400 kV Stâlpu – Brașov;
- LEA 400 kV s.c. Suceava – Gădălin.

There are also other projects dedicated to increasing the security of supply of consumption in poor areas, retrofitting and modernization of existing plants.

Investments in the network development are recovered through transmission tariff fixed by the regulatory authority on the basis of justified costs in terms of a reasonable profit.



## 4. Natural gas market

### 4.1. Network regulation

#### 4.1.1. Unbundling

Under the provisions of the Law no. 123/2012 on electricity and natural gas, the transmission and system operator is organized and operates as **an independent system operator (ISO)**.

As a result, in order to implement the provisions on the appointment and certification of transmission system operators of Directive 2009/73/EC, ANRE:

- Checked for certification conditions included in the regulations, in relation to this certification model;
- Approved the preliminary certification of the National Gas Transmission Company "TRANSGAZ" - SA Medias as transmission system operator of the National Gas Transmission System by ANRE Decision no. 2400/08.14.2013. Preliminary certification decision was issued by the inclusion of a closing condition, provided that the transmission system operator prove to fully meet the conditions laid down in the Law no. 123/2012 on electricity and natural gas;
- Notified the Commission of the preliminary certification decision, together with all information and documentation.

In accordance with the procedure laid down in Regulation (EC) no. 715/2009, the European Commission considered the preliminary certification decision notified and sent ANRE Opinion C (2013)8485 of 11/25/2013 on the compatibility decision with Article 3(1) of Regulation (EC) no. 715/2009 and Article 10 of Directive 2009/73/EC. The opinion was published on the website of the European Commission. According to the opinion, the Commission considers that the ISO model is not the best choice as the degree of separation between public authorities, which must exist where the application of ISO model has not been reached, and declares that the separation of property rights within the state would be an alternative to allow effective separation of transport activities of state interests in the production and supply of electricity.

European Commission recommended ANRE to act in cooperation with relevant bodies of the Romanian state in the sense of separation of ownership of the National Gas Transmission Company "TRANSGAZ" - SA Medias pursuant to Article 9 (6) of the Gas Directive, which allow effective separation between the powers of the state. As a result, ANRE announced major Romanian state institutions with tasks (Prime Minister of Romania, President of the Senate, President of the Chamber of Deputies, the Minister of Economy, Finance Minister, Minister of Foreign Affairs, Minister for Energy), the appropriate measures to be adopted for certification and the text of a proposed regulation, by the adoption of which the measures necessary certification are implemented.

ANRE adopted final certification decision within two months from receiving the Commission opinion taking into consideration the Commission observations. Thus, by ANRE **Order no. 3/2014** was certified SNTGN TRANSGAZ – S.A. Medias, maintaining the cancelling clause, namely the certification is conditioned by accomplishment of the measures provided in the order, in the time limit of 6 months. ANRE order was communicated to the European Commission.

In the first semester of 2014, ANRE has monitored the fulfilment of the conditions imposed by ANRE Order no. 3/2014 regarding the certification of the transmission system operator as “independent system operator” (ISO).

In parallel, ANRE has acted in support of relevant Romanian state entities in order to amend the legislative framework to allow separation of ownership rights to the SNTGN Transgaz – S.A. Medias.

With the entry into force of Law no. 117/2014 approving Government Emergency Ordinance no. 6/2014, ANRE has analysed the new conditions of certification of SNTGN Transgaz – S.A. Medias and issued ANRE Order no.72/08.06.2014. The order was notified to the European Commission.

**Distribution operators** are holders of license for natural gas distribution in one or more delimited areas. At the end of 2014, the natural gas market in Romania held a number of **39 distribution companies**.

Natural gas companies, which carry out regulated activities (transmission, storage, distribution, supply) are obliged to ensure accounting, legal, functional and organizational separation. Distribution companies that serve a maximum of 100,000 customers are exempt from the provisions on legal separation. These companies have realised the accounting separation in 2007.

Natural gas companies are obliged to report regulated accounting records until July,1st (distribution and supply activities) and August,31 (for storage and transport activities), on the regulatory year following the one for which the report is made.

The regulated accounting records reviewed include the following situations:

- Income assessment,
- Expenditure assessment,
- Tangible/intangible assets assessment,
- Inventory assets assessment.

Also, natural gas operators are required to submit to ANRE, for review and endorsement, reports on separation of activities that involves checking assumptions, criteria and rules underlying the preparation of separate accounting records, which gives information on costs, revenues, tangible and intangible assets and inventory items related to regulated activities carried out.

S.C. E.ON Gaz Romania S.A. and S.C. Distrigaz Sud S.A., as distribution system operators have been required to achieve separation of accounts, legal, functional and organizational activity between the distribution and supply of natural gas. In the case of SC E.ON Gaz Romania SA, as a result of legal separation by dividing society, two independent companies legally have resulted - E.ON Gaz Romania SA, specializing in the supply of natural gas and E.ON Gas Distribution SA, specializing in gas distribution natural as well as operation and maintenance of the distribution network. The two new companies have different offices. The legal separation of other large operator distribution DISTRIGAZ South was completed in April 2008, resulting SC Distrigaz South Networks Ltd, specializing in gas distribution natural as well as operation and maintenance of the distribution network, and SC South DISTRIGAZ S.A. (later SC GDF SUEZ ENERGY ROMANIA etc.), specializing in the supply of natural gas.

Regarding the legal unbundling obligation for underground storage, the requirement was performed by the storage operator SC Depomureş S.A. The legal unbundling of the latest storage operator - SNGN ROMGAZ S.A. is still ongoing. During 2014, there were imposed sanctions to SNGN ROMGAZ SA for failing to legal unbundling of natural gas storage business and legal measures to comply with the separation requirements.

Other distribution system operators, serving less than 100,000 consumers connected to the network, according to the legal requirements, have been exempted from legal unbundling and have done separate accounting records for regulated activities since 2007.

The licensed operators of natural gas annually submit to the regulatory authority the financial reports and regulated accounting for the regulated activities carried out by them in gas sector.

Prior to send to regulatory authority, the required documents should be audited/inspected in accordance with the legal provisions in force, aiming the compliance with the obligation to avoid cross-subsidization between activities.

#### **4.1.2. Technical functioning**

The conditions and rules for using natural gas transmission system in Romania and transparent and non-discriminatory access of third parties are governed by the Network Code. In 2013, the document was reviewed and approved by ANRE Order no.16/2013.

Given the continuing need to adapt the Network Code of National Transmission System to gas market realities in Romania, taking into account the provisions of national and European legislation in this area, in 2014 were adopted two orders for amending and completing ANRE Order no. 16/2013, respectively ANRE Order no. 53/2014 and ANRE Order no. 88/2014.

The changes and additions to the Network Code done by these two orders had in mind mainly the following:

- creation of preconditions for streamlining operational and commercial procedures in the Network Code, by developing provisions on virtual points of entry into / from the NTS and detailing their application depending on the interface with adjacent system;
- introducing the concept of virtual trading point (VTP), defined as the notional point where network users (UR) notify the NTS gas transactions concluded both for trading gas purposes and in order to balance their trading portfolios of customers; the detailed procedures which may apply in the virtual trading point in this context were also considered and revised;
- removing references to the accumulated week imbalance, considering only the daily imbalance and proper reconsideration of the relevant provisions of the Network Code;
- removing references to the determination and the application of the fee for non-nomination.

The regulatory authority drafted and approved Performance Standards for natural gas distribution and transmission (ANRGN Decision No. 1361/2006, with the with the subsequent amendments, namely ANRE Order no. 59/2007, ANRE Order no. 45/2008, ANRE Order no. 33/2010 and ANRE Order no.47/2011).

The **transmission performance standard** sets up performance indicators for the following activities:

- a) Connection to the network of the users, including solving of their requests, the development of new connection installations/modification of the existing ones and works for affected land's improvement by the connection works,

- b) Ensuring the supply safety and continuity, according with the contractual provisions and legal requirements,
- c) Solving NTS user's petitions regarding the quality of TSO service, other than those mentioned to letters a) and b),
- d) Solving NTS user's petitions regarding the measurements of natural gas,
- e) Informing NTS users according with the performance standard requirements and other regulations referring to the transmission service,
- f) Solving NTS user's petitions regarding TSO activity,
- g) Periodical verifications of NTS with devices for natural gas leakage detection.

The **distribution performance standard** sets up performance indicators for the following activities:

- a) Connection to the distribution network of the users, including solving of their requests, the development of new connection installations and works for affected land's improvement by the connection works,
- b) Solving NTS consumer's petitions regarding the measurements of natural gas,
- c) Ensuring the supply safety and continuity, according with the contractual provisions and legal requirements,
- d) Solving consumer's petitions regarding the quality of TSO service, other than those mentioned to letters a) and b),
- e) Informing consumers according with the performance standard requirements and other regulations referring to the distribution service,
- f) Solving consumer's petitions regarding DSO activity.

#### 4.1.3. Network tariffs for connection and access. Underground storage tariffs

Regulated tariffs and prices calculation mechanisms are of „revenue-cap” type for regulated underground storage and transmission activities, and „price-cap” for regulated distribution and supply activities.

The regulatory period for any of the regulated activities is of 5 years, except for the first regulatory period (transitory stage), which was established for 3 years.

