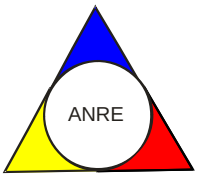
ROMANIAN ENERGY REGULATORY AUTHORITY



NATIONAL REPORT 2013

August 31, 2014

3, Constantin Nacu st., sector 2, Bucharest, postal code: 020995, phone: 021/311.22.44, fax: 021/312.43.65, e-mail: anre@anre.ro
website: www.anre.ro

CONTENT

1 Foreword

This document represents the national report issued by the Romanian Energy Regulatory Authority – ANRE 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)(ș), (4), (5), (6) and (7) of Law no.160/2012 on the organization and functioning of ANRE. The report contains information on the evolution of the electricity and natural gas markets for 1 January 2013 – 31 December 2013, in accordance with the ACER-CEER requirements.

In 2013, the regulatory activity of ANRE, focused mainly on the implementation of the provisions of the third energy package, namely: improving ways of trading and incresing transparency for electricity and natural gas markets, promoting competition by phasing out regulated prices for end consumers, implementing mechanisms of integration of national electricity and natural gas markets in regional markets, promoting the production of electricity produced from renewable sources, development of electricity production of new cogeneration capacities, promoting energy efficiency, implementation of provisions regarding certification of TSO and additional consumer protection measures.

Requirements of the third Energy Package and those that are found in the Memorandum of Understanding signed with the European Commission and the Letters of Intent signed with the International Monetary Fund, part of the Preemptive Agrement with the IMF and the European Commission were complied with, ANRE meeting all regulatory obligations concerning phasing out regulated prices for end consumers regarding both electricity and natural gas sectors. Thus, we can say that the rearrangement of the energy market in Romania on the basis of competition is advanced, and the premises to ensure national energy market integration in the EU are provided.

In this context, the main objectives for 2014 for ANRE will focus primarily on promoting competition in the electricity and natural gas sectors, increasing the efficiency of energy markets and their integration in the regional and European market, harmonization of secondary legislation with primary legislation and European codes in the process of approval by the European Commission, application of European regulations on integrity and markets transparency and development of infrastructure, further improving the regulatory framework for electricity and natural gas in order to increase energy efficiency.

The main challenge we are facing at the moment is the price affordability for consumers and maintaining businesses sustainability while ensuring essential regulatory principles such as those on predictability, transparency and legislation stability, so that criteria of liberalized markets imposed at European level can be applied.

NICULAE HAVRILEȚ

PRESIDENT

Abbreviations

ATC – Available Transmission Capacity

BM - Balancing Market

BRM - Romanian Commodities Exchange

BRP – Balancing Responsible Party

CMBC – Centralized Market of Bilateral Contracts

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

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 - Romanian Natural Gas Transmission System

TSO – Transmission System Operator

2 Main developments in the electricity and gas markets

2.1 Electricity market

2013 brought significant changes in the existing regulatory framework. There have been developed, reviewed and approved: regulation on granting licences and authorizations in the electricity sector, regulation on connection to electricity networks, methodology on regulated market monitoring, regulation on the Commission on dispute settlement on the wholesale and retail market, methodology amending SC OPCOM SA regulated tariff, methodologies for transmission and distribution tariffs. Also, the ANRE Order no. 33/2012 was changed on the application of the Government Decision no. 138/2013 with respect to guaranteed or priority access to the network of power units operating on coal, and the payment of transmission tariff components by suppliers for exporting or importing electricity was canceled.

Also during this year, the Memorandum on Romania's accession to the Czech, Slovakian and Hungarian electricity markets coupling project was signed. The market model chosen is the Price Coupling Regions, whose implementation is intended to be completed by the end of 2014.

OPCOM trading mechanisms were completed and improved, particularly in what regards concluding bilateral agreements, to ensure compliance with open, transparent and non-discriminatory requirements for transactions on the competitive market. Regulation on the organization and functioning of the intra-day electricity market was approved by ANRE Order no. 73/2013, which introduced the continuous trading mechanism instead of bidding in a finite numer of daily sessions.

2.1.1 Network regulation

2.1.1.1. Unbundling

According to the provisions of Electricity and Natural Gas Law no. 123/2012, the transmission system operator is organized and operates according to the independent system operator model (ISO).

Under Article 3(2) of Regulation (EC) no. 714/2009 and given the conclusions of the Commission Opinion - C (2013) 6891 of 14/10/2013, ANRE adopted the final decision on certification within two months of the Commission Opinion, having regard of the Commission's observations. Thus, by ANRE Order no. 90/2013, The National Electricity Transmission Company – „Transelectrica" S.A. was certified, maintaining the resolutive clause, the certification being conditional of complying within six months with the ANRE Order measures. The ANRE Order was communicated to the European Commission.

Also, ANRE communicated to major Romanian state institutions with responsabilities in this field (the Prime Minister of Romania, the President of the Senate, the President of the Chamber of Deputies, the Minister of Economy, the Finance Minister, the Foreign Relations Minister, the Minister delegate for energy) the appropriate measures to be taken to eliminate conditions on certification and the text of a proposed law, that would apply the measures necessary for certification if adopted.

The Government Emergency Ordinance no. 6/2014 (GEO) on the exercise of rights and obligations arising from state shareholder status in the National Electricity Transmission Company – "Transelectrica" S.A. and the National Gas Transmission Company – "Transgaz"

SA Medias and for the amendment of other laws was issued in February 2014 and published in the Official Journal of Romania, Part I, no. 113/ 2014. The Act was approved by the Parliament of Romania by Law no. 117/11.07.2014.

Based on the provisions of GEO 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 pf Public Finance.

In 2013, a total of 46 licensed electricity distribution operators have been active on the Romanian electricity market, of which 8 with more than 100,000 customers each. All 8 companies have completed the process of legal unbundling of electricity distribution activity and electricity supply activity. Electricity distribution operators having less than 100,000 customers do not have the obligation to unbundle the distribution activity from other company activities in accordance with Directive 72/2009/EC on common rules for the internal electricity market.

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

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 performance standard for the transmission service was revised in 2007 and was 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
Average interruption time (AIT), min/year	4.43	1.19	0.86	1.79	0.82	3.10	1.06	1.53	0.35

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.

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 DO).

The average values of SAIFI and SAIDI indicators in 2013 for Romania are shown below.

Activity area	**SAIFI Planned outages [outages/year]**	**SAIFI Unplanned outages due to DO [outages/year]**	**SAIFI Total outages [outages/year]**
Urban	0.4	3.2	3.6
Rural	1.7	6.7	8.4
National average	1.0	4.8	5.8
Activity area	**SAIDI Planned outages [min./year]**	**SAIDI Unplanned outages due to DO [min./year]**	**SAIDI Total outages [min./year]**
Urban	101	205	306
Rural	472	694	1166
National average	270	427	697

Indicators such **as the average time for issuing the technical permit for connection or the average time for issuing connection contracts** are also monitored through the performance standard for the distribution service.

The average time for issuing the technical permits for connection in 2013 for Romania was 10.4 days, ranging from 7 days for CEZ Oltenia and 15 days for E.ON Moldova. The maximum period of 30 days was respected by all DSOs.

The average time for issuing connection contracts was 4 days (more specifically 3.6 days), ranging from 1 day for Enel Banat and Enel Muntenia, to 10 days for Enel Dobrogea. 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 2013 there were no unexpected crisis in the energy 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

The number of requests for connection to the network of units using renewable energy sources has significantly increased since the implementation of Law 220/2008 on establishing the promotion system of energy production from renewable energy sources, republished, with subsequent amendments.

There are significant differences between the number of network connection requests and the total number of connections actually made. In what concerns installed power, on 01/01/2014, Transelectrica recorded an increase of 1638 MW due to connection to the network of new units of wind, solar, biomass and hydro plants.

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 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 1 MW per plant or in the case of high efficiency cogeneration from biomass, 2 MW per plant).

Electricity generated from renewable energy sources benefits from **priority dispatching.**

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

2.1.1.3. Network tariffs

Methodology for setting electricity transmission tariffs, approved by **ANRE Order no. 53/2013**, did not fundamentally change the manner of determining transmission tariffs compared to the second regulatory period, but represents an improved form of incentive revenue cap methodology, applied by ANRE since 2005.

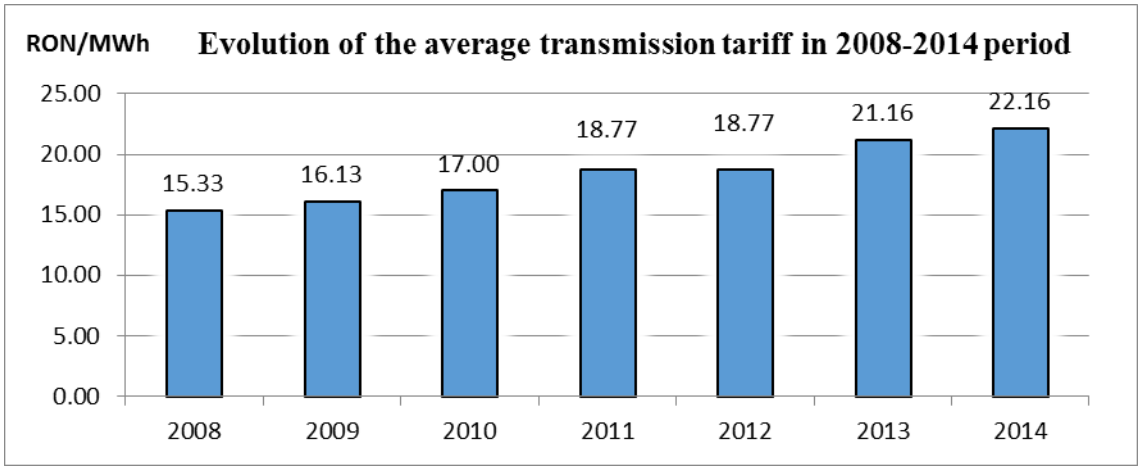
The methodology includes mechanisms to stimulate electricity transmission service efficiency by promoting efficient investment in the electricity transmission network, reduced technological consumption, reduced operating and maintenance costs and increased service quality.

Transmission tariff is monomial and has two components – T_g and T_l components. Transmission tariff components are different on different tariff zones, depending on the impact of the injection or extraction of electricity in/ from network nodes, expressed by nodal marginal cost of transmission.

The main issues that the new methodology has completed, improved, clarified, given the experience of the application of this type of regulation are:

- defining an additional mechanism of stimulating a tehnological 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;
- including the provisions on tariffs application in conjunction with the provisions of ANRE Order no. 54/2013.

A significant change in the methodology provisions, requested by the transmission system operator, is the definition of the tariff period as 1 July to 30 June. Thus, approval of tariffs for transmission services will be held each year on 1 July, which implies that the third regulatory period begins on 1 July 2014. The evolution of the average transmission tariff during 2008-2014 is shown below:



Tariff increase was due primarily to the reduction of electricity extracted from the networks (e.g. in 2013, the reduction recorded in comparison to the forecast was of about 5%). Also, the application of the transmission tariff components was eliminated for import/export transactions, pursuant to the provisions of Regulation (EC) 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 exchanges in electricity and amending Regulation (EC) no. 1228/2003. Thus, producers and suppliers no longer pay the transmission tariff – the T_g component for the declared imported electricity and also no longer pay the transmission tariff – the T_l component

for the declared exported electricity. This measure for implementing the provisions of the Community acts was approved by **ANRE Order no. 54/2013** and aimed at avoiding an infrigrmrnt procedure for failure to fulfil the obligations as a Member State.

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).

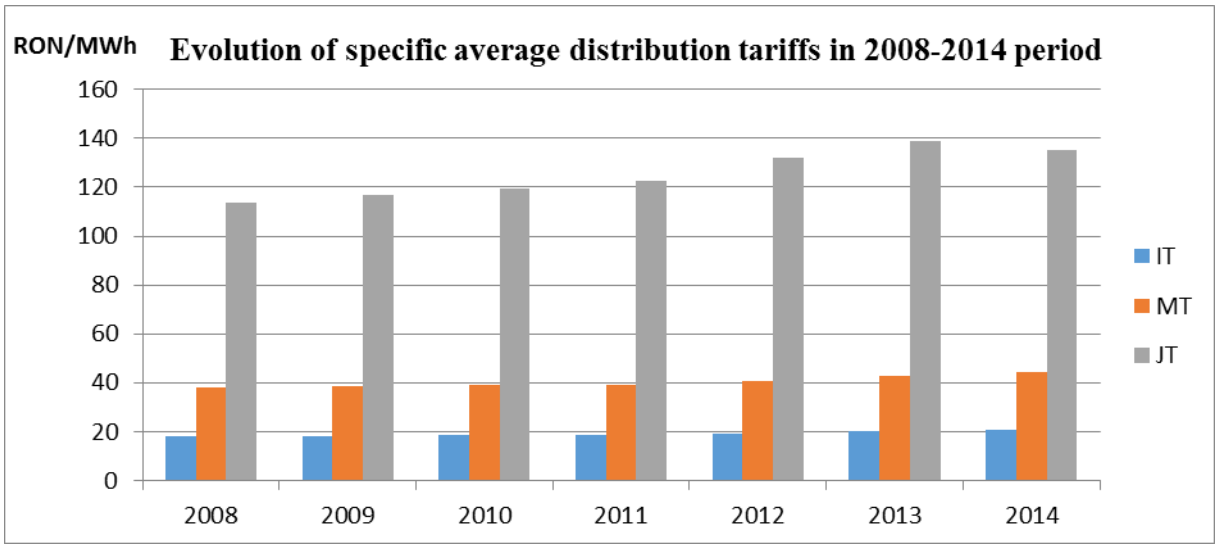
The methodology includes mechanisms to stimulate the efficiency of the electricity distribution network by promoting efficient network investments, reducing the technological consumption, reducing operating and maintenance costs and increasing service quality.

The following new provisions were established for the third regulatory period, compared to those applied in the second regulatory period:

- the distribution service to which apply the regulated tariffs set by the methodology includes the entire activity of the operator, in accordance with the license provisions;
- the regulated revenue for the distribution service is reduced by income obtained by the operator from applying penalties for reactive electricity and by a share of the gross profit obtained by the operator from other activities for which it is using assets included in the regulated asset base;
- were explicitly included obligations on the classification of investments and maintenance works in the justified costs;
- the life cycle of new fixed assets included in the regulated assets base is set at a regulated level;
- the regulated revenue is reduced in case of unfulfillment of the investments included in the annual program at a level of at least 80%;
- the regulated rate of return is equal for all operators and a rate of return increase is granted for investments in the implementation of smart metering systems;
- ANRE has the right to adjust and set the operating costs and controllable maintenance costs and the targets for the technological losses following a process of comparative analysis between operators based on data and results of the first two periods of regulation.

The methodology contains an incentive mechanism to reduce the cost of technological losses in electricity networks, by recognizing in the regulated revenue an electricity buying price to cover losses that would result from a purchase considered optimal in the competitive electricity market.

The following figure shows the evolution of the specific average tariffs for electricity distribution for the period 2008-2014:



For the distribution operators with less than 100,000 customers, the tariffs for electricity distribution service are calculated according to the *Methodology for setting electricity distribution tariffs for legal persons, other than the main electricity distribution operators, and the conditions for the retransmission of electricity*, approved by **ANRE Order no. 3/2007**. This methodology has been replaced as of 17/04/2013 with the *Methodology for setting the tariff for electricity distribution service operators other than concessionaires distribution operators*, approved by **ANRE Order no. 21/2013**.

The new Methodology is "cost +" type, as the previous one, so that the tariff is determined based on the justified costs for providing the service and on the share of the regulated profit of a maximum of 5%.

In accordance with the provisions of the methodology in force during 2007 - April 2013, all distribution operators had an obligation to seek ANRE approval for the tariff that they were entitled to collect from the beneficiaries of this service, so that, currently, approx. 100 operators apply ANRE approved tariffs. The Methodology in force from April 2013 includes important changes. According to this methodology, the distribution operators who do not hold a license issued by ANRE, nor connected users that benefit from universal service may establish tariffs without exceeding the prescribed limits of the methodology.

Connection tariffs

Procedures and steps in the connection process, as well as the connection tariff are determined by *Regulation for the connection of users to public electricity networks*, approved by Government Decision no. 90/2008, and by the secondary legislation issued by ANRE. According to the provisions of Law no. 160/2012 on the organization and functioning of ANRE, the regulation was revised and approved by an ANRE Order no. 59/2013, so that, as of 19/12/2013, the Government Decision no. 90/2008 was repealed.

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.

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.

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. Setting the available ATC value (available interconnection capacity) for daily and intra-day auctions uses the principle of netting and participants are required to comply with the principle of exclusive partnership (1:1). Trading currency is the Euro.

The highest annual average degree of utilization of the total capacity allocated in auctions was recorded, on export, on the borders with Bulgaria and Hungary, while on import, the interest for the use of the allocated capacity was higher on the border with Bulgaria. If during January - August 2013 there was a tendency towards imports from Hungary and Serbia along with exports to Bulgaria, towards the end of the year, the flow was reversed, the degree of utilization was higher on imports from Bulgaria, with a correspondence on exports to Hungary and Serbia.

Over 85% of CN Transelectrica SA 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 Bulgaria, in both directions, followed by auctions for the border with Hungary, in both directions, and by those for export to Serbia. Although revenues from daily auctions derived mainly from the Hungarian border allocations towards export, in 2013, significant revenues were recorded in auctions on the borders with Bulgaria and Serbia, in both directions, depending on the trading interest in one area or another. Although on some intervals there were capacity requests in intra-day auctions, there were no revenues recorded from such allocated capacities, as participants' interest for this type of auctions is still low.

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 neighboring countries. In this regard, the TSO attention has been focused on continuing infrastructure projects ment to increase interconnection capacity to improve mutual exchanges of energy between neighboring 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 neighboring countries - Serbia and Bulgaria.

Monitoring the TSO investment plans in view of TYNDP

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 amendments and supplementations 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.

In accordance with Article 35 of Electricity and Natural Gas Law no. 123/2012, 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.

Electricity transmission network development plan for the 2014 – 2023 period was developed by CN Transelectrica SA and submitted for approval to 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 neighboring 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 equipments 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 cross-border cooperation activities

The third energy legislative package and, more explicitly, Regulation (EC) no. 714/2009 on conditions for access to the network for cross-border exchanges in electricity emphasized that the objective of the internal energy market ("IEM"), which has been progressively implemented since 1999, aims to provide, inter alia, new business opportunities and larger volumes of cross-border trade, so as to ensure an efficiency increase and higher standards of service. All these objectives contribute to improved security of electricity supply in the EU, taking into account the interests of the final consumer.

In this context, in February 2011, the European Council adopted a commitment that IEM should be completed by 2014. EU bodies, in particular the European Commission monitors the IEM functioning in the EU by supporting individual Member States initiatives, whose purpose is the integration of markets and networks at regional and multilateral level. The final objective - IEM completion by 2014, requires a proactive approach from national authorities.