By ANRE Order no. 32/2014 was approved *Methodology for establishing the regulated revenue, the total revenue and the regulated tariffs for the natural gas transmission activity, by which was introduced the “entry-exit” tariff system* that brought the following changes:

- compared to the previous methodology, under which the tariff for transmission services have a binomial structure and it was determined as a "postage stamp", the new methodology introduced a pricing system consists of a set of charges such as "input-output "set for delimitation points at the entrance/exit to/from the transmission system that reserve capacity and a volumetric charge for using the system determined as a charge of " postage stamp ";
- capacity reservation tariffs have been established for firm/ interruptible services provided long/short and short-term firm services were determined by using multipliers proposed by the operator and approved by ANRE;
- in the point of interconnection with other natural gas transmission systems, the capacity booking shall be made on auction, tariff for booking of the firm/interruptible capacity is established on the basis of this methodology and is used as the reserve tariff and represents the minimum admissible tariff at auction;
- due to EU law, which requires changing the date of commencement of natural gas year to October 1<sup>st</sup>, the third regulatory begin on July 1<sup>st</sup>, 2012 will end by exception, on September 30, 2017, and the third year of the third regulatory period beginning July 1<sup>st</sup>, 2014 will end on September 30, 2015. However, since the fourth year of the third regulatory period, the start date of the year in the regulation period will be October 1<sup>st</sup>;

- since the turn of the tariff structure of "postage stamp" on the determined group of points of entry/exit, it has been set new formulas for determining transmission tariffs;
- the annual rate of growth of economic efficiency for the natural gas transmission was fixed at 3.5% per year in the period July 2014 - September 2017, for the third regulatory period, higher than 2.5 %, related to the second period of regulation;
- in determining the regulated asset base related to the activity subject to natural gas transmission, at the beginning of the regulatory period, it will be also considered the Annex 2 of the Methodology. Also, according to the new methodology, starting with the fourth regulatory period, the determination of regulated asset base at the beginning of the regulated assets is achieved without updating the inflation rate.

By ANRE Order no. 69/2014 amending and supplementing the methodology for setting regulated revenue, total revenue and tariffs for the transportation of natural gas the following changes were made:

- if there are more physical points of entry into the NTS from a neighbouring state of Romania that is not a member of the European Union, network users may reserve transmission capacity into a virtual point of entry constituted by grouping physical entry points in the NTS from the neighbouring state.
- following these legislative changes, it is necessary to correlate the Methodology establishing regulated revenue, total revenue and tariffs for the transportation of natural gas, approved by ANRE Order no. 32/2014 with the Network Code on the review group points of entry / exit belonging to NTS.

Starting with 1 August 2014, transmission tariffs for types of service have been introduced, for point/group of points of entry/exit, differentiated long-term (over one year) and short term (day, month, and quarter).

Tariffs in force at the date of this report applied by SNTGN TRANSGAZ S.A., the licensed operator in the natural gas sector for the natural gas transmission activity are as follows:

- e) capacity reservation tariff per point/group of points of entry/exit for firm services/ interruptible transmission

Point/group of points of entry/exit to/from din NTS		Types of natural gas transmission services						
		Long term	Short term					
		Annual	Quarterly		Monthly		Daily	
			summer	winter	summer	winter	summer	winter
Point/group of points of entry in the NTS	entry points group from the production perimeters, from LNG terminals and biogas production facilities or other gases that meet the quality requirements to be delivered/ transported to/from the NTS	0.50	0.89	1.90	1.32	2.81	1.97	4.22
	entry points group from the interconnection with other natural gas transmission systems from non-EU member states (Medieşu Aurit and Isaccea Import)	2.08	3.71	7.93	5.50	11.75	8.25	17.62

	entry point from the interconnection with other natural gas transmission systems from EU member states (Csanadpalota)	1.35	2.40	5.14	3.56	7.61	5.34	11.41
	entry points group from the underground storages	1.89	3.37	7.22	5.00	10.69	7.50	16.03
Point/group of points of entry in the NTS	exit points group to distribution systems, upstream pipeline networks and final consumers directly connected to the transmission system	1.55	2.76	5.90	4.09	8.73	6.13	13.09
	exit points group to underground storages	1.78	3.17	6.79	4.71	10.05	7.06	15.08
	Exit point from the interconnection with other natural gas transmission systems from EU member states (Csanadpalota)	10.95	19.49	41.72	28.91	61.76	43.37	92.65

- f) volumetric tariff for the amount of natural gas delivered to distribution systems: 5.04 lei/MWh;
- g) volumetric tariff for the amount of natural gas transported only through the NTS: 5.79 lei/MWh;
- h) volumetric tariff for the amount of natural gas transported: 4.94 lei/MWh.

Tariffs referred to in points b) and c) contain the monopoly tax value provided by *Government Ordinance No. 5/2013*, and tariffs referred to in point d) do not contain this value, since the provisions of the ordinance shall apply only until 31 December 2014.

The tariff system for the **distribution activity** includes differentiated tariffs on licensed distribution operators and consumer categories.

For 2014, the categories of consumers for which the regulator establishes differentiated distribution tariffs are the following:

1. Final customers connected to the distribution system

B.1 Annual consumption no more than 23.25 MWh

B.2 Annual consumption between 23.26 MWh and 116.28 MWh

B.3 Annual consumption between 116.29 MWh and 1,162.78 MWh

B.4 Annual consumption between 1,162.79 MWh and 11,627.78 MWh

B.5 Annual consumption between 11,627.79 MWh and 116,277.79 MWh

B.6 Annual consumption more than 116,277.79 MWh.

2. Proximity distribution tariff

B.6.1. Customers with an annual consumption greater than 250,000 MWh.

For the distribution activity, a regulated unitary income is set to cover unitary costs related to one year of the regulatory period. Distribution tariffs are monomial and quantify fixed and variable costs related to the distribution activity. Distribution tariffs apply to quantities of natural gas distributed.



The efficiency increase rate of the regulated activity reflects regulator's estimations with regard to the improvement over time of operators' economic performance. The X term of the adjusting formula reflects the estimated annual efficiency increase rate and ensures the transfer of economic efficiency raise achieved by each operator towards customers.

The efficiency increase rate of the regulated activity is established in the beginning of each regulatory period, for each regulated activity and for each operator. The rate remains unchanged over the regulatory period.

Economic efficiency returns related to the regulated activity are determined separately for each operator using the methods described below:

- a) Extrapolation of the increase rate of efficiency resulted from the long-term gas sector productivity, plus an elasticity factor reflecting each operator's specific situation;
- b) Detailed technical analysis of operators' operation and capital costs, highlighting additional savings that may be achieved by the operator.

When establishing regulated activity's efficiency increase rate - X, for each operator, the following are considered:

- A) Economic efficiency raise highlighted by the methods presented and generated by the increase in the performance of operator's management;
- b) Efficiency increase rate of the related industry and national economy;
- c) Full deduction by the operator of economic efficiency raise from investments.

For the third regulatory period, the rate of economic efficiency increase of natural gas distribution activity was determined for each licensee's holder, but not less than 1.5% per year, taking into account the gains in efficiency achieved during previous regulatory period, and its possibilities to further reduce costs so as to ensure the activity in terms of continuity and security.

The economic efficiency rate applies only on operating costs, excluding the cost of technological consumption, and is calculated in nominal terms, cumulated for the regulatory period.

The substantiation of the regulated revenue requires the assessment of operation and capital costs generated by the regulated activity. From this point of view, the regulator's methodology aims to ensure the recovery of invested funds, including associated capital costs, prudently accomplished and within an optimal financing structure.

The assessment of the cost of capital and the establishment of the regulated rate of return - RoR, recognized by ANRE for each regulated activity, uses the "weighted average cost of capital" (WACC) methodology. WACC is determined in nominal terms, after the tax on profits, and RoR in real terms, prior to the tax on profit.

Because the companies performing regulated activities in Romania are not quoted on the stock exchange, WACC is calculated using the information available for other companies used as buyers. These companies are selected from the ones quoted on the international markets, that perform as main activity a regulated activity and that operate under a regulatory regime similar to the Romanian one.

In 2013, it was established the regulated rate of return on capital (RoR) for the third regulatory period for distribution and supply of natural gas regulated activities, amounting to 8.43%.

In order to stimulate investments and increase efficiency and safety in the operation of a natural gas distribution over the regulated rate of return on capital, the natural gas distribution activity was established as an incentive in the amount of 1.4% applies to the third regulatory period. The incentive is applicable to investment projects carried out in order to develop the natural gas distribution systems and increase efficiency in operation and maintenance.

Starting with the third regulatory period, ANRE Order no. 17/2014 makes the following changes and additions to *the methodology for setting regulated tariffs for the distribution services in the natural gas sector*:

- reconsidering the distribution tariff substantiation that an operator must pay in case he uses the distribution system of another operator in order to circulate the gas to the final consumers in its portfolio, called transit distribution tariff;
- reconsidering inflation granting at the regulated asset base value, in order to remove it from the calculation for the fourth regulatory period;
- setting the rate of economic efficiency increase at 1.5% for each year of the third regulatory period, for each licensed operator.

It should be noted that in 2014, ANRE developed a uniform method of calculation of technological consumption of natural gas in distribution systems approved by ANRE Order no. 18/2014.

The value of the distribution services for a user of the distribution system is monthly billed and is determined with the following formula:

$$VT^d = Td * Q$$

where:

$VT^d$  – total value of the bill, without VAT, representing the distribution service value, in lei ;

$Td$  – regulated distribution tariff, in lei /MWh

$Q$  – distributed quantity, in MWh.

Regulated tariffs related to distribution activities approved since April 1<sup>st</sup>, 2014 include unrealized gains and value in the second regulatory period and the amount of unrealized gains for 2013 and the first quarter of 2014. The aggregate value of investments and recognized by ANRE, in 2009-2013, is contained in the approved tariffs from April 1<sup>st</sup>, 2014.

The regulated prices are set separately for the following categories of final customers, as follows:

- a) For households and producers of heat, only for the amount of natural gas used to heat generation in CHP plants and heating plants for the population;
- b) For non-household gas customers, except heat producers, for the amount of natural gas used to heat generation in CHP plants and heating plants intended for consumption.

The value of supply services for a final consumer is monthly billed and is determined with the following formula:

$$VT^f = Pf * Q$$

where:

$VT^f$  – total value of the bill, without VAT, representing the regulated supply service value, in lei ;

Q – supplied quantity, in MWh;

$P_f$  – final regulated price, in lei /MWh.

The regulator is entitled to refuse the operators the recognition of some costs or parts of them, which have not been prudently generated, considering the conditions and information available at the time they were accomplished.

Transmission and distribution tariffs for the most relevant final consumer categories are as follows:

Consumer Tariff	I4-1,I4-2 (Annual consumption 418,6 TJ )	I1 (Annual consumption 418,6 GJ)	D3 (Annual consumption 83,7 GJ)	D3, D3b (Typical household- heating, food and warm water)
	Euro /GJ	Euro /GJ	Euro /GJ	Euro /GJ
Transmission tariff	0.66	0.66	0.66	0.66
Distribution tariff	1.80	2.03	2.04	2.03

The tariff system for the **underground storage activity** comprises a *revenue cap* set of tariffs which establishes total regulated revenue to cover costs related to the activity during one year of the regulatory period.

Tariffs are established for each underground storage and have the following structure:

$$T(ds) = RC(ds) + I(ds) + E(ds)$$

where:

T(ds) – storage tariff

RC(ds) – fixed component for reservation of capacity in the underground storage, expressed in lei/MWh/complete storage cycle;

I(ds) - volumetric component for natural gas injection into the underground storage, expressed in lei/MWh;

E(ds) – volumetric component for natural gas extraction from the underground storage, expressed in lei/MWh.

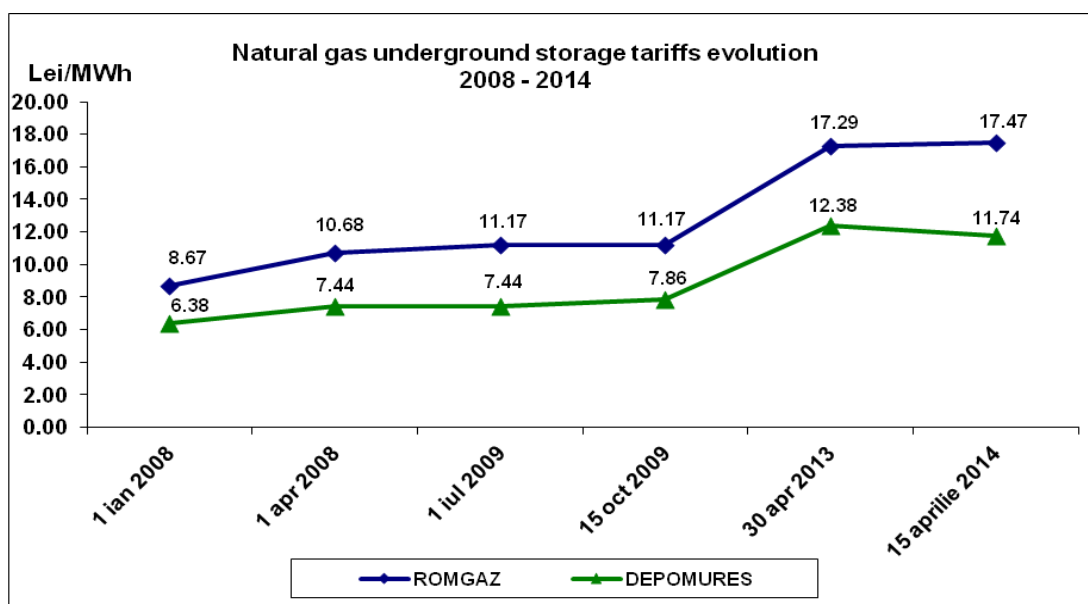
The fixed component for booking capacity in the underground storage quantifies fixed costs generated by reserving capacity in underground storage during full cycle storage. Volumetric component for gas injection into underground storage quantified variable costs generated by natural gas acquisition, measurement, treatment and circulation through the surface facilities and introduction in the underground storage. Volumetric component for natural gas extraction from underground storage quantifies the cost of removing natural gas from underground storage, processing, circulation and measurement on surface facilities and submission to the by the carrier and/or beneficiary.

The access to underground storages is regulated (ANRGN decision no. 824/2004).

The underground storage tariffs in 2014 were:

Price component	U.M.	National Gas Company Romgaz S.A. Mediaș	“Depomureș” Company - S.A. Târgu Mureș
Fixed component for capacity booking	Lei / MWh / complete cycle storage	13,14	7,43
Volumetric component for gas injection	Lei / MWh	2,53	3,14
Volumetric component for gas extraction	Lei / MWh	1,80	1,17

Underground storage tariffs evolution in the period 2008-2014 is reflected in the figure below:



In order to fulfil the obligations related to the safe operation of the underground gas storages, the storage operators have to establish and maintain an unitary and flexible structure for dispatching and for the process monitoring, for the communication of data and specific parameters, as well as for the prompt intervention where needed.

With a view at guaranteeing the security of supply during the cold season, licensed suppliers have the obligation to maintain in underground storages a minimum stock of natural gas until the end of the annually injection activity.

The licensed storage operators have the obligation to guarantee the non-discriminatory access to underground storages of the gas suppliers, with priority to those with public service obligations.

Underground gas storage is regulated on the basis of *Regulation on the programming, functioning and dispatching of gas underground storages (ANRGN decision no.1351/2004)*.

This Regulation establishes technical, technological and commercial rules and requirements, aimed at a transparent, objective and non-discriminatory gas storage activity.

The programming of the storage activity is made by the storage operators based on the contracts signed by them with gas storage beneficiaries.

For each year of storage, the deadline for the beginning of the programming of gas injection/withdrawal in/from underground storages is the date when the final list for the reallocation of available capacities, as stipulated in the *Regulation on access to gas underground storages*, is published. When establishing the storage programmes for each underground storage facility and for each storage cycle, month, day and hour, the storage operators take into consideration the following elements:

- observance of the priority order according to the Regulation on access;
- technological regimes as agreed with the transmission system operator for each storage, for both injection and withdrawal;
- optimum technological regimes for the national transmission system, for both injection and withdrawal.

Storage operators publish on their own websites the relevant public information needed, including:

- Initial list of available capacities for underground gas storage for the annual injection cycle,
- Register of the applications for access to the gas underground storages,
- Initial list of storage capacities allocation,
- Initial list of storage capacities reallocation,
- Final list of storage capacities allocation,
- Final list of storage capacities reallocation,
- List of available capacities for reallocation,
- Weekly report concerning the capacity of gas underground storages.

#### **4.1.4. Cross-border issues**

There were no developments to the issues presented in the 2013 Report.

#### **Monitoring investment plans**

Concerning the approval and monitoring of the investments plans of the TSO by the regulator, we mention that these attributions are provided to the regulator by the provisions of the Law no. 123/2012 on electricity and natural gas.

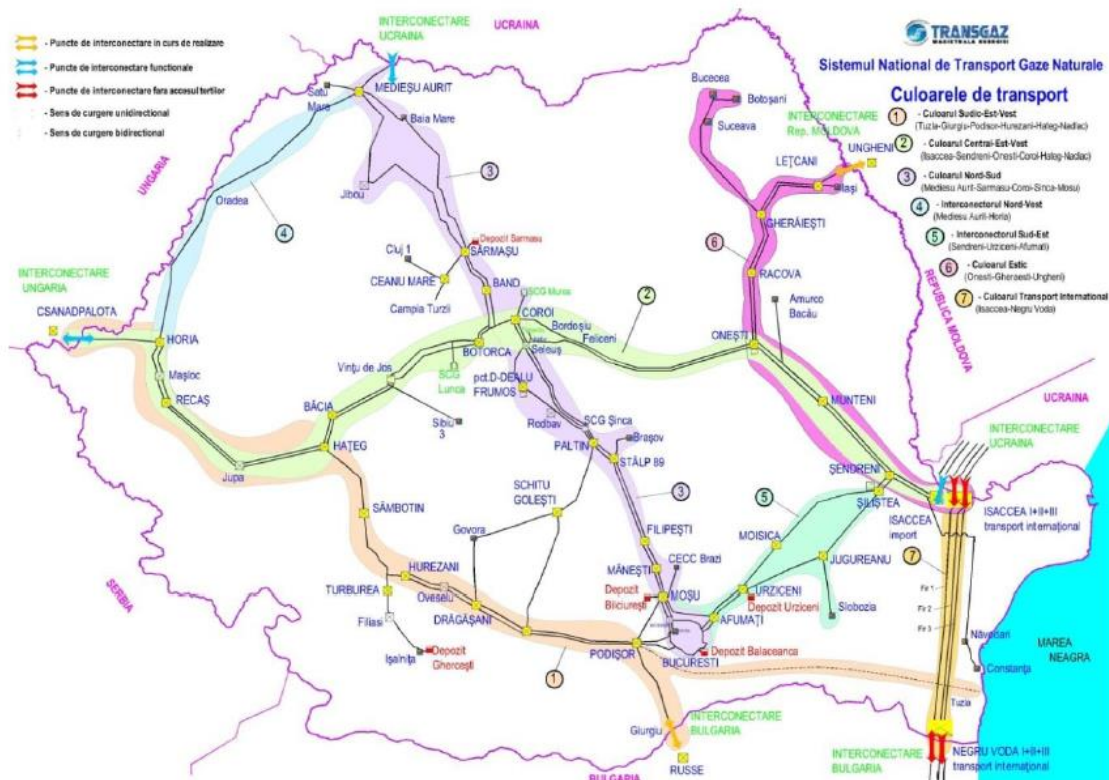
**Natural gas transmission system development plan for the 2014-2023** period provides the development directions of Romanian natural gas transmission network and the main projects that the SNTGN Transgaz S.A. intends to implement over the next 10 years in order to achieve a maximum degree of transparency regarding the development of the national natural gas transmission system and the possibility of updated information for market actors regarding existing and planned transmission capacities, so that, through public consultation, decisions on investment in gas transmission network meet market requirements.