During 2013, ANRE supported the steps taken towards accession, together with Poland, to the integrated day-ahead electricity markets in the Czech Republic, Slovakia and Hungary in order to develop a five-sided market coupling project called 5Market Market Coupling (MC

5M) namely the creation of a day-ahead electricity market operating in a coupled regime as part of the single internal European market.

To this end, ANRE attended by representatives to the signing of the Memorandum of Understanding, together with representatives of national regulatory authorities, transmission system operators and market operators/ energy exchanges from the Czech Republic, Slovakia, Hungary and Poland. Activities for project implementation continued in specially constituted working groups, at the end of 2013 it was decided that the project would continue as 4M MC, Poland planning to join the project later, in the context of Central East European market coupling and flow-based allocation mechanism application.

2.1.1.5. Compliance

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 2013 there are no such cases to report.

Compliance of transmission and distribution companies, system owners and electricity undertakings with relevant Community legislation

Since the certification process of the transmission system operator was not completed in December 2013, the activity of monitoring the fulfillment of the obligations of an independent system operator could not be realized.

Transactions transparency on interconnections is ensured by CN Transelectrica SA, by publishing information on its website www.transelectrica.ro, in accordance with Regulation (EU) no. 714/2009.

For a complete identification of how CN Transelectrica SA fulfilled the obligations set out in the Regulation (EC) no. 714/2009 on conditions for access to the network for cross-border exchanges in electricity, the regulator has decided to carry out a control action, which began in June 2012. Details of measures taken for every requirement of the European regulation, with the presentation of the actions stage, were requested from the transmission system operator. Compliance with the provisions on transparency and information provision, including those on publication, in terms of content, rhythmicity, timing and duration of availability of information was also controlled.

The inspection type control action that started in 2012 was completed in 2013, by preparing the inspection report and presenting the conclusions resulted from verification of compliance by CN Transelectrica SA with the obligations provided in the Regulation. The detailed verification process of compliance with the obligations arising from the European Regulation was based on the analysis of the answers offered by CN Transelectrica SA to the questionnaire requested by ANRE and on the verification of compliance by CN Transelectrica SA with its Operational Procedure concerning the publication of information held – having a

significant role in ensuring electricity market transparency - by assessing the content, format and rhythmicity of information publication by CN Transelectrica SA on the site www.transelectrica.ro, capitolul Transparență.

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 resales 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.

The introduction of the obligation to conduct transparent, public, centralized and non-discriminatory transactions on the competitive market for electricity once the entry into force of Electricity and Natural Gas Law no. 123/2012 has led to a substantial change in the structure of the wholesale market, because transactions between participants in the wholesale electricity market must be done only after participanting in one of the centralized markets - centralized market of bilateral contracts, day ahead market and intra-day market – organized at OPCOM SA, the only ANRE license holder to conduct such activities. The regulatory framework developed by ANRE to meet the diverse trading needs of wholesale market participants at the market operator level – The organized framework for contracting electricity for large final consumers and respectively the Centralized market of bilateral contracts of electricity with continuous trading has not yet been implemented during 2013.

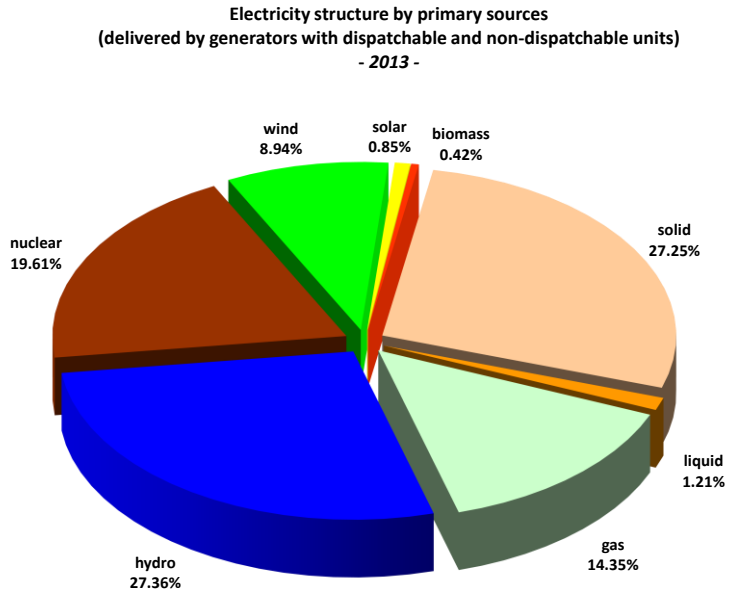
In the wholesale market are also included the transactions realized on the **ancillary services market** (STS) and on the **interconnection capacities market** with the power systems of the neighboring countries (ATC).

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 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 network in 2013 by producers was **54.44 TWh**, of which delivered into the networks by the producers holding dispatchable units – **51.70 TWh**. The structure of electricity supplied by producers, according to reports made to the ANRE, calculated on the types of conventional and unconventional resources is shown in the chart below:



Source: Annual reports of producers

NPS operation in 2013 was characterized by lower domestic electricity consumption in conjunction with the continuous increase of the share of plants operating on renewable energy sources in the total installed capacity, under a normal hydrologic year.

Compared to 2012, in 2013, **decreases were recorded in the energy delivered from power plants using solid and liquid fuel**, respectively **increases in the energy supplied from plants operating on gas, hydro power plants and plants operating on renewable energy sources**. Largest decline was recorded in the electricity delivered from plants operating on solid fuel. Electricity from wind produced by dispatchable generators was almost two times higher compared to last year, reaching an annual total of over 3.67 TWh; the hydropower increased by 23% and the energy from gas sources by 14%. Overall, **there was a decrease of about 0.8% of electricity delivered in the networks produced from both conventional and unconventional sources, in dispatchable units**.

In 2013, in Romania, **a quantity of about 450 GWh was imported and 2466 GWh were exported**; these values do not represent physical flows, but are the result of commercial trade, as reported monthly by the transmission system operator (TSO).

Compared to 2012, imports decreased by about 68.9%, while exports increased by about 114.7%; it is to be noted that producers did not carry out transactions based on export contracts.

Domestic consumption calculated based on electricity delivered into the networks and import-export balance was of about 49.69 TWh, 5.1% lower than in 2012, with the exception of December 2013, when the domestic consumption level calculated as described above was greater than in the corresponding month of 2012, domestic consumption recorded monthly decreases between 0.03% in October and 12.5% in February.

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

Across the wholesale market, trading on bilateral contracts (regulated and negotiated, including on brokerage platforms) was predominant, with a volume that was about 76% of the

domestic consumption and 51% less than the previous year. **It is noted the increase in the volumes traded on the centralized markets operated by OPCOM SA, as a result of applying Electricity and Natural Gas Law no. 123/2012**; thus, the volumes monthly traded on these markets varied between 47% (January) and 92% (November) of the monthly domestic consumption.

Wholesale market components	Volumes traded in 2013 - GWh	Evolution compared to 2012 - % -	Share of domestic consumption in 2013 - % -
Regulated contracts market	16755	▼ 29.3	33.7
Market of contracts on brokerage platforms	5466	▼65.9	11.0
Market of directly negotiated contracts	15386	▼57.9	31.0
Export	2466	▲114.7	5.0
Centralized market of bilateral contracts	18779	▲119.6	37.8
Day ahead market	16346	▲52.5	32.9
Intra-day market	14	▲90.6	0.03
Balancing market	4168	▼11.5	8.4

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

i. 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).

Average prices on the wholesale market components	2013 - lei/MWh -	2012 - lei/MWh -	Evolution 2013 compared to 2012 - % -
Regulated contracts market	171.13	151.85	▲ 12.7
Market of contracts on brokerage platforms	222.51	212.97	▲ 4.5
Market of directly negotiated contracts	185.82	204.15	▼ 9.0
Export	179.63	223.15	▼ 19.5
Centralized market of bilateral contracts	204.47	215.25	▼ 5.0
Day ahead market *	156.05	217.47	▼28.2
Intra-day market **	194.30	297.57	▼ 34.7
Balancing market ***	242.50	291.68	▼16.9

* 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

Comparative analysis of annual average prices resulting from the transactions completed on different components of the wholesale market in 2013, compared to 2012, shows the following:

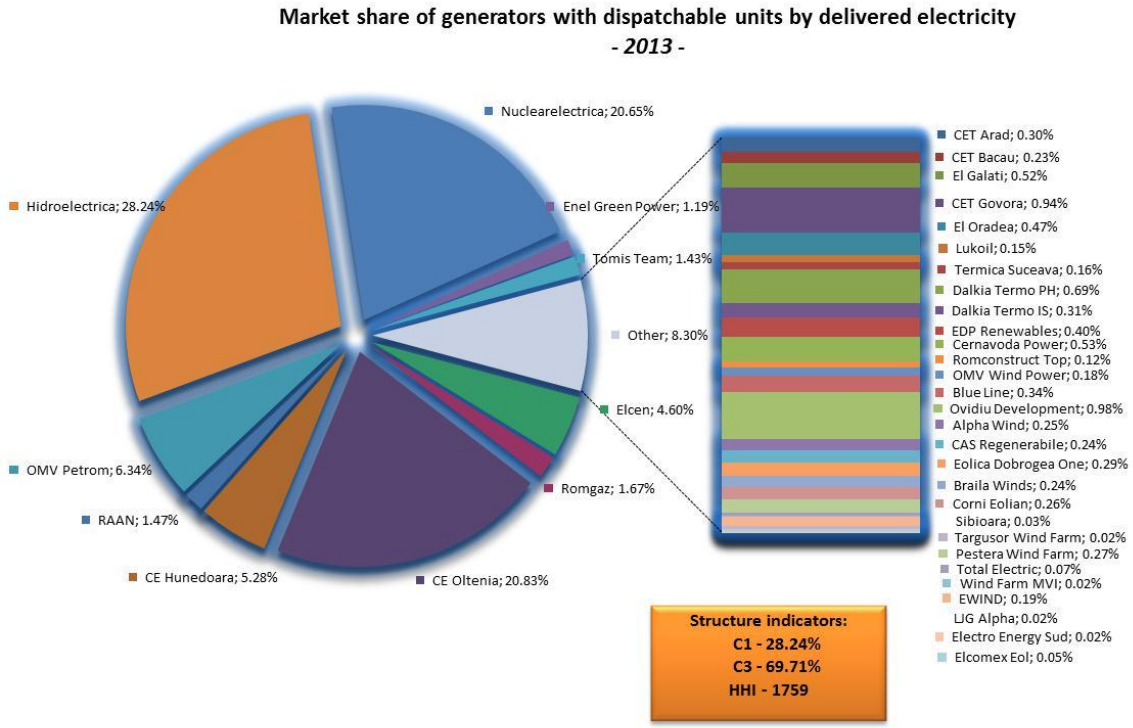
- **a decrease of annual average prices on all types of contracts**, except average price on regulated contracts market, which increased by about 12.7% and the average price of transactions on brokerage platforms, which increased by about 4.5%;
- **the significant decrease of average price on DAM may be explained by the hydro power plants production increase, given a normal hydrological year, and by the increase of production from renewable energy sources, in conjunction with domestic consumption decrease;**
- the average annual price for the energy reported as delivered under transactions concluded on brokerage platforms was about 8% higher than the average price on the centralized market of bilateral contracts, operated by OPCOM;
- annual average export price corresponds to transactions undertaken by competitive suppliers, stating that, in 2013, no producer reported export transactions.

In the application of **Regulation (EU) no. 1227/2011 of the European Parliament and of the Council on wholesale energy market integrity and transparency (REMIT**), the *Multilateral Memorandum of Understanding between ACER and national regulatory authorities concerning cooperation and coordination of market monitoring* was signed in July 2013. Also, a working group was organized within ANRE to examine the implementation of the provisions of the Regulation (completing primary legislation, correct identification of potential data providers, informing them of their obligations, registration of market participants, identification of commercial transactions to be monitored, establishing a national framework for cooperation between regulatory authorities in energy, financial markets and competition in the application of the Regulation, establishing communication methods with ACER, additional staff and infrastructure costs for the regulatory authority for data transmission and data confidentiality).

Concentration indicators evolution on the wholesale electricity market

Production

The following figure presents the market shares of producers with dispatchable units in 2013, on the basis of the electricity supplied to the network.



Source: monthly reports of producers

The following table shows **the average annual values for 2004-2013 of C1 concentration indicators** (market share of the largest producer participant on the market, expressed as a percentage) and HHI, determined based on electricity delivered by producers to the networks. Herfindahl-Hirschman Index (HHI) is the sum of the squares of the market shares.

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

*- the significance of the indicator values is: HHI<1000 unconcentrated market; 1000<HHI<1800 moderate market power concentration; HHI>1800 high market power concentration

Concentration indicators 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.

Day-ahead market

The HHI concentration indicator on DAM had values that generally indicate lack of buying concentration (monthly values in the 511 - 683); in sales, there is a less concentrated market in the first three months and last two months of 2013, with monthly values of HHI in the 740-

961, and in April-October 2013, there is a moderately concentrated market, with the exception of August, when there was an HHI value of 1992.

Centralised Market for Bilateral Contracts

Concentration indicators calculated based on energy volumes in delivery, previously contracted, according to contracts attributed by public auctions in the previous sessions, highlight an excessively concentrated market for both types of trading on the centralized market. 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 2005-2013:

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

Source: OPCOM SA data and interpretation

In 2013, it is noted a decrease of the concentration degree both in selling and buying, due to legislative changes introduced by Electricity and Natural Gas Law no. 123/2012 which resulted in market participants' migration from the centralized market of bilateral contracts (CMBC) organized at the market operator OPCOM SA.

Balancing market –BM

The following table presents **the concentration indicators for 2006, 2007, 2008, 2009, 2010, 2011, 2012 and 2013 determined based on the energy actually delivered by producers on the BM for each type of regulation and direction.**

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

The values of the concentration indicators for 2013 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 2013**, regardless of the type of system reserves contracting, which were obtained based on data reported by Transelectrica and producers qualified for this type of service.

2013		Secondary reserve	Fast tertiary reserve	Slow tertiary reserve
Regulated component	Contracted quantity (h*MW)	3,121,380	6,307,200	4,267,144
	C1 (%)	52.0	81.0	53.4
	C3 (%)	99.0	92.6	100
Competitive component	Contracted quantity (h*MW)	45,940	0	1,007,650
	C1 (%)	98.8	-	40.8
	C3 (%)	100	-	83.3
	HHI	9759	-	2672

It is noted:

- the high degree of concentration on the secondary reserve determined by Hidroelectrica and CE Oltenia participation with approx. 90% of the amount and
- the high degree of concentration on the slow tertiary reserve, where the contribution of CE Oltenia and CE Hunedoara represented 82%.

Also, the share of the hydro producer at aquisition of fast tertiary reserve is overwhelming (81%). Monthly auctions for slow tertiary reserve were of interest for thermal producers, of which shares of over 20% were recorded by Termoelectrica, Romgaz and Electrocentrale Galati.

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 2013, the number of electricity suppliers operating on the retail market was 62, of which 9 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 number of consumers supplied on the regulated market** at December 31, 2013 was **8991881** of which **8490691 households** and **501190 non-households.** The provided energy was about **18966 GWh**, representing a decrease of 9% from 2012, in terms of decreasing total final consumption by approx. 5% from the same year, 2012.

Regarding the evolution of the structure of electricity consumption to final consumers, based on data processed by ANRE for 2013, the data presented in the table below shows the following:

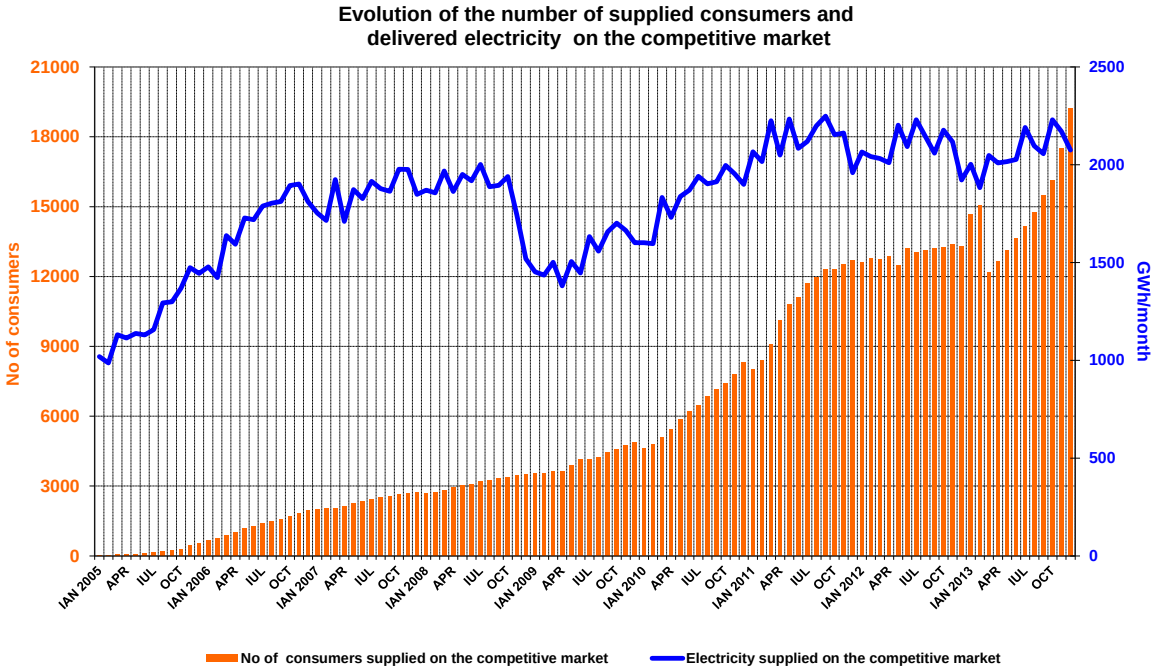
	2008	2009	2010	2011	2012	2013

	GWh	%	GWh	%	GWh	%	GWh	%	GWh	%	GWh	%
Consumers supplied on the regulated market	**23416**	**51**	**23046**	**55**	**23165**	**49**	**20289**	**44**	**20779**	**45**	**18966**	**43**
households	10376	23	10990	26	11246	26	11590	25	11987	26	11670	27
non-households	13040	28	12057	29	10119	23	8699	19	8792	19	7296	17
Consumers supplied on the competitive market	**22414**	**49**	**18536**	**45**	**22075**	**51**	**25525**	**56**	**25105**	**55**	**24805**	**57**
households		0		0		0		0		0		0
non-households	22414	49	18536	45	22075	51	25525	56	25105	55	24805	57
Total final consumption	**45830**	**100**	**41583**	**100**	**43440**	**100**	**45814**	**100**	**45884**	**100**	**43771**	**100**

• final electricity consumption recorded in 2013 decreased by approx. 5% from the level recorded in 2012;
• low levels of household consumption in final consumption, with a decrease of consumption by approx. 3% in 2013 compared to 2012;
• decrease consumption for the non-households who have switched supplier by about 1% in 2013 compared to 2012; an increase of share in final consumption with 2% in 2013 compared with 2012;
• decrease consumption for the regulated non-households by approx. 17% in 2013 compared to 2012.