The Development Plan meets the European energy policy regarding:

- ensuring security of supply of natural gas;
- increasing the interconnection of national natural gas transmission network to the European network;

- increase the flexibility of national natural gas transmission network;
- liberalization of the natural gas market;
- creating an integrated natural gas market in the European Union.

TSO sent this plan to ANRE, and it was approved by ANRE decision No. 2819/2014.



Source: SNTGN Transgaz SA

#### 4.1.5. Compliance with the provisions of the European legislation

##### Compliance with binding decisions of the Agency and the Commission

For 2014 there are no such situations to report.

##### Compliance of transmission system operators and distribution system operators, system owners and natural gas undertakings with relevant European legislation

ANRE monitored, during the first half of 2014, the compliance with the conditions set out in ANRE Order no. 3/2014 regarding the certification of the transmission system operator under the "independent system operator" (ISO) model.

In parallel, ANRE has acted in support of relevant Romanian state organisms in order to amend the legislative framework in order to allow separation of the ownership rights to the National Gas Transmission Company "Transgaz" - SA Medias.

With the entry into force of Law No. 117/2014 approving Government Emergency Ordinance no. 6/2014, ANRE has analysed the new conditions and approved the certification of the



SNTGN Transgaz – S.A. Medias, by issuing ANRE Order no. 72/6 August 2014. ANRE Order was notified to the European Commission.

## 4.2. Promoting competition

Natural gas consumption has decreased in the last year, reaching about 12.0 billion cubic meters, with a decrease of about 4% in 2014 compared to 2013, due to a slight decrease in the consumption of final consumers.

The internal natural gas market consists of:

- a) the **competitive market** that includes all trading, wholesale level (between suppliers) or retail level (between suppliers and eligible customers). In the competitive market, prices are based on the supply and demand as a result of competition mechanisms;
- b) the **regulated market** containing natural monopoly activities, related activities and supply at regulated tariffs and according to framework contracts. In the regulated market, prices and tariffs systems are established by ANRE.

In 2014, the total natural gas consumption was 127,608,082.917 MWh, out of which 87,787,630.477 MWh was the non-households consumption (75.34%) and 28,743,351.279 MWh was households consumption (24.66%).

In 2014, the total number of final consumers was 3,372,559, out of which 178,851 (5.45%), were non-household consumers and 3,193,708 were household consumers (94.70%).

Consumption is covered from domestic production and imports. The domestic production was 118,077,461.595 MWh and the import was 9,530,621.297 MWh.

The share of the 3 main suppliers based on the volume of transactions on the wholesale market is 77.55% and on the retail market is 61.16%.

The number of participants on the natural gas market in Romania has increased steadily as the market was liberalized, especially regarding the supply of natural gas, including in 2014:

- a National Transmission System Operator - SNTGN Transgaz S.A. Medias
- 6 producers: Romgaz, OMV Petrom, Amromco Energy, Raffles Energy, Foraj Sonde and Stratum Energy;
- 2 underground storage operators: Romgaz, Depomureș;
- 39 distribution operators - the largest being Distrigaz Sud Retele SRL and E.ON Gaz Distribuție S.A.;
- 39 suppliers operating in the regulated segment of the natural gas market;
- 63 suppliers operating in the competitive segment of the natural gas market.

### 4.2.1. Wholesale natural gas market

Domestic production of natural gas in 2014, which came into consumption, represented 92.53% of the total sources. The two main producers (Romgaz and OMV Petrom) covered 97.31% of this source.

Imports entering consumption in 2014, current import and extracted from storage, represented the difference – 7.47%. The top three importers - internal suppliers - achieved together 50.56%.

### Import price and quantity of the imported gas for consumption

Month	Quantity (MWh)	Price USD/ 1000cubic meters
January	2,507,792.151	390.42
February	1,908,369.948	381.48
March	1,296,252.904	370.74
April	321,463.283	354.80
May	171,348.835	352.49
June	330,104.513	348.11
July	316,028.040	354.34
August	56,777.119	354.09
September	70,111.907	361.08
October	184,076.401	376.99
November	307,373.772	378.13
December	995,280.633	392.36
<b>TOTAL 2014</b>	<b>8,464,979.506</b>	(Weighted average price) 379.29

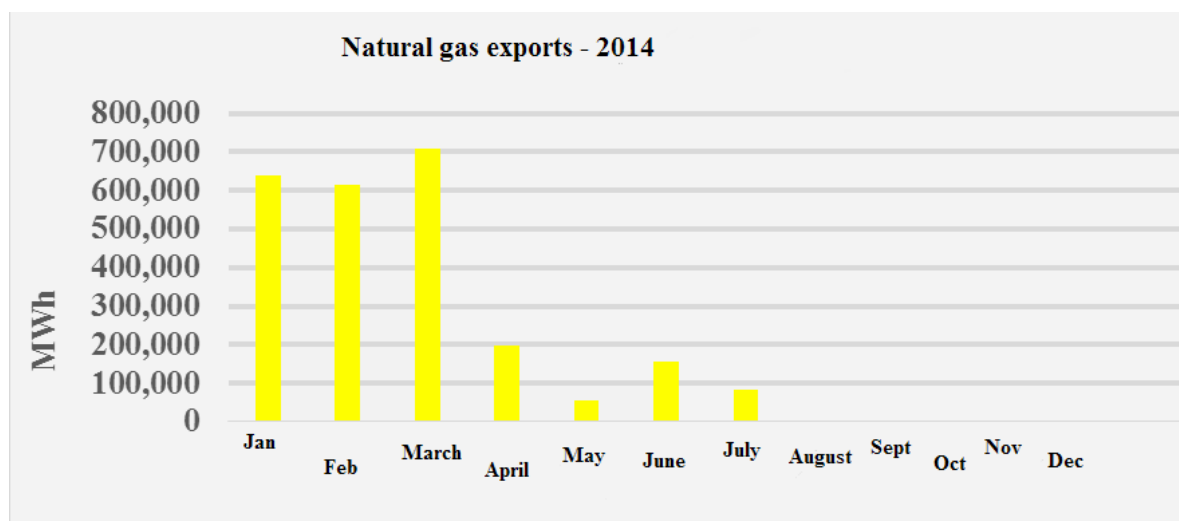
The situation of the companies providing natural gas to the most relevant consumer categories is as follows:

Suppliers Customers	Number of companies with over 5% share	Share of top three suppliers (%)
Electricity and/or heat producers	5	78.08
Industrial customers	5	79.79
Commercial customers	3	82.20
Household customers	2	90.20

In 2014, 34 suppliers conducted commercial activities on the wholesale market in Romania. The total amount supplied by them decreased in the last year, reaching 145,044,443.179 MWh, a decrease of approximately 3% over the previous year, due to a slight decrease in the consumption of final consumers.

The market share of the main three suppliers is of about 75%, with shares between 15% and 30%.

Exports were made by five companies, the volume of natural gas exported reaching 2,451,690.003 MWh. This situation is represented in the following figure:



### Centralized markets

In 2013, licenses were granted for management of centralized markets to Romanian Commodities Exchange (Societatea Bursa Română de Mărfuri) - BRM respectively Electricity and Natural Gas Market Operator "OPCOM" S.A.

*The general rules on the centralized natural gas market*, approved by ANRE Order no. 50/2013, and *Regulations on organized framework for trading on the centralized natural gas markets for the two operators of centralized markets*, approved by ANRE Orders no. 51 and 52/2013, have undergone during 2014, amendments and completions, both due to developments occurring in national legislation and amid the diversification of products and trading platforms made available to the market by the operators of centralized natural gas markets.

Therefore, in the context of adopting Government Emergency Ordinance no. 35/2014 amending Law no. 123/2012 on electricity and natural gas, by which were set, for natural gas producers, **the obligation to conduct transactions on the centralized natural gas markets** starting with 15 July 2015, for the selling of a minimum quantity of natural gas, respectively for the natural gas suppliers, the obligation to conduct transactions for the selling and buying of a minimum amount of natural gas on the centralized natural gas market, **the principle of voluntary trading** of natural gas on the centralized natural gas markets, provided by Article 1 of *The general rules on the centralized natural gas market*, approved by ANRE Order no. 50/2013, was only partially supported by superior normative acts, in this case the provisions of Law no. 123/2012, as amended and supplemented, which entailed changing the ANRE Order no. 50/2013 for the purposes of invalidating this principle in order to prevent contradictory interpretations of any of the provisions of primary and secondary legislation in force.

In applying the provisions of Government Emergency Ordinance no. 35/2014 amending Law No. 123/2014 on electricity and gas, ANRE issued Order no. 62/11 July 2014, by which was adopted **The methodology for establishing the trading obligation relating to natural gas producers** or their affiliated operators for **July to December 2014**.

According to ANRE monitoring activity it is noticed that the two producers failed to fulfil the obligations regarding the quantities set to be traded in 2014, the sanctions were imposed for non-compliance.

<b>July -December 2014</b>		
	<b>Obligation (MWh)</b>	<b>Transaction (MWh)</b>
<b>Producer 1</b>	<b>2,657,200</b>	<b>636,000</b>
<b>Producer 2</b>	<b>2,630,100</b>	<b>747,600</b>

In accordance with the provisions of Article 6(1) of ANRE Order no. 62/2014, ANRE has set up and approved by ANRE Order no. 118/2014 **the methodology for establishing the obligation of producers and suppliers of natural gas to trade on the centralized markets in Romania, for the period 1 January 2015 – 31 December 2018.**

The methodology was developed having regard to the requirements for conducting activities within a competitive market for natural gas in transparency in the context to eliminate regulated prices for non-household customers as of January 1<sup>st</sup>, 2015, leading, ultimately, to shape a market reference price for natural gas, resulting in trading volumes relevant basis, based on demand and supply expressed in the natural gas market in Romania.

The order provides **for producers or traders affiliated** the obligation to conclude **during 2015**, transactions on natural gas centralized markets in Romania for **the sale of natural gas amount to at least 35% of its own domestic production** suite for domestic consumption registered in the same year (2015).

If suppliers, other than those who are also producers of natural gas - holder of the petroleum agreement, the order requires them to conclude **during 2015, transactions** on natural gas centralized markets in Romania **for selling/buying quantities of natural gas at least 30% of the total natural gas sold by each such supplier, the competitive market** in 2015.

For the period 2016-2018, it is provided for gradually decreasing each year of the percentages representing the trading obligations incumbent on producers and suppliers of natural gas, based on the assumption that voluntary participation on centralized gas markets will experience an increase as a result of finding the benefits of the transparent gas trading in those markets.

The order also states that natural gas producers, holders of petroleum agreements, with a monthly output of more than 100,000 MWh, to ensure the obligation to sell a quantity of gas from its own production for domestic consumption by completion of at least 10 transactions in a year under the centralized natural gas markets in Romania.

In terms of **product diversification and trading platforms** available to market operators centralized natural gas markets, we highlight the following developments during 2014:

- the launch by the Romanian Commodities Exchange Society (Romanian Commodities Exchange) SA of **the electronic trading platforms STEG (BRM)**, which is a supplementary electronic trading system existing platform, which operates in parallel with it. The new system is exclusively dedicated to natural gas transactions on short, medium and long term between economic operators, license holders of natural gas supply and showing a functional structure different from the existing platform and novelty items.
- creating conditions **for trading of goods with a delivery period of less than one month** and facilitate access to trading on the centralized market managed by the Romanian Commodities Exchange Company (Romanian Commodities Exchange) SA by eliminating

the disclosure requirements for guarantees participation sessions auctions market participants centralized gas **and introduction of the whitelist concept.**

- expanding the scope of **the concept "participant to centralized market" and to the wholesale clients, the final customers of natural gas and operators of natural gas purchasing natural gas**, thus providing this category of participants the possibility to conclude transactions for the purchase of gas on the centralised market administrated by OPCOM S.A.
- empower the centralized market administrated by OPCOM S.A. **to undergo trading of bilateral contracts proposed by the initiators of trading sessions** in accordance with their technical, economic and trade requirements in a centralized, transparent and non-discriminatory way, using the mechanism of public auction.

For 2014, specific indicators for the centralized natural gas markets activity registered the following values (this includes results of wholesale and retail transactions):

f) Number of registered transactions	- BRM:	158
	- OPCOM:	12
g) Offered volumes	- for sale:	<b>25,005,780.67 MWh</b>
	- BRM:	21,730,780.67 MWh
	- OPCOM:	3,275,000.00 MWh
	- for purchase:	<b>5,557,117.60 MWh</b>
	- BRM:	5,408,717.60 MWh
	- OPCOM:	148,400.00 MWh
h) Traded volumes	- BRM:	
	- sales:	<b>1,967,600.00 MWh</b>
	- purchases:	<b>1,870,617.60 MWh</b>
	- OPCOM:	
	- sales:	<b>0.00 MWh</b>
	- purchases:	<b>0.00 MWh</b>
i) Registered participants	- BRM:	80
	- OPCOM:	15
j) Active participants	- BRM:	64
	- OPCOM:	4

#### 4.2.2. Retail natural gas market

For 2014, natural gas consumption in Romania, structured on types of consumers was as follows:

Final customers		Type of connection	No. customers	Consumption - MWh	Share of total consumption
Households		Customers connected to the NTS	2	596,144	0.00%
		Customers connected to the distribution system	3,193,706	28,742,755.135	24.67%
		<b>Total households</b>	<b>3,193,708</b>	<b>28,743,351.279</b>	<b>24.67%</b>
No-households	Tertiary	Customers connected to the NTS	17	18,953.409	0.02%
		Customers connected to the distribution system	44,404	5,042,036.692	4.33%
		<b>Total other non-households customers</b>	<b>44,421</b>	<b>5,060,990.101</b>	<b>4.34%</b>

Commercial		Customers connected to the NTS	67	2,402,847.430	2.06%	
		Customers connected to the distribution system	106,123	7,122,670.965	6.11%	
		<b>Total commercial customers</b>	<b>106,190</b>	<b>9,525,518.395</b>	<b>8.17%</b>	
Secondary	Other secondary	Customers connected to the NTS	111	5,009,350.465	4.30%	
		Customers connected to the distribution system	27,292	11,070,789.393	9.50%	
		<b>Total Other industrial customers</b>	<b>27,403</b>	<b>16,080,139.858</b>	<b>13.80%</b>	
	Chemical industry	Customers connected to the NTS	3	1,417,972.359	1.22%	
		Customers connected to the distribution system	164	2,260,250.507	1.94%	
		<b>Total Customers in chemical industry</b>	<b>167</b>	<b>3,678,222.866</b>	<b>3.16%</b>	
	Electricity/heat producers	Customers connected to the NTS	8	1,113,560.853	0.96%	
		Customers connected to the distribution system	631	4,037,754.977	3.46%	
		<b>Total Electricity and heat producers</b>	<b>639</b>	<b>5,151,315.830</b>	<b>4.42%</b>	
	Industrial	Other industrial	Customers connected to the NTS	5	4,109,619.190	3.53%
			Customers connected to the distribution system	0	0.000	0.00%
			<b>Total Other industrial customers</b>	<b>5</b>	<b>4,109,619.190</b>	<b>3.53%</b>
Chemical industry		Customers connected to the NTS	5	18,540,928.325	15.91%	
		Customers connected to the distribution system	0	0.000	0.00%	
		<b>Total Customers from chemical industry</b>	<b>5</b>	<b>18,540,928.325</b>	<b>15.91%</b>	
Electricity/heat producers		Customers connected to the NTS	12	23,159,066.162	19.87%	
		Customers connected to the distribution system	9	2,481,829.750	2.13%	
		<b>Total Electricity and heat producers</b>	<b>21</b>	<b>25,640,895.912</b>	<b>22.00%</b>	
<b>TOTAL</b>			<b>3,372.559</b>	<b>116,530,981.756</b>	<b>100.00%</b>	

\* Total consumption delivered to final customers (not including technological consumption, energy consumption and deviations due to measurement instruments).

In 2014, the share of consumed quantities by household customers out of the total consumption is 24.67% and the number of these customers represents 94.70% of all clients connected to natural gas networks. Of the total consumption for 2014, 5.3% of all consumers connected to natural gas networks (NTS + distribution systems) consume 75.33%.

Final customers category	Group of final customers	Share in total consumption
TOTAL, out of which:		100 %
NON-HOUSEHOLDS	Customers who have not opted to change supplier	12.99 %
	Customers who have opted to change supplier	62.34 %
HOUSEHOLDS	Customers who have not opted to change the supplier	24.63 %
	Customers who have opted to change supplier	0.04 %

The main suppliers and their shares in the total gas sources are presented below:



Romgaz (internal production)	47.08%
OMV Petrom (internal production)	42.96%
Amromco Energy	1.85%
GDF Suez Energy Romania	1.63%
Interagro Bucuresti	1.07%
E.ON Energie Romania	1.05%
Wise Romania	0.92%
MET Romania Energy Trade	0.58%
Romgaz (surse externe)	0.54%
Azomures	0.54%
Stratum Energy	0.45%
Electrocentrale Bucuresti	0.44%
Axpo Energy Romania	0.29%
Foraj Sonde	0.15%
Conef Gaz	0.14%
OMV Petrom (external sources)	0.09%
Arelco Power	0.07%
Plus Energy Point	0.05%
Raffles Energy	0.04%
Ten Gaz	0.01%
C-Gaz&Energy Distributie	0.01%
Alpha Metal	0.01%
Complexul Energetic Hunedoara	0.01%

Six companies perform production and supply activities: Romgaz, OMV Petrom, Amromco Energy, Raffles Energy, Stratum Energy and Foraj Sonde.

On the **regulated market**, in 2014, final customers on the regulated supply market segment were served by 41 suppliers; the total number of these final customers was **3,362,001** and the quantity of gas supplied to them amounted to **43,841.567 GWh**. The market shares of the three main suppliers are listed below:

Suppliers	Market share (%)
GDF SUEZ Energy Romania	50.26
E.On Energie Romania	39.09
Congaz	2.34

On the **competitive market** 54 suppliers were active. In the table below are presented the suppliers of final customers in the competitive market, whose market shares are above 5%; one of them is also a gas producer (S.N.T.G.N. Romgaz S.A.). The total consumption was **72.689,415 GWh**.

Suppliers	Market share (%)
OMV Petrom Gas	24.92
Romgaz	23.52
Interagro Zimnicea	15.26
GDF SUEZ Energy Romania	12.32
E.On Energie Romania	6.94

Romania's natural gas market was opened on 1 July 2007, so that all natural gas final customers have the opportunity to choose their own supplier.

The availability of accurate, relevant and sufficient conditions on the commercial supply of natural gas on the market at a time, is a determining factor to ensure a competitive market.