In December 2013, on the competitive market were **19214 eligible consumers**, electricity supplied to these consumers in 2013 being **24805 GWh**, 1% decrease compared to the same period of the previous year.

The evolution of the number of customers who has changed the electricity supplier is shown graphically from the beginning of the market opening. In 2013 the number has registered strong growth. The electricity supplied ranged from one month to another, recording higher values of approx. 2000 GWh/month, excepting February. 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.



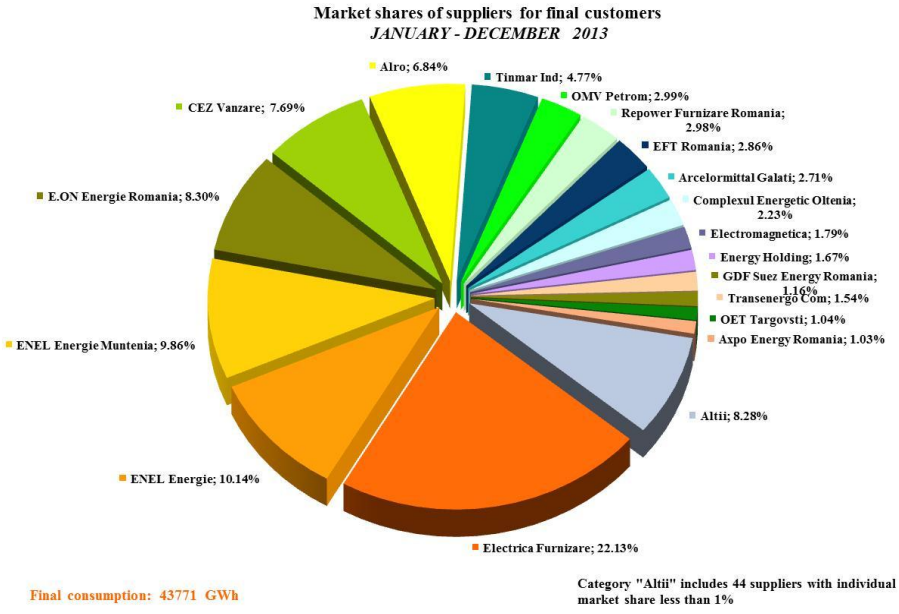
The values of **competitive retail market concentration indicators during 2004-2013**, showed in the following table highlights a positive evolution -downward concentration. Year 2013 is characterized by a non-concentrated market, due to the large number of suppliers who competed in this market and dividing them as market power.

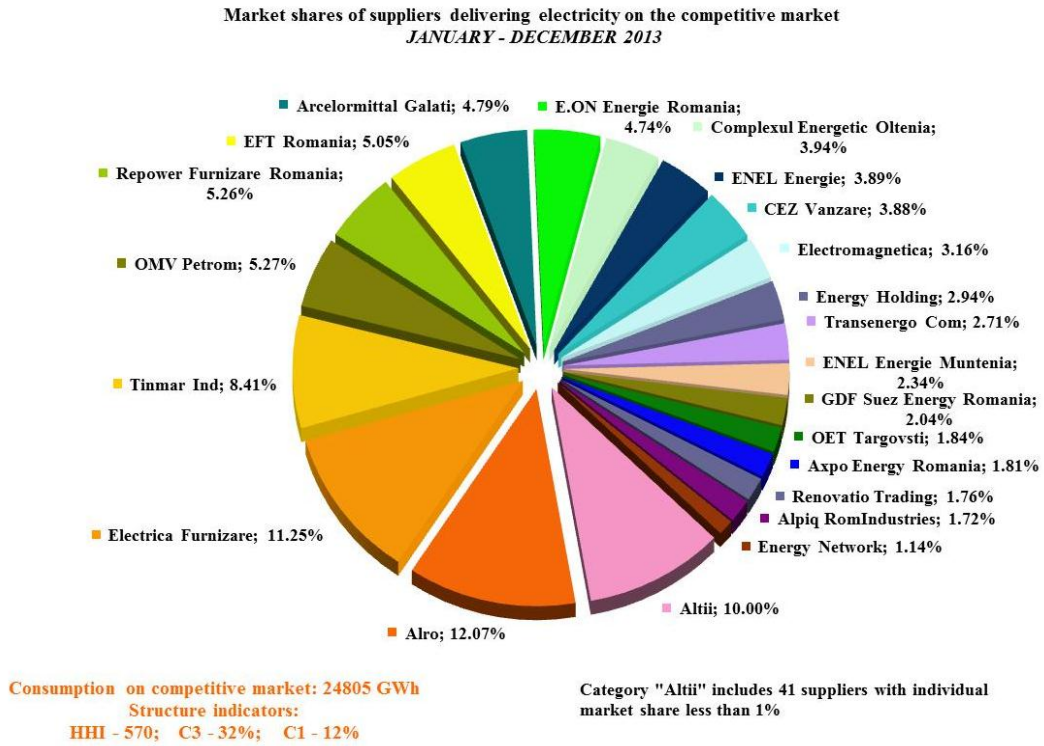
Year	C1 (%)	HHI
2004	62	4323
2005	39	1930
2006	20	885
2007	19	904
2008	17	659
2009	16	669
2010	14	562
2011	13	467
2012	12	530
2013	12	570

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 IE categories; IA, IB, IF categories and others have a moderate level of concentration.

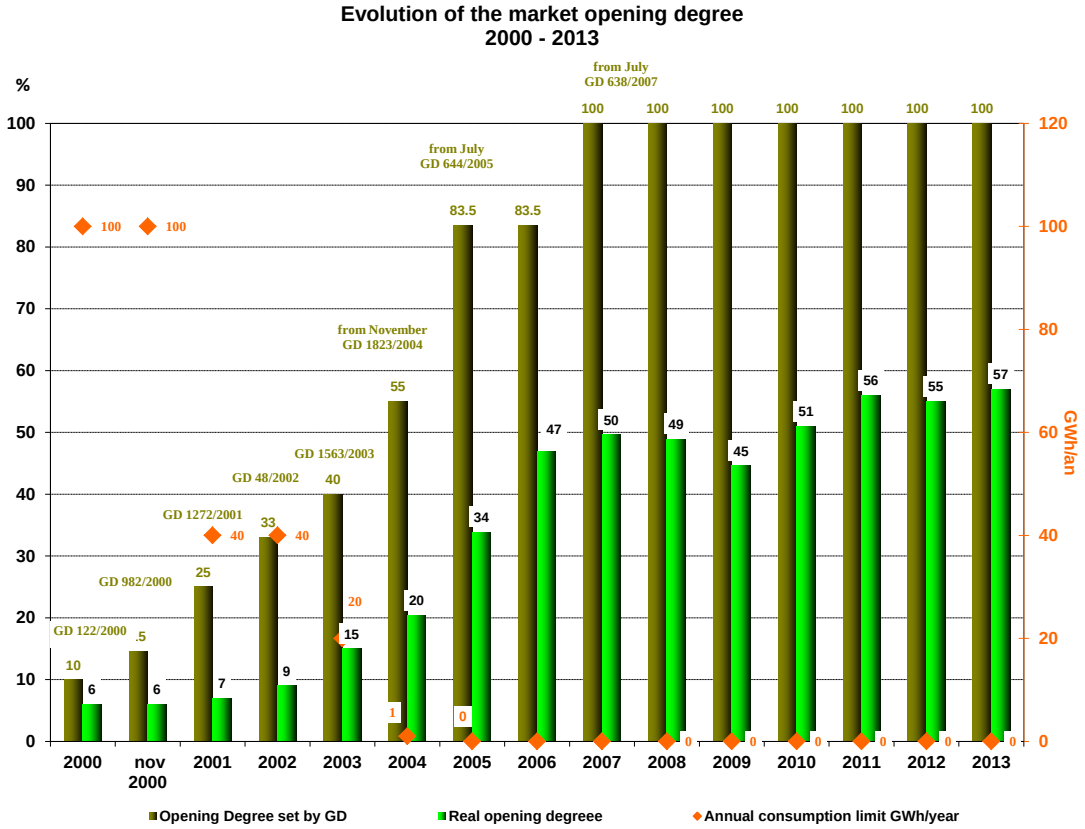
Year 2013	Customers							Total competitive retail market
	IA	IB	IC	ID	IE	IF	Others	
C1 (%)	29	27	24	17	18	18	32	12
C3 (%)	54	54	42	35	28	44	56	32
HHI	1417	1267	974	705	834	1064	1568	570
Consumption (GWh)	42.9	1572	2367	6214	3280	2238	9092	24805
Number of suppliers	34	52	47	47	24	12	17	62
Number of last resort suppliers	5	5	5	5	5	3	3	5
Number of competitive suppliers	24	41	35	37	14	7	7	48
Number of producers	5	6	7	5	5	3	7	9

The market shares of suppliers for final customers and the market shares of suppliers delivering the electricity on competitive retail market for the year 2013 are presented in the following graphs:





In 2013, there is an increase of two percentage points of the actual degree of electricity market opening compared with 2012, representing about 57% of total final consumption. Annual evolution of the degree of opening of the retail market is shown in the following chart:



The switching rate for 2013, 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 2013

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.

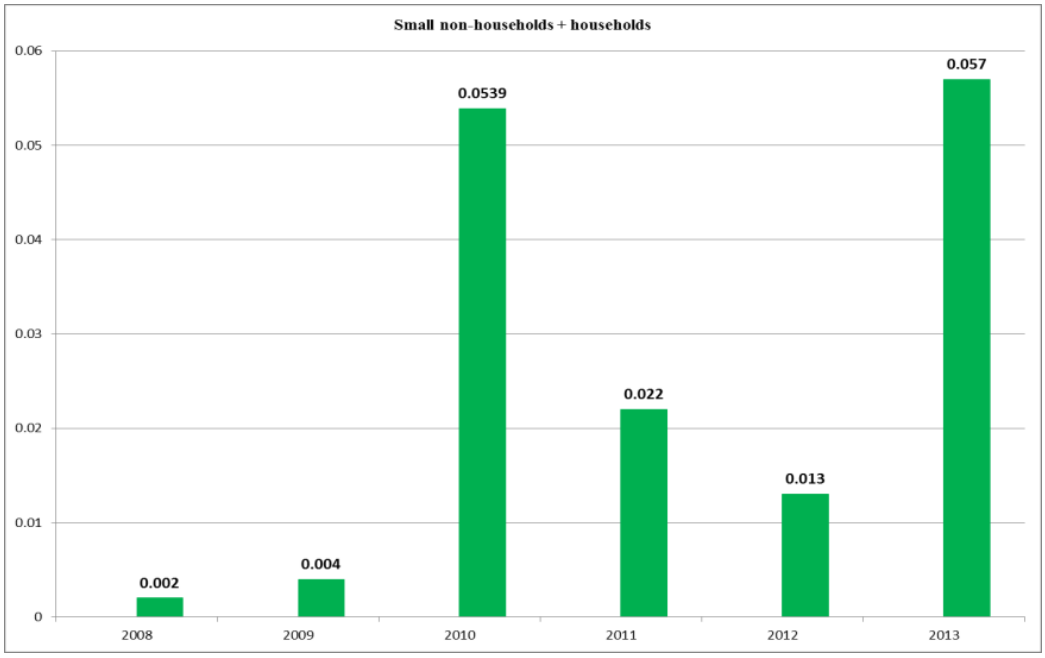
Crt.	Consumer type	The rate of switching the electricity suppliers (%)	
		No. location places	Supplied electricity
1.	Small non-households + Households (contracted power less than or equal to 100 kW)	0.057	1.215
2.	Large non-households (contracted power between 100 kW and 1000 kW)	5.687	9.993
3.	Very large non-households (contracted power higher or equal to 1000 kW)	15.687	17.305
4.	**TOTAL Retail market**	**0.075**	**8.990**

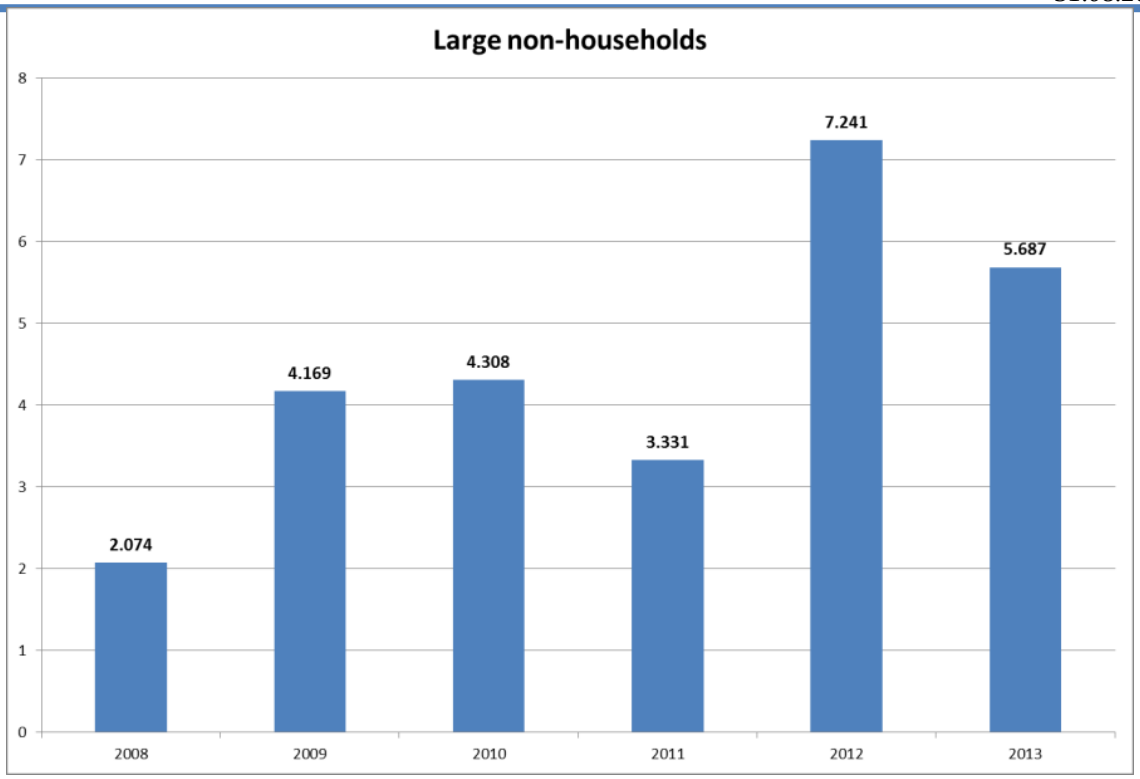
Source: supplier's data, ANRE processing data

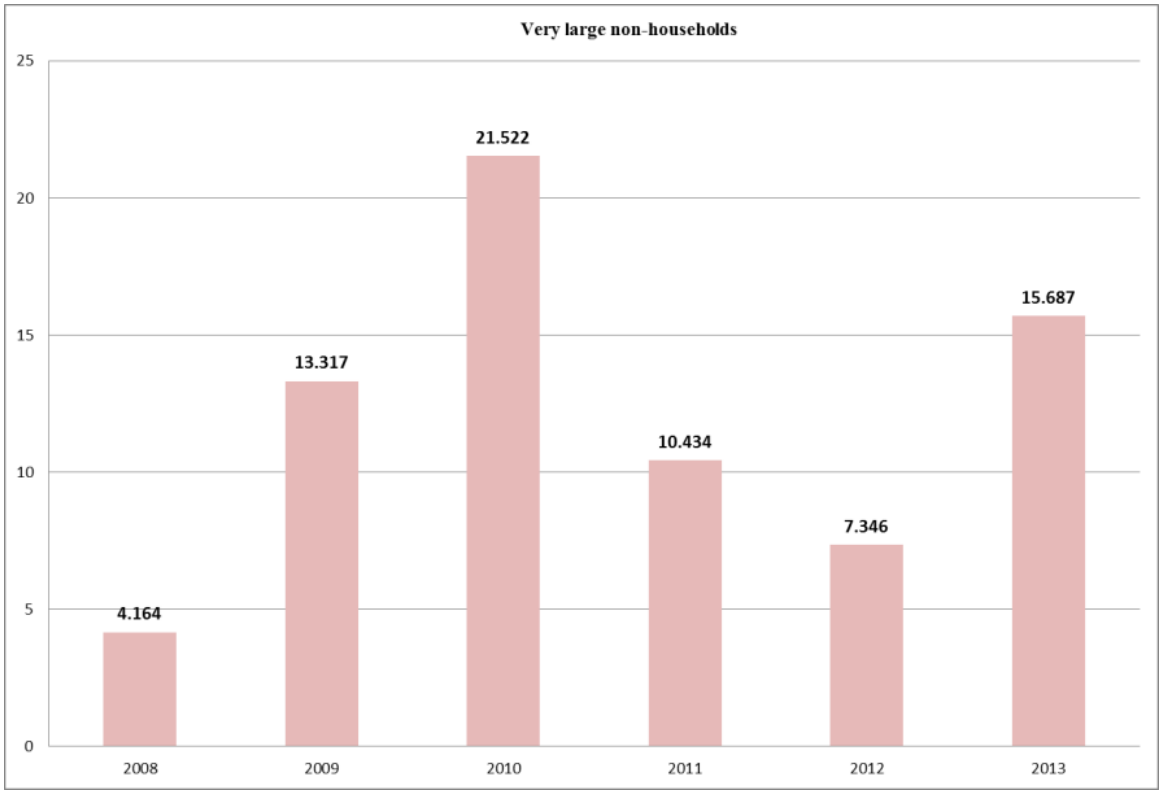
The rate value of switching electricity supplier for the retail market determined on the basis of number of consumer places registered a slight increase compared to values resulted last year, which indicates that migration of consumers from one provider to another was resumed; there can be noticed a tripling 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 registered a doubling as compared with the last year results for small non-households and households category. It is noted a migration from one provider to another of consumers for all the categories of consumers.

The evolution of the number of switching supplier on the number of customer's sites in 2008-2013 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 2013.

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.

Crt.	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)	4	35	81	2515
2.	Large non-households (contracted power between 100 kW and 1000 kW)	5	28	58	1437
3.	Very large non-households (contracted power higher or equal to 1000 kW)	7	13	31	655
4.	**TOTAL PAM**	**4**	**20**	**46**	**990**

Values of market structure indicators calculated for 2013 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 rose to 2012, when its value was 292.82 lei/MWh.

Consumers	Consumtion (MWh)	Average price (lei/MWh)
IA	42885	416.76
IB	1572331	403.35
IC	2366523	368.17
ID	6213644	336.05
IE	3279952	311.50
IF	2237627	293.41
Others	9092131	229.41
Total	24805092	297.34

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.

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.

non-**domestic** consumer categories	Annual consumption in the range **(MWh):**	
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	

The regulated tariffs for electricity supplied in 2013 to the final customers who choose not to change their supplier were established by ANRE Orders no. 53 and no. 54 of 19.12.2012, with effect from January 1st, 2013. The values of these rates nationally increased by 6% compared to the second half of 2012.

The provisions of the Law no. 134/2012 approving Government Emergency Ordinance no. 88/2011 amending and supplementing Law no. 220/2008 on establishing the promotion system of energy production from renewable energy sources are requiring separate billing of green certificates. In the first half of 2013, ANRE conducts an analysis of costs and revenues recorded by suppliers of last resort due to the fact that the regulated tariffs for end customers, approved before the entry into force of Law no. 134/2012, include components for green certificates. Therefore, by ANRE Orders no. 40 and no. 41 of 21.06.2013, with effect from July 1st, 2013, regulated tariffs were adjusted and nationally decreased by 1.3%.

Competitive Market Component - CMC tariffs

According to 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 elgibility right was adopted.

According to the roadmap, there have already gone through five stages of phasing out regulated tariffs, the percentage of purchasing electricity from the competitive market for end customers who have not choose to change supplier are:

- 15% of non-households consumption (the period 01.09.2012 - 31.12.2012); this period was split on two sub-stages, due to extreme weather conditions, generating a force majeure clause enabled by the producer SC Hidroelectrica S. A. and rising trading prices on DAM, CMBC and BM, distinct values of the CMC tariff being approved for the period September-October 2012 and November-December 2012;
- 30% of non-households consumption (the period 01.01.2013 - 31.03.2013);
- 45% of non-households consumption (the period 01.04.2013 - 30.06.2013);
- 65% of non-households consumption (between 07.01.2013 - 31.08.2013);
- 85% of non-households and 10% of households consumption (between 01.09.2013 - 31.12.2013).

For each step of removing regulated tariffs in 2013, the values of the CMC tariffs have been endorsed by ANRE according to the *Methodology of pricing and tariffs for final consumers who are not using their eligibility right*, approved by ANRE Order no. 30/2012.

Starting with 01/01/2014, according to the roadmap for phasing out regulated tariffs, **the percentage of buying electricity from the competitive market** becomes:

- 100% of consumption for non-households who have not used their eligibility right,
- 20% of consumption for households who have not used their eligibility right.

Based on the *Methodology for monitoring of the regulated electricity market*, approved by **ANRE Order no. 68/2013**, the first monitoring report on the regulated market (for the third quarter of 2013) was drafted. Also reports for the fourth quarter of 2013 and the full year 2013 were issued.

The evolution of the **average prices billed to households and non-households** in 2012 and 2013 is the following:

	Households			Non-household		
	Price without taxes	**Price with taxes**	**Network tariff**	**Price without taxes**	**Price with taxes**	**Network tariff**
	lei/MWh	lei/MWh	lei/MWh	lei/MWh	lei/MWh	lei/MWh
2012	365.24	482.43	213.83	361.37	468.37	123.02
2013	400.11	581.31	232.74	364.45	534.42	134.35

The selling prices for the customers categories listed in the following table resulted from the synthesis of data for the eligible consumers and for consumers who choose not to change the supplier:

	Euro/MWh				
Consumer type	**Network tariffs**	**Taxes on network tariffs**	**Prices of electricity acquisition**	**Taxes**	**Total price**
Households with annual consumption between 1000 and 2500 kWh/year	52.5	-	39.1	38.6	130.2
Non-households with annual consumption between 500 and 2000 MWh/year	32.6	-	49.4	36.5	118.5
Average industrial with annual consumption between 2000 and 20000 MWh/year	24.7	-	46	32.9	103.6
Industrial with annual consumption between 20000 and 70000 MWh/year	20.2	-	41.8	31.6	93.6

2013 exchange rate for euro: 4.4190 RON
Source: Eurostat

An obvious effect of the process of deregulation of electricity prices was recorded in the 1st quarter of 2014 when the number of non-household customers registered at regulated tariffs fell by 23% as a result of their migration in the competitive market.

According to the law, the end customers - households and non-households with a number of employees less than 50 and an annual turnover or total assets of less than EUR 10 million, will benefit from the electricity supply by the supplier of last resort under the Universal Service. For the non-households benefiting from universal service, the suppliers of the last resort will buy electricity from the competitive market and the CMC tariff, endorsed by ANRE, will be applied.

For non-households who are not entitled to receive universal service and did not choose to change the supplier in order to be supplied with electricity from the competitive market, electricity supply will be continued by the supplier of the last resort to higher prices compared to those who are entitled to universal service.

2.2.3. Security of supply

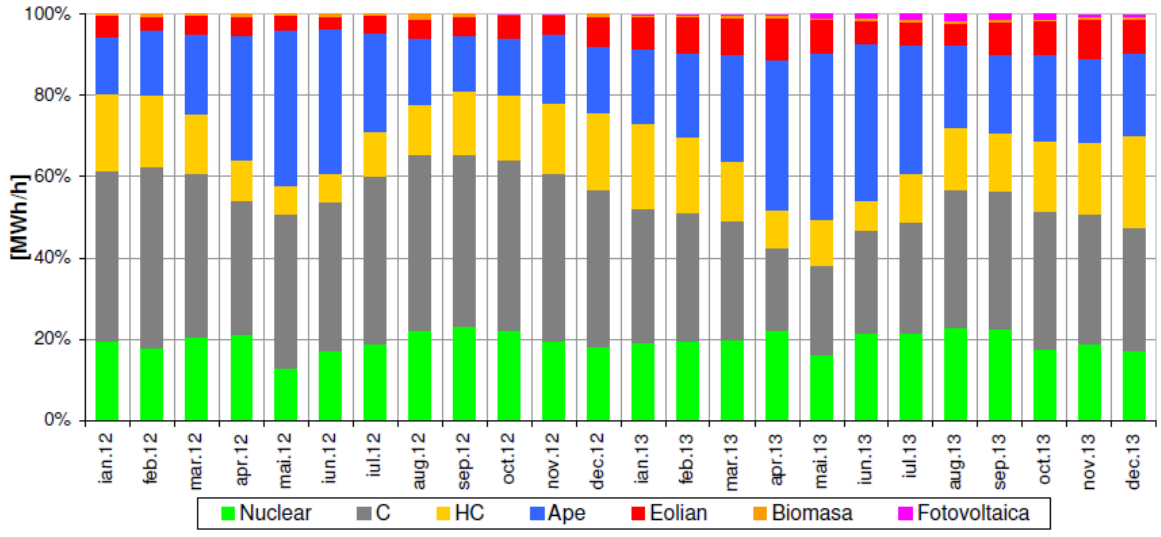
In accordance with Electricity and Natural Gas Law no. 123/2012, art. 24 in case of unexpected crisis in the electricity market and where physical safety is threatened or security of persons, appliances or installations or system integrity, TSO may propose ANRE and to the competent ministry safety measures. 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 2013, there was no crisis in the electricity market.

2.2.3.1 Monitoring balance between supply and demand

Throughout 2013, there was a decline in gross domestic consumption of 4.4% compared with 2012, while production had decreased by 0.6%. Regarding the mix of resources, once the wind power installed capacity increased, the default share in production mix increased also, leading in 2013 to over 8% of total production. Also, there is an increase in the hydrocarbon production due largely to CECC Petrom SA, and in the production of hydroelectric power (hydropower situation was better in 2013, unlike previous year, when, because of the drought, Hidroelectrica had to activate the force majeure clause, which resulted in the reduction of contracts to suppliers). Also, an increase in production of photovoltaic electricity due to increased installed capacity was recorded.

Electricity generation – monthly structure of resources 2012-2013



Source: CN Transelectrica SA

In 2013, electricity production, including internal services of producers and network losses, was 58.7 TWh, about 0.6% lower than in 2012. The domestic consumption was about 56.65 TWh, with about 5% lower than in 2012. Romania was a net exporter of electricity during 2013, import-export balance is negative (- 2.012 TWh).

In 2013 the tendency to increase the contribution of wind power plants (from 5% of total production in 2012 to about 8% of total production in 2013) was maintained. It is remarkable also the increased production of photovoltaic (from 0.01% in 2012 to 0.70% in 2013) due to the increase in installed capacity. Instead, the production in coal power plants decreased, from 40.35% in 2012 to 29.65% in 2013.

The maximum value of consumption in 2013 was lower than the maximum values recorded in 2012 and 2011. Thus maximum gross consumption was 9158 MWh / h and was registered on December 19, 2013 at 19:00. The minimum value of consumption (3648 MWh / h) was recorded in May 6th, 2013 at 6:00 am.

The sum of the net maximum installed generation capacity of individual plants at 31.12.2012 was 20.082 GW. Net available power and consumption values on the third Wednesday of the month at 11am CET (net values) are shown below.

2013 (MW)	Jan	Feb	March	Apr	May	Jun	July	Aug	Sept	Oct	Nov	Dec
Net available power	**18914**	**18956**	**19076**	**19152**	**19152**	**19179**	**19375**	**19375**	**19375**	**19824**	**19900**	**20082**
Consumption	**7568**	**7248**	**6422**	**6224**	**5933**	**6597**	**5995**	**6120**	**5817**	**6142**	**6501**	**7427**

Source: CN Transelectrica SA

According to the specifications of the ENTSO-E study on system adequacy forecast (Scenario Outlook and System Adequacy Forecast 2014-2030), the forecast of the net generation capacities and of the electricity consumption in Romania based on 3 scenarios is presented below:

Scenario A	**2014**		**2015**		**2016**		**2020**		**2025**	
	Jan. 19:00 pm	**Iuly 11:00 am**	**Jan. 19:00 pm**	**Iuly 11:00 am**	**Jan. 19:00 pm**	**Iuly 11:00 am**	**Jan. 19:00 pm**	**Iuly 11:00 am**	**Jan. 19:00 pm**	**Iuly 11:00 am**
Net generation capacity (GW)	20.15	20.76	21.41	21.41	21.38	21.38	21.70	21.70	22.15	22.15
Consumption (GW)	7.87	6	7.97	6.10	8.15	6.3	8.87	7.10	9.8	8.10
Scenario B	**2014**		**2015**		**2016**		**2020**		**2025**	
	Jan. 19:00 pm	**Iuly 11:00 am**	**Jan. 19:00 pm**	**Iuly 11:00 am**	**Jan. 19:00 pm**	**Iuly 11:00 am**	**Jan. 19:00 pm**	**Iuly 11:00 am**	**Jan. 19:00 pm**	**Iuly 11:00 am**
Net generation capacity (GW)	20.15	20.76	21.41	21.41	21.75	21.75	25.96	25.96	26.88	26.88
Consumption (GW)	7.87	6	7.97	6.10	8.15	6.30	8.87	7.10	9.80	8.10

Scenario EU 2020	**2020**	
	Jan. 19:00 pm	**Iuly 11:00 am**
Net generation capacity (GW)	25.19	25.25
Consumption (GW)	10.40	8.96

2.2.3.2. Monitoring investment in generation capacities in relation to security of supply

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

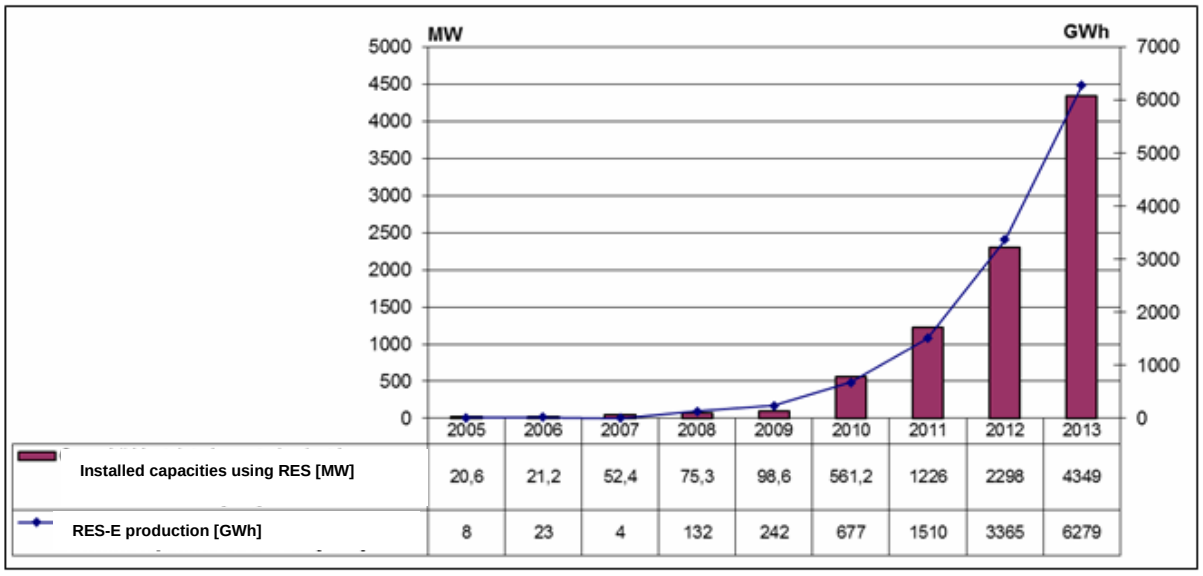
activities are specified in the *Rules for granting authorizations and licenses in the electricity sector*, approved by ANRE **Order no. 48/2013**.

In 2013, 381 establishment authorisations were granted (photovoltaic plants – 312, wind farms – 34, hydrocarbons power plants – 12, hydro power plants – 18, power plants using biogas – 2, power plants using biomass – 3) 97% being awarded to units of production using renewable sources.

At the end of 2013, the installed power in authorized capacities of RES-E was 4349 MW (increasing by 47% compared to 2012). Structure of total installed power capacity by type of technology was as follows:

- 2594 MW installed power in wind farms;
- 531 MW installed power in hydro power plants;
- 66 MW installed power in power plants using biomass, including power plants using waste and power plants using waste and sludge digester gas from wastewater treatment plants;
- 1158 MW installed power 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 2005-2013.



	2005	2006	2007	2008	2009	2010	2011	2012	2013
Installed capacities using RES [MW]	20,6	21,2	52,4	75,3	98,6	561,2	1226	2298	4349
RES-E production [GWh]	8	23	4	132	242	677	1510	3365	6279

On 04.06.2013, it was adopted *Ordinance no. 57/2013 amending and supplementing Law no. 220/2008 on establishing the promotion system for the production of energy from renewable sources*, with effect from 01.07.2013, which introduced the following main changes:

1. Between July 1st, 2013 - March 31, 2017 granting of a number of green certificates based technology is temporary postponed as follows:

- a green certificate for new hydroelectric plants with installed capacity of 10 MW;
- a green certified for wind power;
- two green certificates for solar power plants.

Recovery of green certificates will be done starting with April 1st, 2017 for new hydroelectric power plants and solars power plants, respectively from January 1, 2018 for wind power plants, until 30/12/2020 at the latest.

2. Limitation of the accreditation groups / power plants that benefit from green certificate promotion system up to the amount of total annual installed capacity of power plants

producing energy from renewable sources for each year established by Government decision, based on updated National Action Plan on Renewable Energy;

3. The right for the network operators to require financial guarantees when issuing the technical connection permit;

4. 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;

5. The system to promote electricity from RES will be not applied to photovoltaic plants located on July 1, 2013 on land that was in agricultural use;

6. No application of the system for the promotion of E-RES for quantities of electricity supplied by the dispatchable units additional to the quantities of electricity specified in the hourly notifications sent by E-RES producers to TSO;

7. Electricity produced from renewable energy sources supported through the promotion system may be sold through regulated contracts, according to regulations issued by ANRE.

On December 11, 2013, based on the *Report on over-compensation of the system for promoting electricity from renewable sources through green certificates in 2012*, was adopted the *Government Decision no. 994/2013 for approving measures to reduce the number of green certificates in the cases provided for in art. 6 paragraph (2). a), c) and f) of Law no. 220/2008* and changes were made to support scheme established by law, with effect from 01.01.2014.

For cogeneration capacities since April 2011, a bonus support scheme has been introduced. The scheme was notified to the Commission in accordance with European regulations on state aid.

For the 37 producers concerned, the total amount of electricity produced in high efficiency cogeneration that received bonus for the period January to December 2013 was 5654 GWh (decrease to 5.89% compared to 2012).

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.

Source: CN Transelectrica SA - Projects of common interest

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. Reşiţa (RO) – Pancevo (Serbia);
- LEA 400 kV Porţile de Fier – Reşiţa and development of the power station 220/110 kV Reşiţa by the a new building of 400 kV;
- Pass to 400 kV of LEA 220 kV d.c. Reşiţa –Timişoara – Săcălaz – Arad, including the building of the power stations 400 kV Timişoara 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 analyzed. LEA 400 kV Suceava (RO) - Balti (Moldova) will increase the transmission capacity provided by the LEA 400 kV Isaccea (RO) - Warsaw (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 Commission in the first list of projects of common interest (PCI), forming, along with three draft lines and stations in Bulgaria, "Bulgaria-Romania group, increasing capacity." Transmission related projects in the east section (Dobrogea) included in the development plan for the next ten years are as follows:

- LEA 400 kV d.c. Smârdan – Gutinaş;
- LEA 400 kV d.c. Cernavodă - Stâlpu, circuit input/output in Gura Ialomiţei, that will be continued with LEA 400 kV Stâlpu – Braşov;
- 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.

Natural gas market

In the gas sector, to ensure and to attract more investment in 2013 was approved a new methodology for setting tariffs for distribution service, and on the basis of proposals from the national TSO, the entry/exit transmission tariff structure was the subject to the public consultation, in order to apply the Regulation (EC) no. 715/2009 of the European Parliament and the Council on conditions for access to the natural gas transmission networks.

ANRE Order no. 12/2013 approved the *rules on gas transmission backhaul service* and in July 2013 began the first exports of natural gas by virtual exchanging on Arad-Szeged pipeline.

New trading platforms have also been developed during this period. With the implementation of the licensing regulatory framework for centralized gas market administration and following the discussions with the market participants and license applicants for centralized market administration on July 12, 2013, *General rules for the centralized natural gas market* were approved by ANRE order.

ANRE decisions no. 2119 and no. 2120/19.07.2013 granted licenses to administrate centralized markets natural gas to Romanian Commodities Exchange Market and Electricity and natural gas market Operator OPCOM SA. According to Law 123/2013, centralized markets administration is an activity associated to the regulated market with tariffs established by ANRE. So, ANRE approved the tariffs charged by the Romanian Commodities Exchange Company and by the licensed operator of the natural gas centralized market OPCOM SA.