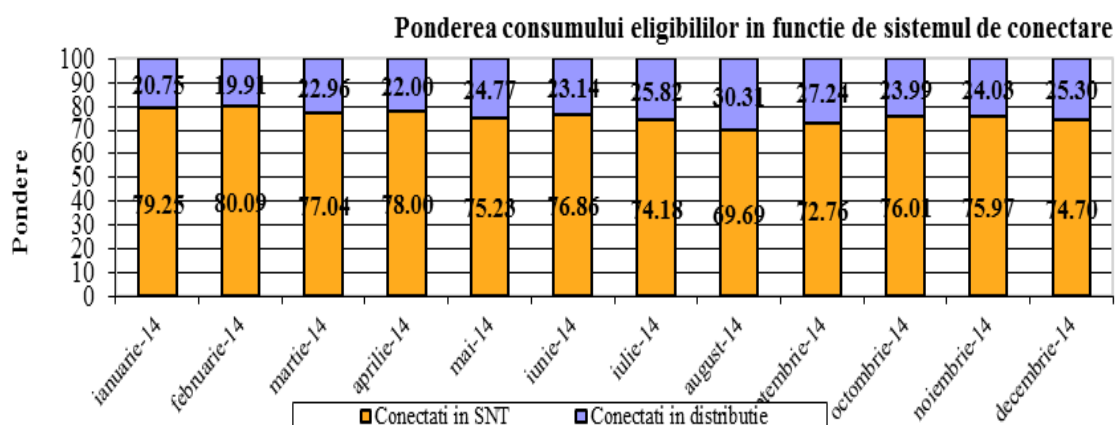
Access to final customers of such information means more choice and handy as a key measure to enable them to carry out their own assessment and comparison between offers, so knowingly choosing the supplier with which to enter into a contract regarding the negotiated supply of the natural gas.

Considering removal of regulated prices (for non-household customers on 1 January 2015, respectively on 1 July 2021 for household customers) and the development of competition in this market, ANRE has established by *ANRE Order no. 106/2014 on the procedure for informing final consumers by natural gas suppliers regarding commercial terms for the supply of natural gas* a set of legislative measures to ensure final customers access to information on commercial conditions for the supply of natural gas in the pre-contractual stage and the stage of contract. These information methods allow final customers to benefit from a level of information corresponding to their needs so as to ensure them the possibility to choose knowingly the natural gas supplier in the context of increased competition between suppliers.

At the end of 2014, there were **10,558** final customers who have switched suppliers on the natural gas competitive market, with a consumption that amounted to an effective rate of **56.99%** market opening.

In 2014, from the final consumer group directly connected to the national transmission system about 98.68% of consumers (in terms of the amount of energy consumed) have chosen to be part of a negotiated supply contract.

In 2014, the share of non-household customers connected to the distribution system that have chosen to be part of a negotiated supply contract was about 53.45% of all non-household customers (in terms of the amount of energy consumed).



According to Law no. 123/2012 on electricity and natural gas, final consumers do not have the right to return to regulated supply if the right to eligibility has been exercised.

#### 4.2.3. Recommendations on supply prices, investigations and measures to promote effective competition

##### Setting regulated prices to customers who have not exercised their eligibility right

The regulated prices are set differently for each licensed supplier and consumer category, depending on the configuration of the natural gas supply systems. Prices are monomial and quantify the fixed and variable costs relating to the regulated supply activity.

Prices are monomial and quantify the fixed and variable costs of regulated supply activity.

Regulated prices apply to quantities of gas supplied regulated. The regulated prices are set differently for each supplier, license's holder.

According to the Government Decision no. 22/2012, with subsequent amendments and completions, from February 2013 began the process of domestic production price increase and final prices increase related to the regulated supply activity.

The commitments by the Government to the IMF, WB and EC and embodied in the *Memorandum on the timetable for the removal of regulated natural gas prices* approved in the government meeting of June 2012, published on the ANRE website, provided the projected increases of **regulated natural gas supply prices** from 1 January 2014, 1 April 2014, 1 July 2014 and 1 October 2014.

On **January 1<sup>st</sup>, 2014**, the purchase price of natural gas from domestic production for the regulated market for households was set at 50.60 lei/MWh, and for non-household customers was set at 72.00 lei/MWh. As a result the average cost of gas mixture of domestic and imported entry into the distribution system (including storage and transport services) called fixed amount per unit, for:

- household customers and thermal energy producers, only for the amount of natural gas used to produce heat in cogeneration plants and heating plants to the population for the period January-March 2014 was estimated at 72.55 lei/MWh compared to the previous value of 71.50 lei/MWh, and
- non-household customers, except heat producers for the amount of natural gas used to produce heat in cogeneration plants and heating plants is intended for household consumption during January-March 2014 was estimated at 102.34 lei/MWh, compared to the previous value of 99.05 lei/MWh.

On April 1<sup>st</sup>, 2014 the purchase price of natural gas from domestic production was set for households at 51.80 lei/MWh and for non-household customers at 89.40 lei/MWh.

Therefore, in April 2014 it was published the evaluations of the uniform fixed amounts to cover the cost of purchasing natural gas for the period April to June 2014 for non-household customers and households, including:

- households, the value of 67.68 lei/MWh;
- non-household customers, the value of 105.06 lei/MWh.

According to Government Decision no. 511/2014, for the period July to September 2014, the purchase price of natural gas from domestic production regulated market for households was set at 53.30 lei/MWh and for non-household customers was set at 89.90 lei/MWh.

As a result, ANRE estimated:

- fixed amount per unit to cover the costs of purchasing natural gas for household customers and producers of heat, only for the amount of natural gas used to produce heat in cogeneration plants and heating plants to the population for the period July-September 2014 in value of 70.62 lei/MWh, compared to the previous value of 67.68 lei/MWh;
- fixed amount per unit to cover the costs of purchasing natural gas for customers non-household, except producers of heat for the amount of natural gas used to produce heat in cogeneration plants and thermal power plants is intended for household consumption for July -September 2014 amounted to 107.19 lei/MWh, compared to the previous value of 105.06 lei/MWh.

Subsequently, according to Government Decision no. 816/2014 amending Annex of Government Decision no. 511/2014, for the period October to December 2014 the purchase price of natural gas from domestic production for households was set at 53.30 lei/MWh, and for non-household customers was set at 89.40 lei/MWh.

Adjustment percentages for final regulated prices during 2014, averaged on the market share of each licensed operator which supplies for the regulated natural gas market compared with estimates of the *Timetable for phasing out regulated prices for final consumers* are shown in the table below.

Implementation Date	Households		Non-Households	
	Price increase foreseen by the timetable	Achieved increase for final price	Price increase foreseen by the timetable	Achieved increase for final price
1 January 2014	2 %	1 %	4 %	2 %
1 April 2014	2 %	-1 %	5 %	1 %
1 July 2014	3 %	3 %	5 %	1%
1 October 2014	3 %	0.35 %	4 %	-3 %
<b>Total</b>	<b>10 %</b>	<b>3.35 %</b>	<b>18%</b>	<b>1 %</b>

Thus, during the year 2014 the final regulated prices recorded:

- an increase of approximately 3% for household customers and thermal energy producers, only for the amount of natural gas used to produce heat in cogeneration plants and thermal power plants for population consumption, compared to 10% estimated in accordance with the timetable, respectively
- an increase of approximately 1% for non-household customers, excepting heat producers for the amount of natural gas used to produce heat in cogeneration plants and thermal power plants for population consumption, compared to 18% estimated in accordance with the timetable.

The application of the provisions of the timetable for gradual phasing out of regulated prices for final customers required analysis on possible evolutions of the purchase price for natural gas from domestic production.

#### 4.3. Natural gas security of supply

In accordance with Article 102 of Law no. 123/2012 on electricity and natural gas, the Ministry monitors security of supply issues, particularly regarding the supply/ demand balance on the national market at the level of expected future demand and available supplies,

envisaged additional capacity, planned or under construction, quality and maintenance of networks and measures necessary to meet peak demand and shortfalls of one or more suppliers. In this respect, every two years, before 31 July, it publishes a report outlining the findings of monitoring these issues, and any measures taken or envisaged to address them and forwards the report to the European Commission.

## **5. Consumer protection and dispute settlement in electricity and gas**

### **5.1. Customers protection**

#### **Electricity**

Law no. 123/2012 on electricity and natural gas sets the definition of "vulnerable customer" as the end customer being part of a residential customer group and for reasons of age, health or low income are at risk of social exclusion, and in order to prevent this risk, benefits from social protection measures, including financial ones. Social protection measures and eligibility criteria are established by norms and regulations. The vulnerable customers are the main beneficiaries of the social aids envisaged in the process of the gradual phasing out the prices/tariffs regulated.

In accordance with the "Procedure regarding terms and conditions for granting the social tariff to household electricity consumers", approved by ANRE Order no. 38/2005 as lately amended and supplemented, vulnerable consumers with average monthly income per family member less than or equal to the minimum wage set by governmental decision have the right to apply for social tariff. The social tariff was designed based on progressively differentiated increasing prices instalments for consumer, in such a way that up to the threshold of 90 kWh/month the average price of return is less than that resulting from the application of any other tariff for domestic consumers supplied at low voltage. About 1,030,043 consumers (4.5% less than in 2013) of the total of 8,556,650 households benefit of this social tariff.

For the optimum use by household customers of the heating allowance (approved by Government Ordinance no. 27/27.08.2013 amending and supplementing Government Emergency Ordinance no. 70/2011 on social protection measures during cold season, published in the Official Journal of Romania, Part I, no. 548 of August 29, 2013), the order approving the regulated tariffs for electricity supplied by suppliers of last resort to household and similar households who have not exercised the eligibility right was amended to allow the client to change the social tariff (beneficial only in cases of relatively small monthly consumption) with another fee for the period of granting the allowance.