ANRE has implemented the steps for 2013 from the roadmaps for phasing out regulated prices and has complied with legal provisions on evolution of the price for domestic natural gas production. It should be emphasized that ANRE constantly analysed and monitored the developments of the gas market. In this way was possible to comply with the scheduled requirements, resulting a decrease of 8% from the original estimate on price developments for non-households and 1% to households. Last year, Romania has paid for imported gas with a billion dollars less than in 2012.

2.4.1. Network regulation

2.4.1.1. Unbundling

Under the provisions of the Electricity and Natural Gas Law no. 123/2012, 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 National Gas Transmission Company "TRANSGAZ" - SA Medias, maintaining the canceling 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.

Also, during the year 2013, **ANRE Decision no. 2052/12.07.2013** was issued for preliminary certification of the Company Nabucco Gas Pipeline International GmbH as transmission system operator for the Romanian section of the Nabucco pipeline. The decision was published in the Official Gazette of Romania, Part I, no. 430 of 15 July 2013.

Distribution operators are holders of license for natural gas distribution in one or more delimitated areas. At the end of 2013, 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.

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 endorsment, 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 and SC South DISTRIGAZ S.A. (later SC GDF SUEZ ENERGY ROMANIA etc.).

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.

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.

Among the important changes promoted under this order, the followings are the most important:

• updating the terms used in the Network Code according to the changes imposed by Electricity and Natural Gas Law no. 123/2012;

• supplement the provisions relating to the review of proposals for amendments submitted by the natural gas operators by including Working Group, whose membership is determined by ANRE, which is tasked to formulate views on the proposals for amendments received ;

• definition of a Virtual tradin Point (VTP) and the framing procedure of VTP;

• detailing the process for the capacity reservation in case of request for short-term transportation services;

• detailed description of the allocation principles of the gas quantities at entry/exit points to/from National Transmission System;

• correction of reported failures in congestion management procedures;

• completing commercial balancing procedures so as to consider the effects of using VTP;

• changing the tolerance limits allowed for imbalances accumulated in the situation of surplus supply in the National Transmission System;

• assuming, in a separate annex, the tariffs related to the activities described in the Network Code for National Transmission System and consequently repeal ANRE Order no. 31/2010 regarding the approval of tariffs provided in Annex. 10 of the Network Code, approved by

ANRE Order no. 54/2007, and the purchase price of the natural gas delivered as the surplus to the national transmission system;

• specifying the applicability under test values for imbalance tariffs until and no later than July 1st, 2014.

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

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

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

The pricing system for **transmission** contains a set of *revenue cap* tariffs, through which total regulated revenue is established that covers all the costs related to a year activity of the regulatory period.

The tariff for transmission through the national transmission system is unique, with a binomial structure. The fixed component for the booking of capacity in the transmission system covers fixed costs, related to the development of the transmission system capacity. The volume-related component for the use of the transmission system covers the costs generated by the use of the system, including the costs generated by the performance of services ancillary to the use of the system.

Starting with April 1st, 2013, transmission tariffs by the type of service have been introduced, as follows: firm services for contracts longer than one year, interruptible service for contracts longer than one year, firm service for contracts lasting less than one year, differentiated by day, month and quarter, backhaul services, until June 30, 2013, after this date firm services for contracts lasting less than one year are differentiated by quarters.

We started the process to develop the *Methodology for approving and setting entry-exit tariffs for natural gas transmission*, so as from August 1st, 2014 the methodology enters into force.

In accordance with art.13 of Regulation (EC) no. 715/2009 of the European Parliament and of the Council on conditions to access the natural gas transmission networks, and later of Regulation (EU) no. 347/2013 the European Parliament and of the Council on guidelines for trans-European energy infrastructure for the third regulatory period, it is established an incentive of 1.4% more than the regulated rate of return on capital (7.72%) for categories of tangible and intangible assets prudently conducted by licensed operators in this period, in order to increase efficiency, improve market integration and security of supply and support the related research activities.

The tariff system for distribution activity includes differentiated tariffs on consumer and homogeneous distribution systems based on technical features and operating mode of each distribution system.

For the distribution activity, a regulated unit income is determined to cover unit costs related to the year of the regulatory period.

Distribution tariffs are monomial and quantify fixed and variable costs related to carrying out the distribution. Distribution tariffs apply to quantities of natural gas distributed.

For the third regulatory period, the rate of economic efficiency increase of natural gas distribution activity was determined for each license'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.

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, for 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 and/or to inovate the natural gas distribution systems and increase efficiency in operation and maintenance.

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 production in CHP plants and heating plants for the consumption of population;
b) For non-households, except heat producers, for the amount of natural gas used to heat production in CHP plants and heating plants intended for consumption of population.

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	0.64	0.64	0.64	0.64
Distribution Tariff	1.39	1.63	1.64	1.64

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

The fixed component for booking capacity in the underground storage quantifies fixed costs generated by reserving capacity in underground storage during a 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 storages is regulated (ANRGN decision no. 824/2004). The storage tariffs in 2013 were:

Tariff component	**Unit**	**National Gas Company Romgaz S.A. Mediaș**	**Company "Depomureș" - S.A. Târgu Mureș**
Fixed component for capacity booking	Lei / MWh / full storage cycle	13.12	8.01
Volume component for injection	Lei / MWh	2.37	3.10
Volume component for extraction	Lei / MWh	1.80	1.27

In order to fulfil the obligations related to the safe operation of the gas underground storage, the storage operators are required 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 are required to guarantee the non-discriminatory access to underground storages to gas suppliers, with priority to those with public service obligations.

2.4.1.4. Cross-border issues

As of February 1, 2014, FGSZ and TRANSGAZ will provide the market a transport capacity of 10,000 cubic meters / hour under firm conditions and 40,000 cubic meters / hour under conditions of interruptibility on the direction of flow Romania - Hungary.

To increase the transmission capacity in this direction a number of developments are taken into account both in the Romanian and Hungarian system, developments expected to be completed in December 2016. After that time, the capacity provided from Romania into Hungary will be of 1.75 billion cubic meters / year, with plans to expand further to the maximum capacity of the interconnector, meaning 4.4 billion cubic meters / year.

After the commissioning of the interconnection pipeline RO-BG, a transport capacity of 0.5 billion cubic meter / year at the minimum pressure set in the financing decision (21 bar) could be provided. A number of additional developments in the Romanian transmission system are planned. Following their implementation, in the direction of flow RO-BG, the maximum interconnection capacity will be provided, meaning 1.5 billion cubic meters/ year.

Steps to implement the provisions of Regulation (EC) no. 1775/2005 on conditions for access to the natural gas transmission networks, respectively Regulation (EC) no. 715/2009:

Romanian-Bulgarian relations

In order to solve the problems that led to the initiation of the infringement, ANRE has regulated the allocation of capacity by auction at a starting price set by benchmarking. Applying the new methodology, however, assumes the following:
• Finalizing the Agreement for Allocation of Capacity and Operating Agreement for interconnection point Negru Voda I between Transgaz and Bulgartransgaz, the documents are in the final stage of agreeing and signing;
• Resolving contractual issues with Bulgargaz.

Bulgargaz does not accept cancellation of the contract settlement. Consequently, a potential solution to the situation is the approval by the European Commission of an interim solution through which Bulgargaz would continue to enjoy the necessary consumption transport capacity for Bulgaria within the conditions of the current contract. The remaining capacity will be offered to the market in accordance with European legislation on third party access to gas transmission networks.

In this regard a letter was received from the Bulgarian ministry seeking to preserve the contract expiration (December 31, 2016) because it provides Bulgaria the only source of gas supply, and a letter from Bulgargaz in which it confirms its willingness to assign unused capacity (1.8 billion cubic meters/year) to be offered to the market according to the European Union's regulations in force.

Transgaz forwarded these documents to the Ministry of Foreign Affaires - Government Agent, with request of analyzing the opportunity of asking for an opinion from the Commission on the possibility that such a solution is accepted until December 31, 2016.

Romanian-Russian relations

Taking into consideration that the Russian part refused to renegotiate the existent conventions, Romania unilaterally denounced these documents, but trade agreements remain in force until they expire in December 2015, and December 2023.

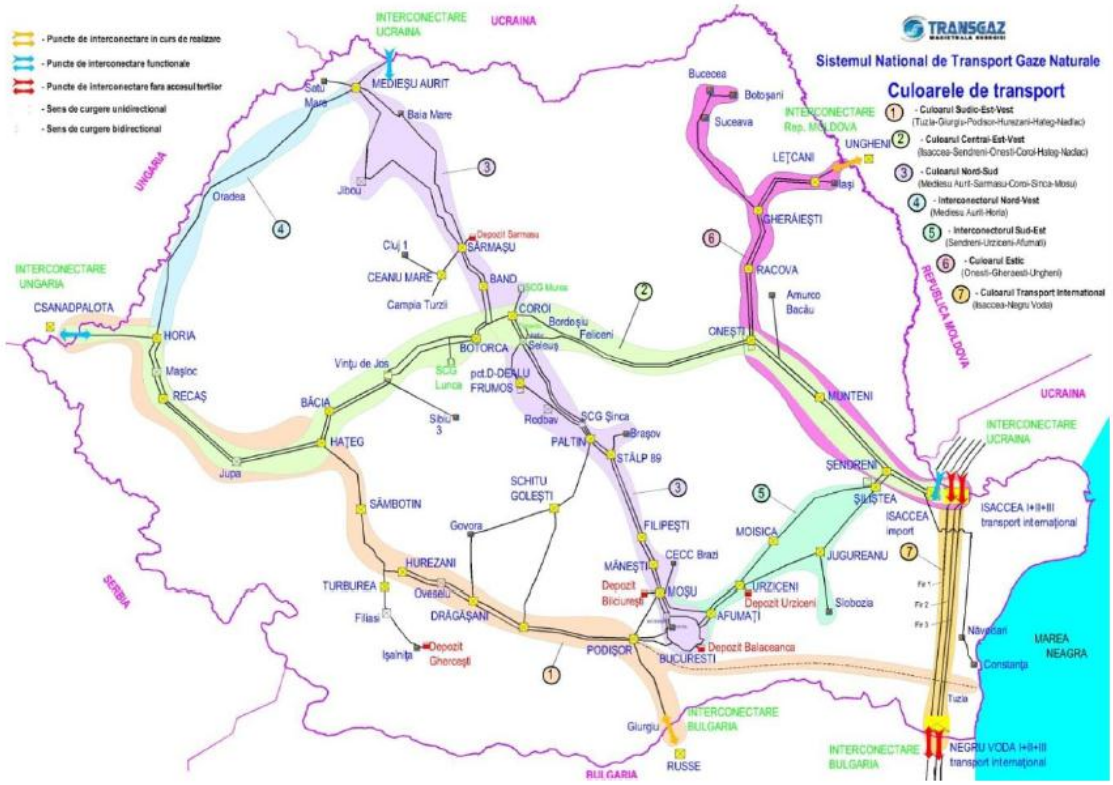
Monitoring investment plans

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 Electricity and Natural Gas Law no. 123/2012

Development Plan of the gas transmission system in the period 2014-2023 presents the development directions of Romanian natural gas transmission network and major projects that the National Transport Company Transgaz SA (*SNTGN Transgaz SA*) intends to implement over the next 10 years in order to achieve a maximum degree of transparency regarding the development of the national gas transmission system and the possibility of up-dated information for market actors regarding existing and planned transmission capacities, so that, through public consultation, decisions on investment in gas transmission network to meet market requirements.

The Development Plan meets the European energy policy regarding:
• ensuring security of supply of natural gas;
• increasing the interconnection of national gas transmission network in the European network;

• increase the flexibility of national gas transmission network;
• liberalization of the gas market;
• creating integrated gas market in the European Union.



Source: SNTGN Transgaz SA

TSO sent this plan to ANRE and a decision on the approval is expected to be made in 2014.

2.4.1.5. Compliance

Compliance with binding decisions of the Agency and the Commission

For 2013 there are no such situations to report.

Compliance of transmission and distribution companies, system owners and natural gas undertakings with relevant Community legislation

Taking into account that the certification process for the TSO was finalized at the beginning of 2014, the monitoring activity of compliance with independent system operator obligations could not be done.

2.4.2. Promoting Competition

2.4.2.1. Natural gas wholesale market

Natural gas consumption has decreased in the last year, reaching about 12.5 billion cubic meters, with a decrease of about 8% in 2013 compared to 2012, due to a slight decrease in end-use customers.
Natural gas internal market is formed 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 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 2013, the total natural gas consumption was 132,603,304.644 MWh, out of which 91,032,601.493 MWh was the non-households consumption (75.44%) and 29,636,073.006 MWh households consumption (24.56%).

In 2013, the total number of end consumers was 3,282,209, out of which 5.45%, meaning 178,951 were non-household consumers and 3,103,258 household consumers (94.55%).

Consumption is covered both from domestic production as well as imports. The domestic production was 112,341,214.350 MWh and the import was 20,262,090.294 MWh

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 2013:

- a National Transmission System Operator - SNTGN Transgaz S.A. Medias
- 5 producers: Romgaz, OMV Petrom, Amromco Energy, Raffles Energy, Foraj Sonde;
- 2 operators of underground storage: Romgaz, Depomureş;
- 41 distribution operators - the largest being Distrigaz Sud Retele SRL and E.ON Gaz Distributie S.A.;
- 41 suppliers operating in the regulated segment of the natural gas market;
- 54 suppliers operating in the competitive segment of the natural gas market.

Domestic production of natural gas in 2013 which came into consumption represented 84.72% of total sources. The top two producers (Romgaz and OMV Petrom) covered 97.92% of this source.
Imports entering consumption in 2013, current import and extracted from storage, represented the difference, meaning 15.28%. The top three importers - internal suppliers - achieved together 47.23%.

Import price and quantity of the imported for consumption

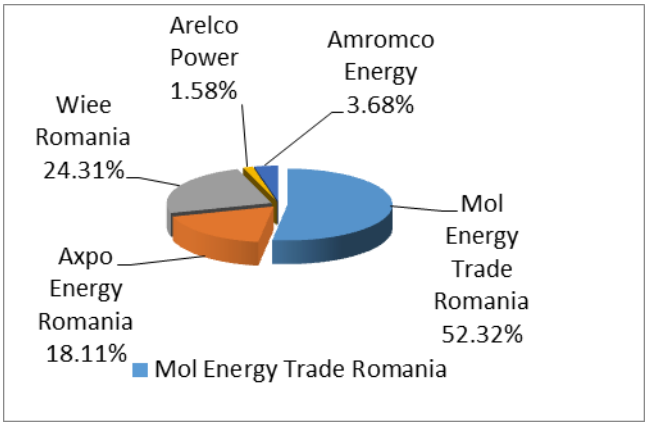
Month	Quantity (MWh)	Price USD/ 1000cubic meters
January	2,939,593.550	409.08
February	2,212,511.312	408.46
March	1,699,167.651	411.42
April	1,107,222.545	391.68
May	1,405,279.433	391.92
June	1,282,033.442	394.29
July	863,876.735	393.35
August	780,132.458	390.86
September	1,009,167.531	389.65
October	807,830.115	401.60
November	1,084,371.229	397.86
December	1,796,118.429	398.33
2013	**16,987,304.430**	**400.56**

The market share of the main three suppliers based on the volume of transactions on the wholesale market is 79.29%, and on the retail market is 60.36%.

The situation of the companies providing natural gas to the most relevant consumer's categories is the following:

Suppliers Consumers	Number of companies with over 5% share	Share of top three suppliers (%)
Electricity and/or heat producers	5	69.01
Industrial consumers	6	53.72
Commercial consumers	3	84.91
Household consumers	2	91.13

Also in 2013, the rules for virtual export (backhaul) were approved by ANRE, Order no. 12/2013 - and since July 2013 the first virtual export has been realised at the Arad – Szeged point. The situation of companies that have achieved the backhaul export in 2013 is shown in the following figure:



In applying the provisions of **Regulation (EU) no. 1227/2011 of the European Parliament and of the Council on wholesale energy market integrity and transparency (REMIT)**, in July 2013 the Multilateral Memorandum of Understanding between the Agency for the Cooperation of Energy Regulators and National Regulatory Authorities on cooperation and coordination of market surveillance was signed. Also, within ANRE a working group was set up in order to examine the ways of implementing the provisions of Regulation (completion of primary legislation, the correct identification of potential data providers, informing them of their obligations, registration of market participants, identification of commercial transactions to be monitored, establishing a national framework for cooperation between regulators in the area of energy, financial markets and competition, establishing procedures for communicating with ACER, additional staff and infrastructure costs in the regulatory authority for transmission data, data confidentiality).

2.4.2.2. Natural gas retail market

In 2013, gas consumption in Romania, structured on types of consumers was:

Final customers			Connection	No. of customers	Consumption - MWh	Share of total consumption
Households			National Transmission System	2	504.498	0.00%
			Distribution system	3,103,256	29,635,568.508	24.56%
			Total	**3,103,258**	**29,636,073.006**	**24.56%**
Non-Households	Tertiary		National Transmission System	19	23,865.955	0.02%
			Distribution system	43.880	5,255,004.233	4.35%
			Total	**43,899**	**5,278,870.188**	**4.37%**
	Commercial		National Transmission System	69	2,758,854.654	2.29%
			Distribution system	106.914	7,276,486.623	6.03%
			Total	**106,983**	**10,035,341.277**	**8.32%**
	Secondary	Other secondary	National Transmission System	107	5,617,788.080	4.66%
			Distribution system	27.152	11,256,935.609	9.33%
			Total	**27,259**	**16,874,723.689**	**13.98%**
		Chemical industry	National Transmission System	1	998,789.433	0.83%
			Distribution system	198	2,407,561.090	2.00%
			Total	**199**	**3,406,350.523**	**2.82%**
		Electricity and heat producers	National Transmission System	5	431,550.356	0.36%
			Distribution system	572	4,120,472.831	3.41%
			Total	**577**	**4,552,023.187**	**3.77%**
	Industrial	Other industrial	National Transmission System	2	3,364,831.551	2.79%
			Distribution system	0	0.000	0.00%
			Total	**2**	**3,364,831.551**	**2.79%**
		Chemical industry	National Transmission System	10	18,273,214.589	15.14%
			Distribution system	0	0.000	0.00%
			Total	**10**	**18,273,214.589**	**15.14%**
		Electricity and heat producers	National Transmission System	13	25,722,072.517	21.32%
			Distribution system	9	3,525,173.972	2.92%
			Total	**22**	**29,247,246.489**	**24.24%**
TOTAL				**3,282,209**	**120,668,674.499***	**100.00%**

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

In 2013, the share of consumed quantities by household customers out of the final total consumption is 24.56% and the number of these consumers represents 94.55% of all clients connected to natural gas networks.

Thus, 5.45% of all clients connected to gas networks (NTS + distribution systems) consume 75.44% of the total consumption of final consumers for 2013.

Customers category	Group of consumers	Share in total consumption
TOTAL. out of which:		100 %
NON-HOUSEHOLDS	Consumers who have not opted to change the supplier	15.87 %
	Eligible consumers	59.57 %
HOUSEHOLDS	Consumers who have not opted to change the supplier	24.54 %
	Eligible consumers	0.02 %

The main suppliers and their shares in the total gas sources are presented below:

OMV Petrom	42.92%
Romgaz	40.04%
GDF Suez Energy Romania	2.83%
Romgaz Import	2.47%
Wiee Romania SRL	1.92%
E.ON Energie Romania	1.68%
Amromco Ploiești	1.54%
Interagro Bucuresti	1.29%
Intergaz	1.21%
Azomureș	1.06%
Elcen Buc.	0.82%
Mol Energy Romania	0.74%
Arelco Distribuție	0.54%
Conef Gaz	0.46%
Axpo Energy Romania	0.22%
Foraj Sonde	0.11%
Raffles Energy	0.11%
OMV Petrom Import	0.02%

Five companies perform production and supply activities: Romgaz, OMV Petrom, Amromco Energy, Raffles Energy și Foraj Sonde.

On the **regulated market,** in 2013, the consumers on the regulated supply market segment were served by 41 suppliers; the total number of these consumers was **3,279,041** and the quantity of gas supplied to them amounted to **48,767.002 GWh**. The market shares of the three main suppliers are listed below:

Suppliers	Market share (%)
GDF SUEZ Energy Romania	49.60
E.On Energie Romania	40.62
Congaz	2.04

On the **competitive market** 54 suppliers were active. In the table below are presented the suppliers which supply customers from the competitive market, whose market shares are of more than 5%; one of them is also a gas producer (S.N.T.G.N. Romgaz S.A.). The total consumption was **71,901.672 GWh**.

Suppliers	Market share (%)
Romgaz	23.78
OMV Petrom Gas	20.36
Interagro Zimnicea	12.46
OMV Petrom	9.01
GDF SUEZ Energy Romania	8.98
E.On Energie Romania	7.34

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

At the end of 2013, there were **3168** eligible customers on the natural gas free market, with a consumption amount to an effective rate of **54.21%** market opening.

In 2013, from the customer group directly connected to the national transmission system about 99.24% of customers (in terms of the amount of energy consumed) have chosen to be part of a negotiated supply contract.

In 2013, the share of non-household customers from the final customers category connected to the distribution system that have chosen to be part of a negotiated supply contract was about 44.68% of all non-household customers (in terms of the amount of energy consumed).

According to the Electricity and Natural Gas Law no. 123/2012, final customers have no right to return to regulated supply if the right to eligibility has been exercised.

Price developments for households and non-household

According to the roadmap of phasing out regulated prices for end customers and based on the Government Decision No. 22/2013, in 2013 there were price increases for households and non-households, as follows:

- On February 1, 2013
  - a 5% increase in the price of natural gas for non-household consumers
- On July 1, 2013
  - an 8% increase in the price of natural gas for households
  - a 3% increase in the price of natural gas for non-household consumers
- On October 1, 2013
  - a 1% increase in the price of natural gas for households
  - a 2% increase in the price of natural gas for non-household consumers.

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

The application of the roadmap for phasing out regulated prices for end customers was conducted in accordance with the steps set.

The Government approved Ordinance No. 27 / 27.08.2013 amending and supplementing Government Emergency Ordinance no. 70/2011 on social protection measures in the cold season through which the monthly benefit to cover part of the cost of home heating during the cold season, called the heating allowance is set. This is defined as a measure of support, supported by the state budget and / or, where appropriate, local budgets, for vulnerable consumers with incomes up to a threshold established by law, which aims to cover all or,

where appropriate, a portion of the costs of heating. This allowance is granted also for natural gas consumers.

2.4.3. Security of supply

In accordance with Article 102 of Electricity and Natural Gas Law no. 123/2012 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, until 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

In order to reduce the negative impact of tariff / regulated prices phasing out process on consumers, in the memorandum approved by the Government on the roadmap for phasing out tariffs / regulated prices a number of measures to protect consumers have been proposed, including: identifying vulnerable customers, providing them direct subsidies, increase the suppliers' activity of informing consumers about the process of market liberalization, reviewing provisions on switch of supplier.

Currently, as an instrument of social protection to ensure a minimum level of electricity consumption the social tariff is used. Thus, in accordance with the "*Procedure regarding terms and conditions for granting social tariff for household consumers of electricity*" approved by ANRE Order no. 38/2005 as amended and supplemented, vulnerable consumers with average monthly income per family member of less than or equal to the minimum wage set by the government decision have the right to opt for the social tariff. Social tariff was designed in installments consumer with differentiated prices increasing progressively, so to the extent of 90 kWh / month average price of return is less than the result by applying any other tariff for domestic consumers supplied at low voltage. About **1,067,875 consumers** (4.8% less than in 2012) of the total of **8,490,691 households** benefit by this social price.

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 of distribution providers 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.

Electricity supply for households and small industrial/commercial customers at regulated tariffs is based on **framework contracts**. These contracts are issued by the regulator for each category of customers in part, containing mandatory minimum terms on the contract period, conditions for renewal and termination of the contract, tariffs, meter reading period, the billing and payment terms, multiple ways to pay the bills (at the customer's home, at the supplier's cashier, by bank or at the post office), compensation for voltage deviation from the nominal value, the supplier's obligation to inform the consumer about planned outages.

Taking into account 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 Member States to ensure the implementation of intelligent metering systems that contribute to the active participation of consumers in electricity supply market, provisions that have been transposed into national law (Electricity and Natural Gas Law no. 123/2012), in December 2013, ANRE Order no. 91/2013 on the implementation of intelligent metering systems for electricity was approved.

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.

In order to assess the implementation of intelligent metering systems in terms of costs and long-term benefits of market, profitability and feasible implementation deadlines, ANRE requested the support of the European Bank for Reconstruction and Development (EBRD), which in turn contracted a feasibility study on the implementation of smart meters, including a cost-benefit analysis to assess the possibilities of introducing smart meters in markets for electricity, natural gas and heating in Romania. The feasibility study and cost-benefit analysis results indicated that the implementation of electricity smart metering in the electricity sector has the potential to be a profitable investment, due to the benefits from reducing network losses and reducing operating costs to utilities.

It should also be noted the fact that the benefits resulting from the implementation of intelligent metering systems will reflect at the level of end user through the opportunity of energy consumption management, which leads to more efficient energy consumption and savings, access to advanced systems rates, facility of switching process, in the context of electricity market opening.

The regulator provides access to customer consumption data in a harmonized national way under *Procedure for changing electricity supplier*, approved by ANRE Order no. 88/2009, as supplemented and amended. The regulation stipulates that each network operator has the obligation to create and manage a centralized database with information on consumption places connected to the network from his area and the obligation to ensure access to suppliers and customers to information from the database - for measurement points situated in the owned or serviced consumption places - based on operational procedures approved by ANRE. Minimum content of the database is established by ANRE by the same regulation.

For full transposition into national law of the provisions of Annex 1 of Directive 72/2009/ EC, Romanian authorities have prepared a draft amendment and completion of Law 123/2012 to be submitted to the Romanian Parliament.

Natural gas

At the end of 2012, by ANRE Order no. 42/2012, the *Regulation on gas supply to end customers* was approved. The document establishes the relationship between the supplier and the end customer on contracting and terms of supply natural gas.

The supplier of natural gas has the following main obligations:

a) to carry out the supply of natural gas based on commercial contracts concluded with end customers, according to ANRE regulations;

b) comply with the performance standard for the supply service provided under framework contracts;

c) make available to the end user, at his request, based on information provided freely by the system operator, the relevant data on consumption, on the amount of natural gas consumed by the end user monthly and annual, expressed in cubic meters and MWh in a period comprising at least the previous five years;

d) to establish a single point of contact to inform end users about their rights and obligations, the legislation and the means of dispute resolution in case of a dispute;

e) to allow end users effective change of the actual natural gas supplier, free of charge, while respecting contractual conditions, within three weeks of the request, according to the procedure approved by ANRE;

f) to make available to end users at least two ways to pay the equivalent natural gas consumption and allow them to opt for any of them;

g) to respond to requests from the end user on the activity of supply, according to regulations, and to solve them;

h) to forward the system operator the request of the end users related to its activity;

i) require the system operator to interrupt gas supply at the request of the end user of natural gas, if the interruption is related to the safe operation of the facilities of the final customer or system operator;

j) inform the system operator, based on the end user notification in connection with malfunctions noted by him in the functioning of the measuring equipment and installations of the system operator, in order to be checked and solved;

k) to recalculate the invoice representing the natural gas supply services, in case there is damage to the system / measuring instrument, in accordance with legal regulations;

l) to notify the end user of any intended change to the contract and to inform him, upon notification of the right to terminate the contract, in compliance with contractual agreements, if they do not accept the new conditions;

m) to resume gas supply restricted and / or terminated as a result of defaulting on the payment terms provided in the contract, within 24 hours of the date of the end user full payment of outstanding invoices, including increases interest due according to the contractual provisions and, where applicable, for the reconnection fee, provided the end user allows access to the system operator representative in order to restart the supply;

n) other obligations under the regulations or agreed with the end user according the legal provisions in force.

For full transposition into national law of the provisions of Annex 1 of Directive 73/2009 /EC, Romanian authorities have prepared a draft amendment and completion of Law 123/2012 to be submitted to the Romanian Parliament.

In 2012, a feasibility study was completed regarding the implementation of **smart metering** in Romania. The study was done by the consulting firm AT Kearney in a program run by the European Bank for Reconstruction and Development (EBRD) having as beneficiary ANRE. The study concluded that in the case of natural gas the smart metering installation will be optional and the necessary actions implementation will be left to the distribution operators.

The Government approved Ordinance No. 27 / 27.08.2013 amending and supplementing Government Emergency Ordinance no. 70/2011 on social protection measures in the cold season through which the monthly benefit to cover part of the cost of home heating during the cold season, called the heating allowance is set. This is defined as a measure of support, supported by the state budget and / or, where appropriate, local budgets, for vulnerable consumers with incomes up to a threshold established by law, which aims to cover all or, where appropriate, a portion of the costs of heating. This allowance is granted also for natural gas consumers. This legislation established eligibility criteria for heating allowance, the limit level of net monthly income per family member or per single person.

2.5.2. Dispute settlement

Complaints

Supply license holders must ensure the recording, investigating and solving complaints made against them by consumers **Consumer's complaints management obligations** are included in the *licensing conditions*, in *standard framework contracts* and the *performance standard for electricity supply at regulated tariffs*. Customer service is to be provided to take any complaint made against the licensee by a consumer who considers themselves wronged by the licensee practices. Customer Service will establish and maintain the register of applications, notifications and complaints filed by consumers and the way of solving them.

If the consumer is not satisfied with the response of the operator, it may appeal the regulator under the provisions of Ordinance No. 27/2002, as amended and supplemented.

Electricity

Of the **2940** complaints received by ANRE in 2013, **2236** dealt with the electricity sector. All complaints received were resolved in due time and in accordance with regulations, informing complainants and institutions through which were transmitted to ANRE, as appropriate.

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	468	20.93
2	Electricity quality	321	14.36
3	Request for general information	205	9.17
4	Technical connection approval	176	7.87
5	Suspected theft of electricity	144	6.44

The regulator control activities aimed 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 2013, 702 inspections were conducted in the electricity sector. Following control actions were made **minutes of finding and punishing offences.**

Natural gas

Of the **2940** complaints received in 2013, **704** were dealt natural gas sector. All complaints received were resolved in due time and in accordance with regulations, 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	Access Agreement	157	26.12%
2	Use of natural gas installations	104	17.30%
3	Natural gas billing	82	13.64%
4	Contracting connection works	59	9.81%
5	Contracting	31	5.15%

ANRE conducted **313 inspections in the natural gas sector** during 2013. Following control actions **minutes of finding and punishing offences** were made.

The total amount of fines imposed on both electricity and natural gas was of 7,422,700 RON.

Dispute settlement

During 2013, a number of 2 requests were resolved on electricity misunderstandings 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 1 to the ANRE Order 35/2013.

In the gas sector, ANRE mediate pre-contractual disagreements in natural gas according to the *Procedure on mediation disputes occurred in the conclusion of contracts for natural gas*, approved by Annex 2 of ANRE Order no. 35/2013. During 2013 there were no requests for mediation in pre-contractual disagreements in the natural gas sector.

To resolve 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 organization and functioning of the committee for settling disputes in the wholesale and retail market arising between the participants in electricity and natural gas market participants* was delivered.

Challenging decisions of the regulator

The possibility of contesting the regulator's decisions is an important factor in ensuring its accountability to the consumers. Thus, orders and decisions issued by ANRE can be challenged in court by those who believe that by applying those regulations, they have violated certain rights.

At the end of 2013, pending state court litigation was as follows:

Total: 448 underway causes in 2013 out of which 215 cases completed in 2013

Classification of the disputes handled by ANRE in the courts, in 2013, in electricity and natural gas sectors is presented below:
- Legal Administrative - 103 cases;
- Law Offences - 128 cases;
- Insolvency - 61 cases;
- Employment - 47 cases;
- Claims - 92 cases;
- Obligation to make - 8 cases;
- Criminal Law - four cases;
- Payment Order - 2;
- Land - 1;
- Acquisitions - 2.

Of the total number of cases finalized in 2013, respectively 215, **94% of these were given verdicts favourable for ANRE.**

All ANRE orders and decisions that were challenged in court by operators in the electricity and gas sector (eg. Hidroelectrica, Nuclearelectrica, Radet, Electrica Furnizare, OMV Petrom, GDF, E.ON Energie, TRANSGAZ etc.) and which were subject to administrative records were solved in favour of 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).

As a result, for the compliance with the provisions on the designation and certification of transmission system operators of Directive 2009/72/ EC, ANRE:

- has verified the certification requirements from the law, in relation to this certification model;
- has approved the preliminary certification of the National Electricity Transmission Company "Transelectrica" SA as transmission system operator of the National Power System, by ANRE Decision no. 23 of 02.08.2013. Preliminary certification decision was issued by including a resolutive condition, namely that the transmission system operator prove it fully complies with the conditions laid down in Law no. 123/2012 for electricity and natural gas;
- has notified to the European Commission the preliminary certification decision, in 14 August 2013, together with all the relevant information and documents.

In accordance with the procedure laid down in Regulation (EC) no. 714/2009, the European Commission has examined the notified preliminary certification decision and sent ANRE Opinion C (2013) 6891 of 14.10.2013 concerning the compatibility of the decision with Article 10(2) and Article 9 of the Directive on electricity. 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 because the degree of separation between public authorities, which must exist in case of application of ISO model, has not been reached, and declares that the model of separation of property rights within the state would be an alternative that would allow effective separation of transmission activities from the state interests in the production and supply of electricity. The European Commission recommended ANRE to act in cooperation with relevant Romanian state bodies for the separation of property rights on the National Electricity Transmission Company "Transelectrica" SA by applying Article 9(6) of the Directive on electricity that would allow effective separation between the powers of the state authorities.

Under Article 3(2) of Regulation (EC) no. 714/2009 and having regard to the conclusions of EC Opinion - C (2013) 6891 of 10.14.2013, ANRE adopted the final decision on the certification within two months of receiving the Commission's opinion, taking account of the Commission's observations. Thus, National Electricity Transmission Company "Transelectrica" SA was certified by **ANRE Order no. 90/2013** while maintaining the resolutive clause, the certification being conditional of complying within six months with the measures in the ANRE Order. The ANRE Order was communicated to the European Commission.

Also, ANRE communicated to major Romanian state institutions with responsibilities in this field (the Prime Minister of Romania, the President of the Senate, the President of the Chamber of Deputies, the Minister of Economy, the Public Finance Minister, the Foreign Relations Minister, the Minister delegate for energy) the appropriate measures to be taken to

eliminate conditions on certification and the text of a proposed law, that would apply the measures necessary for certification, if adopted. The Government Emergency Ordinance no. 6/2014 on the exercise of rights and obligations arising from state shareholder status in the National Electricity Transmission Company – "Transelectrica"SA and the National Gas Transmission Company – "Transgaz" SA Medias and for the amendment of other laws was issued in February 2014 and published in the Official Journal of Romania, Part I, no. 113/ 2014. The Act was approved by the Parliament of Romania by Law no. 117/11.07.2014.

Based on the provisions of GEO 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.

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. 8932 km.

Ownership of CN Transelectrica SA is as follows: 58.7% of the share capital - the Romanian state, 13.5% of the share capital – Fondul Proprietatea, 7.3% of the share capital – SIF Oltenia, 20.6% of the share capital – other shareholders. The company has been listed on the Bucharest Stock Exchange since August 2006.

In 2013, a total of 46 licensed electricity distribution operators have been active on the Romanian electricity market, of which 8 with more than 100,000 customers each. All 8 companies have completed the process of legal unbundling of electricity distribution activity and electricity supply activity. Electricity distribution operators having less than 100,000 customers do not have the obligation to unbundle the distribution activity from other company activities in accordance with Directive 72/2009/EC on common rules for the internal electricity market.

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

1. SC CEZ Distribuţie SA: CEZ - 100% share capital;
2. SC Enel Distribuţie Banat SA: Enel Investment Holding B.V. holding 51.003 % of shares, S.C. Electrica S.A. with 24.869 % of shares and Fondul Proprietatea S.A. with 24.128 % of shares;
3. SC Enel Distribuţie Dobrogea SA: Enel Investment Holding B.V.- holding 51.003 % of shares, S.C. Electrica S.A. holding 24.903 % of shares and Fondul Proprietatea S.A. with 24.094 % of shares;
4. SC E.ON MOLDOVA DISTRIBUŢIE SA: 51% - E.ON Romania S.R.L.; 27 % - S.C. Electrica S.A.; 22 % - Fondul Proprietatea S.A.;
5. SC FDEE Electrica Distribuţie Transilvania Sud SA, SC FDEE Electrica Distribuţie Transilvania Nord SA, and SC FDEE Electrica Distribuţie Muntenia Nord SA have the following shareholding structure: 78 % S.C. Electrica S.A.; 22 % Fondul Proprietatea S.A.;
6. SC Enel Distributie Muntenia SA: Enel Investment Holding B.V - 64.43 %, SC Electrica SA - 23.57%, Fondul Proprietatea SA - 12 % .

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. 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 established by **ANRE Order no. 25/2004** regarding 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 for 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 shown below:

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

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 2013, for Romania, are shown below.