We note that the Performance Standard for electricity distribution service approved by ANRE Order no. 28/2007, established the obligation for distribution system operators to offer to the vulnerable consumers with health problems or physical disabilities a range of facilities such as emergency telephone numbers, recording the installation that requires special attention for humanitarian reasons and to avoid disconnection.

According to the Regulation for labelling the electricity supplied to consumers, approved by ANRE Order no. 41/2004 and revised by ANRE Order no. 69/2009, as of 1 January 2005, the electricity supplier has the obligation, once a year but no later than April 15, to issue the electricity bill for each consumer from his portfolio accompanied by the label for the electricity supplied in the previous calendar year.

Electricity label contains the following information established by the supplier on the statements submitted by the producers:

- the contribution of each primary energy sources to cover the purchase of electricity supplier,
- specific CO<sub>2</sub> emissions and radioactive waste for electricity they provide,
- comparison of the above data with national averages.

By ANRE Order no. 64/2014 was approved the new Regulation for electricity supply to final customers. The main provisions of the Regulation relates to:

- Specifying categories of customers and the conditions under which suppliers of last resort provides electricity supply as universal service regime or as last resort supplier;
- The establishment of contracting electricity and transmission and distribution services, of the type and number of required contracts, of the holders of those contracts in various scenarios, assigning a new way of contracting transmission and distribution services in the future;
- Providing a dedicated section for vulnerable customers, specifying the measures taken by the network operator for vulnerable customers for reasons of health / age;
- Shortening the time for switching process, creating the conditions within the period of 21 days imposed by Directive 72/2009 / EC;
- Minimum amount of information that the electricity bill must cover; way of billing;
- Clarify how consumption places connected to networks other than those of the electric distribution concessionaire are supplied, by setting rules for each case, according to the type of contract for the supply used;
- Information offered to end customers;
- Regulation of the power quality supply service.

**The procedure for changing the electricity supplier by the end customer**, approved by ANRE Order no. 105/2014 represents an update of the Procedure for changing electricity supplier, approved by ANRE Order no. 88/2009, as amended and supplemented by ANRE Order no. 14/2011. The review of this document aimed at harmonizing the rules applied in Romania for switching with EU law, in particular with Directive 2009/72/EC of The European Parliament and of the Council of 13 July 2009 concerning common rules for the internal market in electricity and repealing Directive 2003/54/EC. The main provisions of the procedure concerns:

- Shortening the switching process for a consumption place to 21 days, according to Directive 72/2009/EC; final customer always has the right to terminate the supply agreement, in compliance with contractual terms and the obligation to send to the electricity supplier and to the network operator a notification at least 21 days before changing supplier; It is forbidden the inclusion into the electricity supply contracts of clauses that could impede a change of provider within 21 days;
- The possibility of conclusion of the electricity supply contract in the absence of the network contract;
- Removing the possibility of the suspension of the switching process of the electricity supplier as a result of non-payment of the electricity bills.

Considering the provisions of the Law no. 123/2012 on electricity and natural gas for the regulated market, the universal service of the electricity supply, the tasks and the method of selecting the suppliers of last resort and the need to update/harmonize the regulatory framework during the year 2014 were developed / reviewed the following drafted regulations:

- Regulation for the last resort suppliers on taking over the consumption sites of the final customers who have not secured the electricity supply from any other source;
- Framework contract for the electricity supply to household customers of supplier of last resort;
- Framework contract for the electricity supply to non-household customers of supplier of last



resort;

- The methodology for setting up tariffs applied to suppliers of last resort to final customers.

Also it introduced a competitive mechanism for the electricity purchase by suppliers of last resort (simultaneous auctions based on decreased price on the centralized market price for universal service).

With regard to Directive 2009/72/EC of the European Parliament and of the Council of 13 July 2009 concerning common rules for the internal market in electricity which requires to Member States to ensure the implementation of intelligent metering systems in order to support the active participation of consumers on the electricity supply market, provisions that have been transposed into national law (Law no. 123/2012 of the electricity and natural gas), in December 2013 was approved the ANRE Order no. 91/2013 on the implementation of smart metering systems for electricity.

The purpose of the Order is to establish mandatory and optional functionalities that smart electricity metering systems which will be implemented in Romania will meet, the way the implementation of intelligent metering systems for electricity in the period 2014 - 2020 will be done as well as integration with investment plans of those responsible for implementation. Electricity distribution concessionaire operators are responsible for the implementation of intelligent metering systems.

Based ANRE Order no. 91/2013, in 2014, it started the analysis of the pilot test project proposals for the implementation of intelligent metering systems for electricity, to grant permits under the provisions of this order. The proposals received from eight concessionaire distribution system operators were analysed taking into account the provisions of Order above mentioned. By ANRE Decision no. 125 / 03.04.2014 a committee was formed to manage the implementation the intelligent metering pilot projects for electricity. It lays down the criteria for approval of pilot projects for smart electricity measurement.

While during the year 2014 significant changes have occurred in the evolution of the legal framework, especially with the entry into force of the Energy Efficiency Law No. 121/2014, whose provisions had have to be transposed into the order on the implementation of smart metering systems, and to enable a greater number of participants to the electricity market to be included in the process of implementing the intelligent metering systems not the least in order to achieve a deeper analysis as pilot projects to ensure the implementation on the basis of objective criteria, it has been initiated the amendment and supplementing of ANRE Order no. 91/2013. Thus in December 2014 it was approved the ANRE Order no. 145/2014.

The concessionaire' distribution operators submitted to ANRE proposals for the implementation of pilot projects during 2015 whose results would provide information needed to establish the terms and elements on developing the national implementation timetable for smart metering systems and the implementation of the national plan for smart metering systems. ANRE approved 14 pilot projects that include a total number of 97,787 customers.

The benefits resulting from the implementation of smart metering systems will be reflected at final customer's level, by enabling the management of energy consumption, which leads to more efficient consumption and energy savings, access to advanced tariff systems, facilitating the process of switching, in the frame of the electricity market opening.

## Natural gas

Taking into account the phasing out of the regulated prices (for non-household customers from 1 January 2015, and on July 1, 2021 for residential customers) and the development of the competition on this market, the establishment of a number of legislative measures to ensure customer access end-to information on commercial terms for the supply of natural gas in the pre-contractual stage and the contractual phase has been considered necessary.

Consequently, ANRE issued Order no. 106/2014 on the procedure for informing end customers by natural gas suppliers on the commercial terms for the supply of natural gas. Providing final customers with various media and handy sources as a key measure to allow final customers to create their own evaluations and comparisons between the commercial terms of the current gas supplier and commercial conditions offered by other suppliers acting on the domestic natural gas market, so choosing and being aware to conclude a sale contract for the supply of natural gas under negotiated terms.

In this regard, the order provides for the pre-contractual stage, suppliers are required to provide information to end-customers on commercial terms for the supply of natural gas, both through its own means and through an interactive web application, to be developed and managed by ANRE.

To enable final customer to compare several offers, it has been imposed the supplier obligation to develop and provide standard offers for categories A1-A2 and B1-B4 of their final customers. The offers are published on their website and their centers of contact, and the final customer request should be made available in printed or electronic format free of charge. However, to be compared, it was established a minimum set of information, which should contain a standard offer.

Also, gas suppliers are obliged to provide to final customer, free of charge, a copy of the contract of sale of natural gas, before the conclusion stage or final form stage of the contract.

During the contractual phase, the information on commercial terms of the natural gas supply is made available to final customers through the contract and the invoice and / or documents attached thereto, and having regard to the provisions concerning the rights and obligations of suppliers and natural gas final customers stipulated within the Law no. 127/2014 amending and supplementing Law no. 123/2012 for electricity and natural gas.

The order establishes the minimum information that the supplier is required to include in their natural gas final customer contract and the obligation to notify the provider final customer of any intention to change to the conditions/contractual terms, including any price/tariff increase, and the notification aims to inform about the right to terminate the contract if the final consumer does not accept the new conditions notified.

As regards the information of final customers through bills and / or attached documents, it is intended that they have the minimum information that enables them to assess the final price invoiced by presenting the price of components and the possibility to understand how to determine billed consumption.

In order to enable the final customers to adjust their own gas consumption it has been introduced the suppliers obligation to periodically make available to final customers (at least every 6 months) price information and their actual consumption of natural gas, comparisons between current consumption and the corresponding past consumption of same period of the previous year and information on the concept of energy efficiency. To give all final customers

full, fair and accurate information about the actual consumption of gas it is introduced the requirement that natural gas consumption billing is done by the supplier based on actual consumption, at least once at every six months, in line with provisions of Directive 2012/27 / EU on energy efficiency which states that by 31 December 2014, Member States shall ensure that information on billing is accurate and based on the actual consumption, and billing is required to be based on the real consumption at least once a year.

To quantify the quality of the natural gas supply activity to final customers, by ANRE Order no. 37/2007 regarding the approval of the *Performance standard for the supply of natural gas*, ANRE sets minimum performance level to carry out this activity. The quality of the supply is assessed on the basis of performance indicators.

Quality of supply activity is assessed on the basis of performance indicators for the following activities:

- a) contracting of natural gas;
- b) the billing of supplied natural gas;
- c) handling of complaints of the end customers on the quality requirements of natural gas supplied;
- d) end-customer information in accordance with the requirements of this standard of performance;
- e) resolution of complaints brought by the applicants against the supplier/end customers regarding non-compliance with performance standards;
- f) solving other complaints and requests of applicants/end customers.