Activity area	SAIFI Planned outages [outages/year]	SAIFI Unplanned outages due to DSO [outages/year]	SAIFI Total outages [outages/year]
Urban	0.4	3.2	3.6
Rural	1.7	6.7	8.4
National average	1.0	4.8	5.8

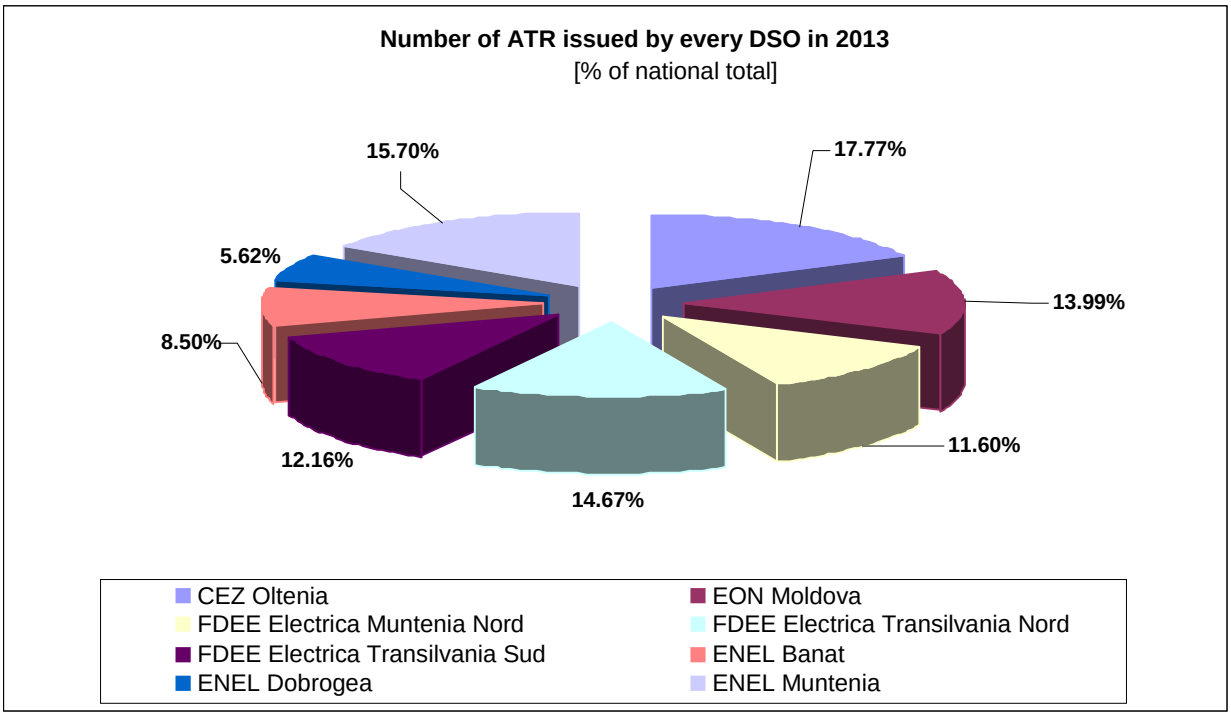
Activity area	SAIDI Planned outages [min./year]	SAIDI Unplanned outages due to DSO [min./year]	SAIDI Total outages [min./year]
Urban	101	205	306
Rural	472	694	1166
National average	270	427	697

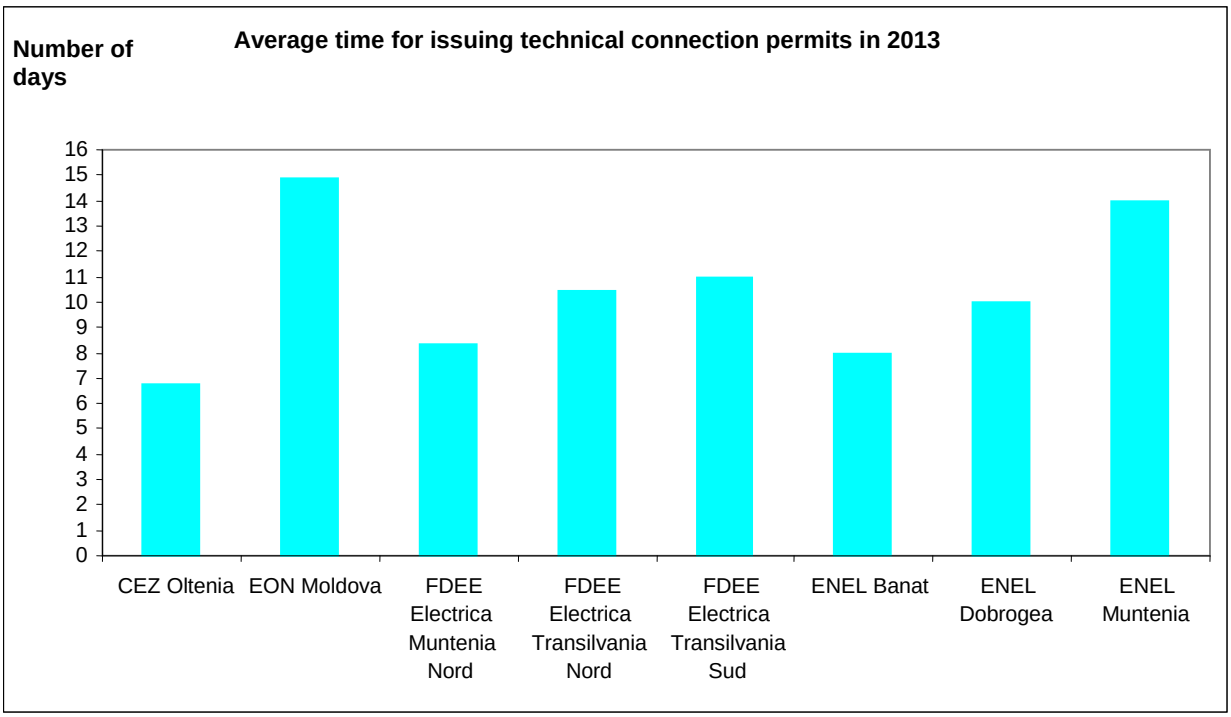
Procedures and steps of the connection process and the connection tariff are regulated by *Regulation for connecting users to public networks*, approved by Government Decision no. 90/2008 and by secondary legislation issued by ANRE.

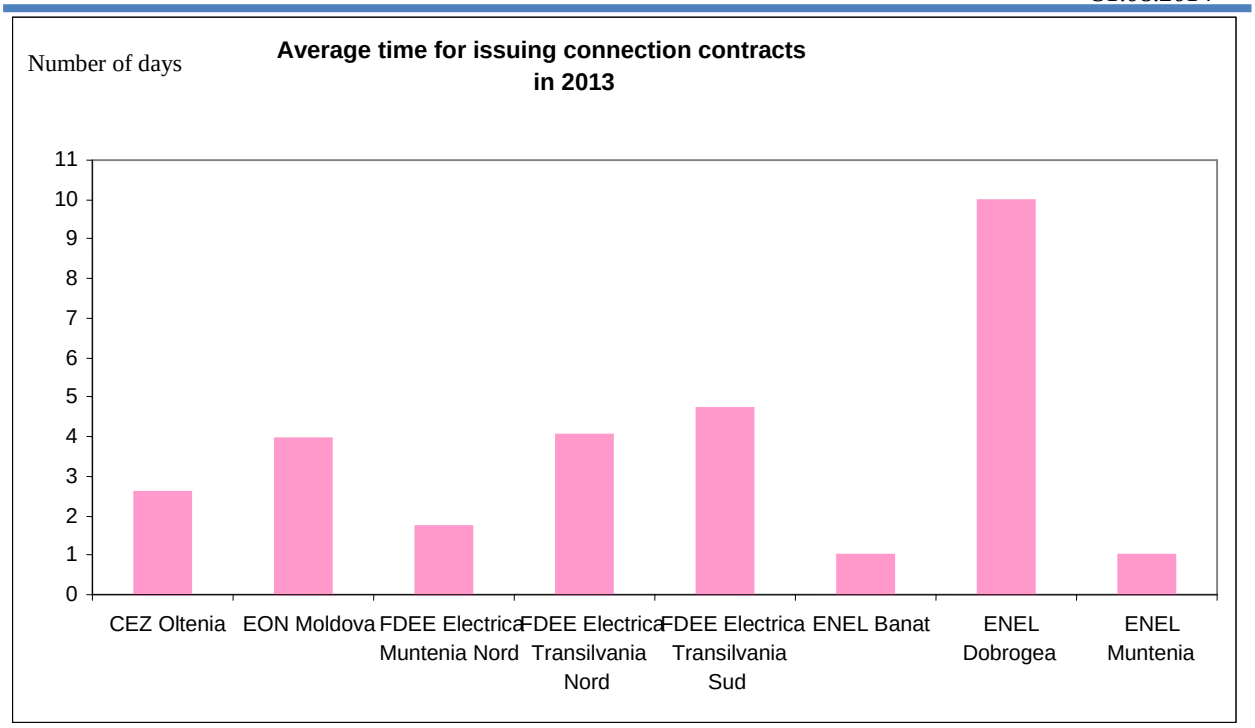
Indicators such **as the average time for issuing the technical permits for connection** or **the average time for issuing connection contracts** are also monitored through the performance standard for the distribution service.

The average time for issuing the technical permits for connection, in 2013, for Romania, was 10.4 days, ranging from 7 days for CEZ Oltenia and 15 days for E.ON Moldova. The maximum period of 30 days was respected by all DSOs.

The average time for issuing connection contracts was 4 days (more specifically 3.6 days), ranging from 1 day for Enel Banat and Enel Muntenia, to 10 days for Enel Dobrogea. 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.


Number of ATR issued by every DSO in 2013
[% of national total]
15.70%
17.77%
5.62%
13.99%
8.50%
11.60%
12.16%
14.67%
CEZ Oltenia
EON Moldova
FDEE Electrica Muntenia Nord
FDEE Electrica Transilvania Nord
FDEE Electrica Transilvania Sud
ENEL Banat
ENEL Dobrogea
ENEL Muntenia


Number of days
Average time for issuing technical connection permits in 2013
16
15
14
13
12
11
10
9
8
7
6
5
4
3
2
1
0
CEZ Oltenia
EON Moldova
FDEE Electrica Muntenia Nord
FDEE Electrica Transilvania Nord
FDEE Electrica Transilvania Sud
ENEL Banat
ENEL Dobrogea
ENEL Muntenia



According to a World Bank study (*Doing Business in Romania, 2014*), for connection to electricity networks of a consumption place owned by an undertaking, having a required power of 140 kVA, located in Bucharest, seven stages must be completed with a total duration of 223 days from the registration of application to its completion.

By *Regulation on connecting users to public electricity networks*, approved by ANRE Order no. 59/2013 (*Regulation*), 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 into national law in Article 9(4)(k) of Law nr. 160/2012 on the organization and functioning of ANRE.

In 2013 there were no unexpected crisis situations in the energy 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

The number of requests for connection to the network of units using renewable energy sources has significantly increased since the implementation of Law 220/2008 on establishing the promotion system of energy production from renewable energy sources, republished, with subsequent amendments.

There are significant differences between the number of network connection requests and the total number of connections actually made. In what concerns installed power, on 01/01/2014, Transelectrica recorded an increase of 1638 MW due to connection to the network of new units of wind, solar, biomass and hydro plants.

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 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 1 MW per plant or in the case of high efficiency cogeneration from biomass, 2 MW per plant).

Electricity generated from renewable energy sources benefits from **priority dispatching.**

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

3.1.3. Network and connection tariffs

Methodology for setting electricity transmission tariffs, approved by **ANRE Order no. 53/2013**, did not fundamentally change the method of determining transmission tariffs compared to the second regulatory period, but represents an improved form of incentive revenue cap methodology, applied by ANRE since 2005. Thus, the methodology is intended to ensure:

- fair allocation, between the TSO and the transmission service customers, of the earnings obtained from the increase in efficiency beyond the targets set by the competent authority;
- the efficient functioning of the transmission company;
- prevention of any possible benefits the transmission system operator may gain from its monopolistic position;
- promotion of efficient investments in the electricity transmission network;
- promotion of efficient maintenance and operation practices;
- efficient use of the existing infrastructure;
- continuous improvement of the transmission service quality;
- financial viability of the transmission company;
- public and transparent information on the regulatory process.

Annual regulated revenues related to the transmission service are forecasted for the entire regulatory period (2014-2018) based on forecasted costs deemed justified and based on annual investment programs proposed by the operator and accepted by ANRE. Revenues 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 7% for the average tariff and 10% for the zonal tariffs. Corrections of the regulated revenue are determined annually in order to ensure at least the forecasted revenue cap.

The transmission operator is obliged to reduce certain costs in case of reduction of the quantity of electricity transported.

The methodology includes mechanisms to stimulate electricity transmission service efficiency by promoting efficient investment in the electricity transmission network, reduced technological consumption, reduced operating and maintenance costs and increased service quality.

Transmission tariff is monomial and has two components – T_g and T_l components. Transmission tariff components are different on different tariff zones, depending on the impact of the injection or extraction of electricity in/ from network nodes, expressed by nodal marginal cost of transmission.

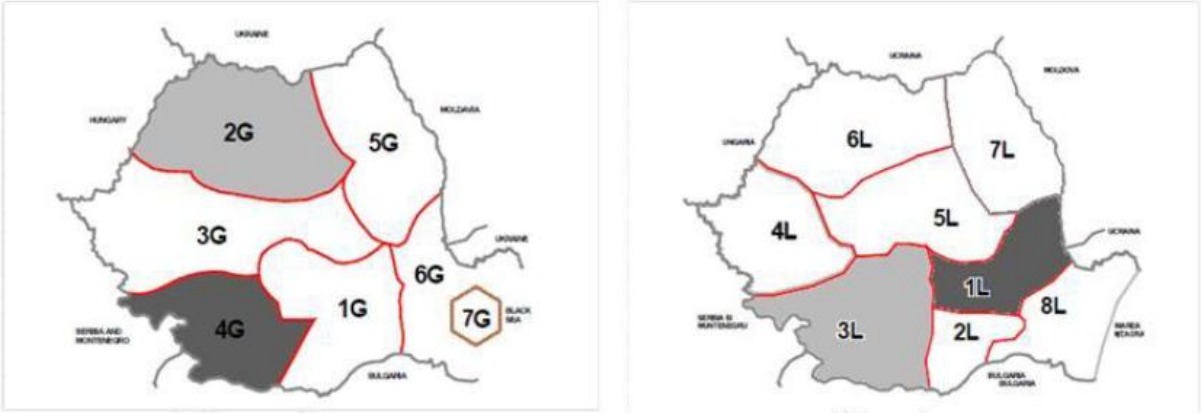
The main issues that the new methodology has completed, improved, clarified, given the experience of the application of this type of regulation are:

- defining an additional mechanism of stimulating a tehnological 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;
- including the provisions on tariffs application in conjunction with the provisions of ANRE Order no. 54/2013.

A significant change in the methodology provisions, requested by the transmission system operator, is the definition of the tariff period as 1 July to 30 June. Thus, approval of tariffs for transmission services will be held each year on 1 July, which implies that the third regulatory period begins on 1 July 2014.

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.



Source: ENTSO-E Areas of injection and extraction of electricity in the transmission network

C.N. Transelectrica S.A. tariffs for the electricity transmission service, for 2013, were approved by **ANRE Order no. 52/2012** and are the following:

- average transmission tariff – 21.16 lei/MWh;
- average tariff for the injection of electricity in the networks (T_g) - 9.70 lei/MWh, with a variation between 5.78 and 11.90 lei/MWh for the 6 injection zones;
- average tariff for the extraction of electricity from the networks (T_l) – 11.46 lei/MWh, with a variation between 9.16 and 13.36 lei/MWh for the 8 extraction zones.

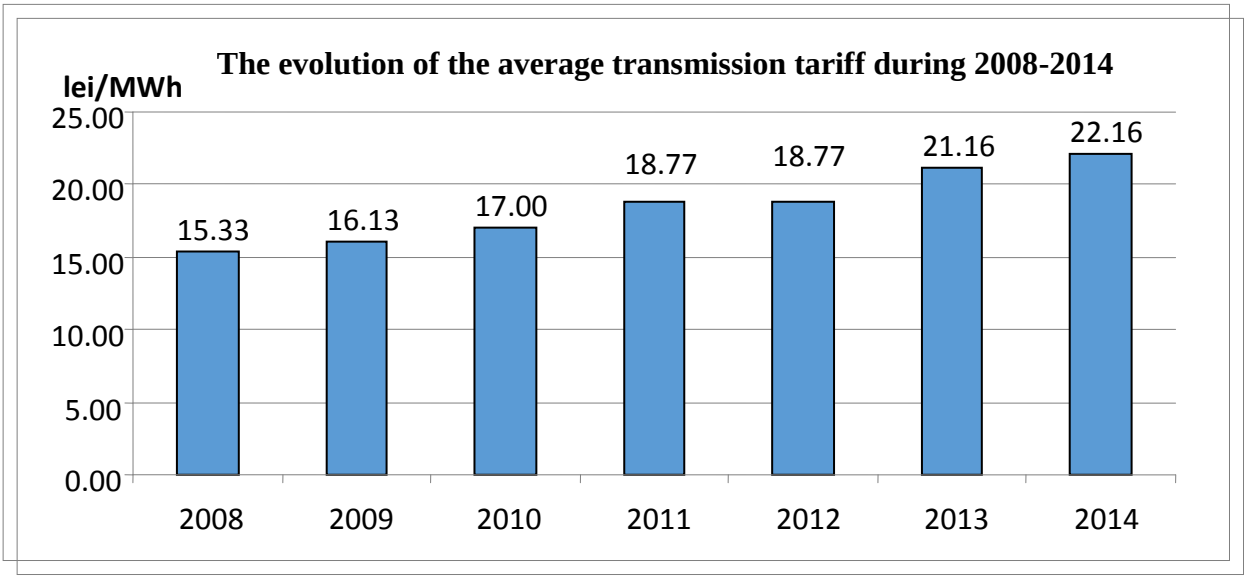
2013 average transmission tariff increased compared to 2012 with 11%.

For 2014, by **ANRE Order no. 96/2013**, the following tariffs were approved:

- average transmission tariff – 22.16 lei/MWh;
- average tariff for the injection of electricity in the networks (T_g) - 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 (T_l) – 12.00 lei/MWh, with a variation between 9.49 and 13.84 lei/MWh for the 8 extraction zones.

Tariff increase was due primarily to the reduction of electricity extracted from the networks (e.g. in 2013, the reduction recorded in comparison to the forecast was of about 5%). Also, the application of the transmission tariff components was eliminated for import/export transactions, pursuant to the provisions of Regulation (EC) 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 exchanges in electricity and amending Regulation (EC) no. 1228/2003. Thus, producers and suppliers no longer pay the transmission tariff – the T_g component for the declared imported electricity and also no longer pay the transmission tariff – the T_l component for the declared exported electricity. This measure for implementing the provisions of the Community acts was approved by **ANRE Order no. 54/2013** and aimed at avoiding an infrigrmrnt procedure for failure to fulfil the obligations as a Member State.