*The performance standard for the supply of natural gas* sets the following performance indicators:

a) guaranteed performance indicators - IPG - indicators that establish minimum performance levels for the conduct of the supplier and the supplier breach of which will automatically pay the applicant/end customer affected the penalties provided in this standard. These indicators are:

- IPG1 - contracting natural gas;
- IPG2 - addressing customer requirements on final invoices;
- IPG3 - quality natural gas supplied;
- IPG4 - solving end customer requirements for the measurement quantities of natural gas;
- IPG5 - default interest due for payment provider failure.

b) annual performance indicators - IPA - indicators that determine the levels of annual performance in carrying out natural gas supply. The natural gas supplier is required to report annually to ANRE the level of achievement of the following indicators:

- IPA1 - processing of applications for contracts;
- IPA2 - responding to end customer requests;
- IPA3 - resumption of provision for limitation / interruption as a result of defaulting;
- IPA4 - information on the performance.

In 2014, for non-observing the performance guaranteed indicators - PGI the suppliers paid penalties to 31 household customers and 5 non-household customers, amounting to 7.445 lei.

Considering the need to conclude by 1 January 2015 the natural gas sale-purchase contracts for negotiated supply by non-household customers, ANRE approved Order no. 107/2014 for establishing measures on natural gas supply to non-household customers and future elimination of regulated final prices.

By promoting this order, it was aimed on the one hand, the information of the non-household customers from regulated market by suppliers on the steps and implications of the gas market liberalization for them through monthly notifications during November - December 2014 and on the other hand to establish rules concerning the conduct of contractual relationships involving non-household customers amid their transition from the regulated market to the competitive market in order to ensure continuity of gas supply during the cold season for the non-household customers who have not signed up to the liberalization a sale-purchase contract of sale for negotiated supply.

Thus has been established the required information measures for the internal gas market liberalization on 1 January 2015 respectively the monthly notification of non-household customers on the regulated market by their suppliers in the period 1 November to 31 December 2014, as regards the termination of the applicability of regulated price from 1 January 2015 and the need to conclude by 31 December 2014 negotiated sale-purchase contracts for natural gas supply, the commercial proposed offer and information on the options the non-household customer could have when does not accept the supplier offer.

However, through this order it was introduced a transition period in which the non-household customers who have not exercised their eligibility right up to 31 December 2014, will be supplied with natural gas based on their natural gas supply contracts in force at that time, except for the provisions on the regulated final price. Their invoiced price will be the price of the offer proposed by the supplier. By this transition period it was intended to ensure the continuity of gas supply during the cold season for those non-household customers who have not completed until January 1, 2015 a negotiated sale-purchase natural gas contract.

ANRE monitors the suppliers for the compliance of notification obligation by all non-household customers on the regulated market and all the supply data carried out during the transition period.

With regard to vulnerable customers using natural gas for heating, they receive monthly aid for heating during the cold season, called for natural gas aid. The way the aid is granted is determined through Government Emergency Ordinance no. 70/2011 on social protection measures during the cold season, as amended and supplemented, which is a measure of support, covered by the state budget and / or, where appropriate, local budgets, intended for vulnerable customers with limited incomes up to a threshold established by law that aims to cover all or, where applicable, a part of the costs for heating. The aid amounts and the income levels relate to reference social indicator - ISR.

## 5.2. Disputes settlement

### Complaints

**Consumer's complaints management obligations** are included in the licensing conditions, in framework contracts and the supply standards. Supply license holders must ensure the recording, investigating and the solving of complaints made against them by final consumers. It is mandatory that a Customer service department be set up to manage any complaint made against the licensee by a final consumer who considers oneself wronged by the licensee practices. A register of applications, notifications and complaints filed by consumers and the way of solving them must be kept.

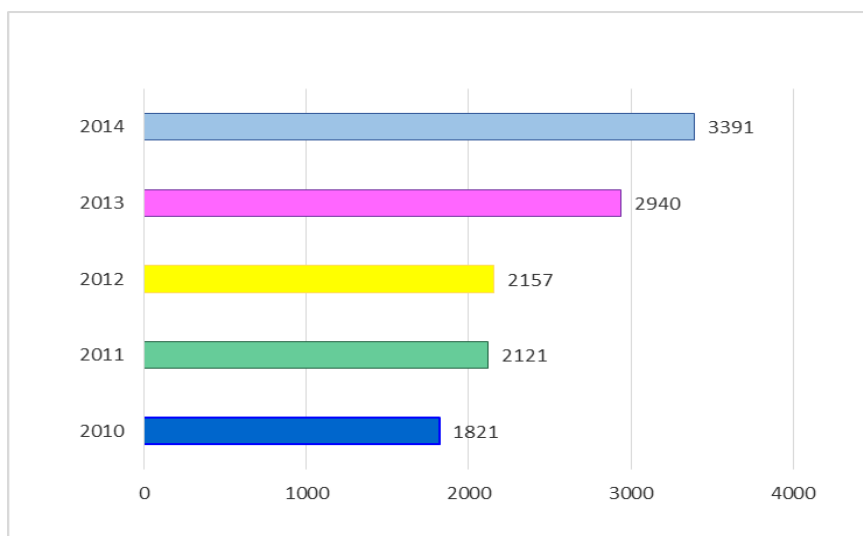
In 2014, electricity supply license holders received 244,460 complaints from final consumers and natural gas supply license holders received 413,635 complaints.

If the consumer is not satisfied with the response of the operator, it may appeal to ANRE under the provisions of Government Ordinance No. 27/2002, as amended and supplemented that assesses and formulates answers to the issues raised in the complaints. Regulator's control actions are required for petitions that require further examination.

The manner to deal these complaints is different depending on the issues addressed: written answers including explanations and references to legislation, spot checks, and direct discussions with the parties.

If the problems referred in the petitions concerning infringement of legal provisions by the operators have proved to be justified, ANRE sends reminder

letters setting out enforcement measures against legal provisions and/or legal action is taken imposing sanctions.



During 2014, ANRE registered and solved a number of **3391 complaints** submitted by natural and legal persons that benefit/have requested the services provided by operators in the electricity and gas sectors.

Out of the total of 3391 complaints, 2539 were on the electricity and 852 on natural gas.

2626 complaints were sent directly to ANRE and 765 petitions were forwarded to ANRE by other public institutions.

### Electricity

The following table presents the major categories of issues identified in complaints solved in the electricity sector:

No.	Main issues reported	Total	[%]
1	Electricity billing	689	27.1
2	Electricity quality	359	14.1
3	Suspected theft of electricity	256	10.1
4	Technical connection approval	214	8.4
5	Request for general information	116	4.6

The regulator **control activities** aim at achieving appropriate quality works and service performance requirements required by law to participants involved in the production, transmission, distribution, supply and use of electricity, including those involved in the design and implementation facilities and equipment used for this activity. In 2014, **803 inspections were conducted in the electricity sector**. Following control actions were made **minutes of finding and punishing offences**.

## Natural gas

During 2014, **852 complaints** were for the natural gas sector. All complaints received were resolved in due time and in accordance with regulations, by informing complaints and institutions through which were transmitted to ANRE, as appropriate.

The following table presents the major categories of issues identified in complaints resolved in the natural gas sector:

No.	Main issues reported	Total	[%]
1	Works involving installations usage, checks, inspections	168	19.71
2	Contracts and bills	140	16.43
3	Connection to the distribution system	126	14.78
4	Access to the distribution system	91	10.68
5	Delivery, disconnection	47	5.51

ANRE conducted **394 inspections in the natural gas sector** during 2014. Following control actions **minutes of finding and punishing offences** were made.

**The total amount of fines imposed on both electricity and natural gas sectors was of 37,301,054.2 lei.**

## Dispute settlement

During 2014, a number of 6 requests were resolved regarding **disputes in the electricity sector** arising from the conclusion of contracts, by applying the provisions of the *Procedure for the settlement of disputes arising from the conclusion of contracts in the electricity and heat produced in high efficiency cogeneration*, approved by Annex to the ANRE Order no. 35/2013.

ANRE mediated a **pre-contractual dispute in the natural gas sector** according to the *Procedure on mediation disputes occurred in the conclusion of contracts for natural gas*, approved by ANRE Order no. 35/2013

**To settle disputes arising in the performance of contracts** between market participants in wholesale and retail markets of electricity or natural gas **ANRE Order no. 61/2013** approving the *Regulation on the organization and functioning of the committee for settling disputes in the wholesale and retail market arising between the participants in electricity and natural gas markets* was issued.

**Network access disputes** were mostly settled by replies to complaints received, without the need to issue decisions in this regard.

The regulatory framework developed and implemented by ANRE orders and decisions have a major impact on economic and social realities, given that it is compulsory for legal entities and individuals.

The possibility of contesting the individual administrative acts or regulations of the regulator is an important factor in ensuring its accountability to consumers.

Thus, orders and decisions issued by ANRE can be challenged in court by natural or legal persons who believe that by applying those regulations, certain rights have been violated.



Current status of proceedings pending before the courts:

Total: 430 ongoing cases in 2014, of which 139 have been finalized.

Classification of disputes handled by ANRE in courts in 2014, in the electricity, natural gas and efficiency sector, depending on their subject, is presented below:

- administrative - 105 cases;
- contravention law - 180 cases;
- insolvency - 54 cases;
- labour law - 10 cases;
- claims - 72 cases;
- obligation to make - 1 case;
- criminal law - 1 case;
- free access to public information – 2 cases;
- land fund – 1 case;
- actions in progress – 4 cases;
- land registry complaint – 1 case.

Of the total number of cases completed in 2014, respectively 139, 96% were solved favourably by ANRE.

In relation to the activity of ANRE to regulate electricity market, natural gas and energy efficiency, note that **all orders and decisions ANRE which have been challenged in court by economic operators in the electricity and gas sectors (such as Hidroelectrica, Nuclearelectrica, RADET, Electrica, OMV Petrom, GDF, E.ON Energie, Transgaz, producers of electricity from renewable sources etc.) and which have been the subject of administrative files were settled 100% favourable to ANRE.**