The evolution of the average transmission tariff during 2008-2014 is shown below:



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.

The following new provisions were established for the third regulatory period, compared to those applied in the second regulatory period:

- the distribution service to which apply the regulated tariffs set by the methodology includes the entire activity of the operator, in accordance with the license provisions;
- the regulated revenue for the distribution service is reduced by income obtained by the operator from applying penalties for reactive electricity and by a share of the gross profit obtained by the operator from other activities for which it is using assets included in the regulated asset base;
- were explicitly included obligations on the classification of investments and maintenance works in the justified costs;
- the life cycle of new fixed assets included in the regulated assets base is set at a regulated level;
- the regulated revenue is reduced in case of unfulfilment of the investments included in the annual program at a level of at least 80%;
- the regulated rate of return is equal for all operators and a rate of return increase is granted for investments in the implementation of smart metering systems;
- ANRE has the right to adjust and set the operating costs and controllable maintenance costs and the targets for the technological losses following a process of comparative analysis between operators based on data and results of the first two periods of regulation.

The methodology contains an incentive mechanism to reduce the cost of technological losses in electricity networks, by recognizing in the regulated revenue an electricity buying price to cover losses that would result from a purchase considered optimal in the competitive electricity market.

The activity of the concessionaire distribution operators is monitored monthly by the ANRE, according to the *Guide on monitoring the activity of the main electricity distribution operators*, approved by ANRE Decision no. 1136/2010.

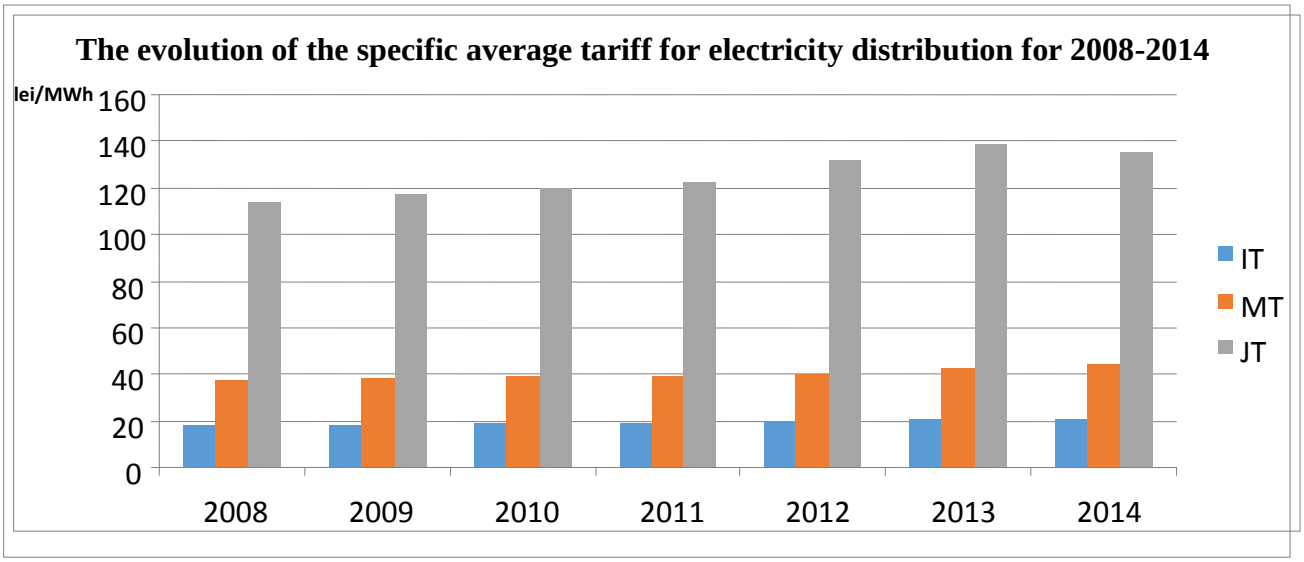
National specific average tariffs, on voltage levels, approved for 2013, were:

- specific average tariff for high voltage – 20.30 lei/MWh,
- specific average tariff for medium voltage – 42.70 lei/MWh,
- specific average tariff for low voltage – 138.75 lei/MWh.

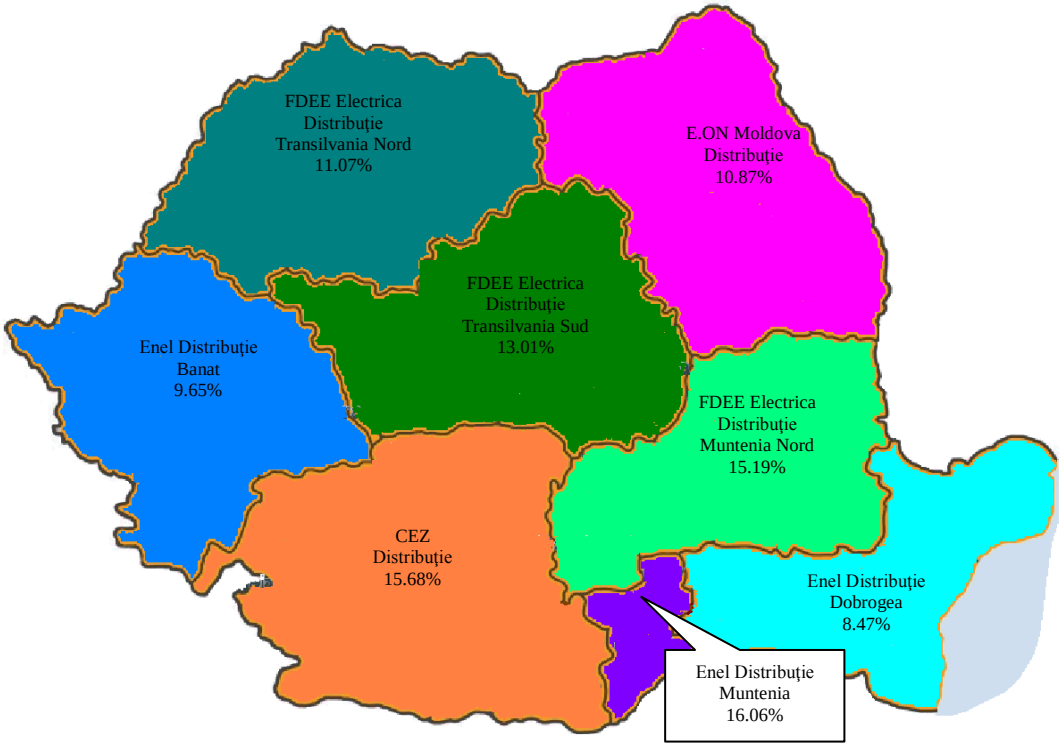
National specific average tariffs, on voltage levels, approved for concessionaire distribution operators, for 2014, are the following:

- 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.

The following figure shows the evolution of the specific average tariffs for electricity distribution for the period 2008-2014.



Share of electricity distributed by concessionaire distribution operators of the total electricity estimated to be distributed nationwide, in 2013, is shown in the following figure:



For the distribution operators with less than 100,000 customers, the tariffs for electricity distribution service are calculated according to the *Methodology for setting electricity distribution tariffs for legal persons, other than the main electricity distribution operators, and the conditions for the retransmission of electricity*, approved by **ANRE Order no. 3/2007**. This methodology has been replaced as of 17/04/2013 with the *Methodology for setting the tariff for electricity distribution service operators other than concessionaires distribution operators*, approved by **ANRE Order no. 21/2013**.

The new Methodology is "cost +" type, as the previous one, so that the tariff is determined based on the justified costs for providing the service and on the share of the regulated profit of a maximum of 5%.

In accordance with the provisions of the methodology in force during 2007 - April 2013, all distribution operators had an obligation to seek ANRE approval for the tariff that they were entitled to collect from the beneficiaries of this service, so that, currently, approx. 100 operators apply ANRE approved tariffs. The Methodology in force from April 2013 includes important changes. According to this methodology, the distribution operators who do not hold a license issued by ANRE, nor connected users that benefit from universal service may establish tariffs without exceeding the prescribed limits of the methodology.

Connection tariffs

Procedures and steps in the connection process, as well as the connection tariff are determined by *Regulation for the connection of users to public electricity networks*, approved by Government Decision no. 90/2008, and by the secondary legislation issued by ANRE. According to the provisions of Law no. 160/2012 on the organization and functioning of ANRE, the regulation was revised and approved by an ANRE Order no. 59/2013, so that, as of 19/12/2013, the Government Decision no. 90/2008 was repealed.

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.

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.

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. Setting the available ATC value (available interconnection capacity) for daily and intra-day auctions uses the principle of netting and participants are required to comply with the principle of exclusive partnership (1:1). Trading currency is the Euro.

After the **annual auction**, values of the C1, of concern for competition, were registered at imports from Hungary (41.67%) and at exports to Serbia (40%). On the border with Bulgaria, on both directions, the share of the main participant exceeds 30%, a similar situation being recorded at exports to Hungary (35%).

At **monthly auctions**, there were many months that have registered higher values than 40% of market share at least at one border. Thus, on the border with Bulgaria, at import, values that exceed 40% as value of the dominant market participant market share were registered in February, June, July (when the 50% value was reached, with C3=90%) and September. On the same border, at export, the months February and March were significant as dominant market participant level, the C1 values recorded being 80% (with C3=97%) in February and 60% (with a C3=80%) in March. On the border with Serbia, in a single month, a market share higher than 40% was recorded, namely in May, C1 = 49%.

After organizing the **annual auction** in 2013, **low prices** on all borders were recorded, both for import and export; of those, higher prices were recorded on the border with Bulgaria

(import and export), for export it was 0.73 euro/MW/h, and for import, on the same border, it was 1.08 euro/MW/h.

After **monthly auctions**, it is noted, in general, **low prices** on all borders, both for import and for export. The border with Bulgaria is a special case; the monthly prices were significantly higher than the other values recorded. Thus, on export, during the first four months of 2013, the prices increased from 3.17 lei/MW/h in January to 7.60 lei/MW/h in March, while in April they reached 14.44 lei/MW/h. To be noted the prices on import obtained on the same border, which ranged in the first part of the year between 2.56 to 6.88 lei/MW/h, and at the end, the prices reached 15.19/MW/h in October, 17.36 lei/MW/h in November and 11.79 lei/MW/h in December. Price evolution at monthly auctions on the border with Bulgaria, compared with the annual auction, is determined by the high number of participants in the auctions on this border, probably due to referral of opportunities for import or export to/from the region at different times of the year.

Hourly prices obtained in the course of **daily auctions**, on the borders with Bulgaria and Hungary were, in almost all periods, nonzero; on the Hungarian border the import price recorded a maximum of 25 euro/MW/h (January) and the maximum export price reached 27.7 euro/MW/h in October. Maximum values of 20.31 euro/MW/h were also recorded on exports, in May, and for imports the maximum would be 25.78 euro/MW/h in October. On the border with Serbia, hourly prices from daily auctions were generally zero or close to zero, both for import and export, with some exceptions in May, on import, when it reached a value of 12.16 euro/MW/h and respectively on export, in October, when the price obtained was 15.03 euro/MW/h.

The highest annual average degree of utilization of the total allocated capacity after auctions was recorded on export on the borders with Bulgaria and Hungary while on import, the interest in using the allocated capacity was higher on the border with Bulgaria. If for January - August 2013 there is a tendency to import from Hungary and Serbia along with exports to Bulgaria, towards the end of the year, the flow is reversed, the degree of utilization is higher on imports from Bulgaria with correspondence to exports to Hungary and Serbia.

Over 85% of CNTEE Transelectrica SA 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 Bulgaria, in both directions, followed by auctions for the border with Hungary, in both directions, and the exports to Serbia. Although most of the revenues from daily auctions derived, like last year, from the allocations on border with Hungary, on export in 2013 significant revenues were recoded from auctions on the borders with Bulgaria and Serbia, in both directions, depending on the trading interest in one area or another.

Although on some intervals there were capacity requests in intra-day auctions, no revenues were recorded from such allocated capacities, the participants' interest for this type of auctions is still low.

Regional cooperation on infrastructure projects represents a significant dimension of the CN Transelectrica SA activity in terms of the collaboration with power systems of neighboring countries. In this regard, the TSO attention has been focused on continuing infrastructure projects ment to increase interconnection capacity to improve mutual exchanges of energy between neighboring 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 neighboring countries - Serbia and Bulgaria.

Monitoring the TSO investment plans in view of TYNDP

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 amendments and supplementations 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 the methodologies for setting electricity distribution tariffs, ANRE approved annual investment plans of the concessionaire distribution operators for the regulatory period 2008 – 2013, by accepting the inclusion in BAR of fixed assets resulted from prudent investments, respectively those investments proven to be necessary, appropriate and efficient. Total investments in distribution networks during 2013 were 7604 million lei (1721 million Euros).

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 Electricity and Natural Gas Law no. 123/2012, 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

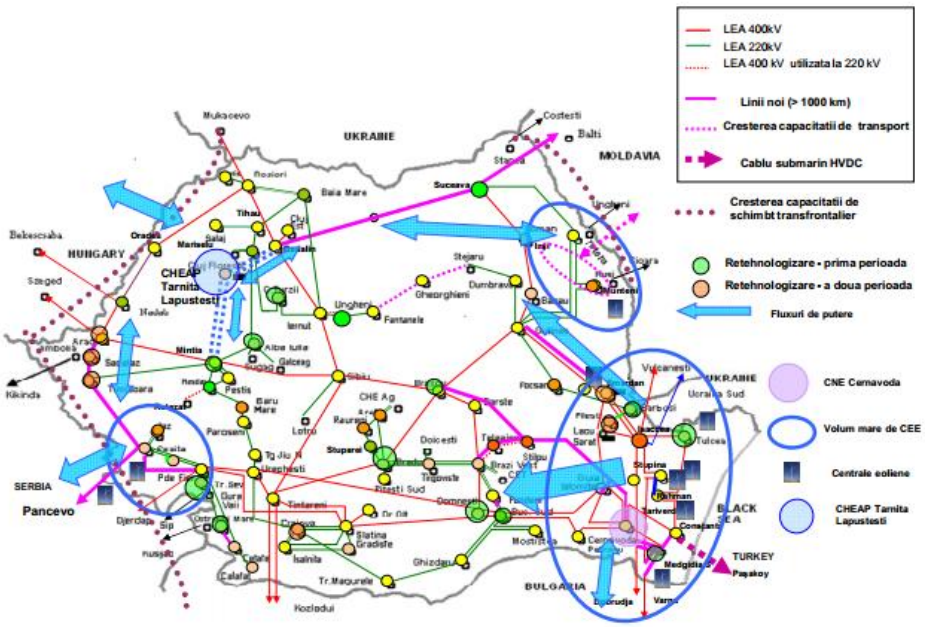
outage of the largest generator in an area with power deficit and the maximum power generated in an excess area. The N-2 criterion is used in sizing of the evacuation from the system of the nuclear power plants energy. Other sizing criteria are the technical criterion for the verification of the size of the network in terms of NPS stability and the verification and determination of the short-circuit limit and nominal current of equipment.

Electricity transmission network development plan for the 2014 – 2023 period was developed by CN Transelectrica SA and submitted for approval to 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 neighboring 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 equipments 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 on cross-border cooperation

The third energy legislative package and, more explicitly, Regulation (EC) no. 714/2009 on conditions for access to the network for cross-border exchanges in electricity emphasized that the objective of the internal energy market ("IEM"), which has been progressively implemented since 1999, aims to provide, inter alia, new business opportunities and larger volumes of cross-border trade, so as to ensure an efficiency increase and higher standards of service. All these objectives contribute to improved security of electricity supply in the EU, taking into account the interests of the final consumer.

In this context, in February 2011, the European Council adopted a commitment that IEM should be completed by 2014. EU bodies, in particular the European Commission monitors the IEM functioning in the EU by supporting individual Member States initiatives, whose purpose is the integration of markets and networks at regional and multilateral level. The final objective - IEM completion by 2014, requires a proactive approach from national authorities.

During 2013, ANRE supported the steps taken towards accession, together with Poland, to the integrated day-ahead electricity markets in the Czech Republic, Slovakia and Hungary in order to develop a five-sided market coupling project called 5Market Market Coupling (MC 5M) namely the creation of a day-ahead electricity market operating in a coupled regime as part of the single internal European market.

To this end, ANRE attended by representatives to the signing of the Memorandum of Understanding, together with representatives of national regulatory authorities, transmission system operators and market operators/ energy exchanges from the Czech Republic, Slovakia, Hungary and Poland. Activities for project implementation continued in specially constituted working groups, at the end of 2013 it was decided that the project would continue as 4M MC, Poland planning to join the project later, in the context of Central East European market coupling and flow-based allocation mechanism application.

3.1.5. Compliance

Compliance with the decisions of ACER and the European Commission

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 2013, there are no such cases to report.

Compliance of transmission system operators, distribution operators, system owners and electricity undertakings with Community legislation

Since the certification process of the transmission system operator was not completed in December 2013, the activity of monitoring the fulfilment of the obligations of an independent system operator could not be realized.

Transactions transparency on interconnections is ensured by CN Transelectrica SA, by publishing information on its website www.transelectrica.ro, in accordance with Regulation (EU) no. 714/2009.

For a complete identification of how CN Transelectrica SA fulfilled the obligations set out in the Regulation (EC) no. 714/2009 on conditions for access to the network for cross-border exchanges in electricity, the regulator has decided to carry out a control action, which began in June 2012. Details of measures taken for every requirement of the European regulation, with the presentation of the actions stage, were requested from the transmission system operator. Compliance with the provisions on transparency and information provision, including those on publication, in terms of content, rhythm, timing and duration of availability of information was also controlled. The inspection type control action that started in 2012 was completed in 2013, by preparing the inspection report and presenting the conclusions resulted from verification of compliance by CN Transelectrica SA with the obligations provided in the Regulation. The detailed verification process of compliance with the obligations arising from the European Regulation was based on the analysis of the answers offered by CN Transelectrica SA to the questionnaire requested by ANRE and on the verification of compliance by CN Transelectrica SA with its Operational Procedure concerning the publication of information held – having a significant role in ensuring electricity market transparency - by assessing the content, format and rhythmicity of information publication by CN Transelectrica SA on the site www.transelectrica.ro, capitolul Transparenţă.

3.2. Promoting competition

3.2.1. Wholesale electricity 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 resales 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.

The introduction of the obligation to conduct transparent, public, centralized and non-discriminatory transactions on the competitive market for electricity once the entry into force of Electricity and Natural Gas Law no. 123/2012 has led to a substantial change in the structure of the wholesale market, because transactions between participants in the wholesale electricity market must be done only after participanting in one of the centralized markets - centralized market of bilateral contracts, day ahead market and intra-day market – organized at OPCOM SA, the only ANRE license holder to conduct such activities. The regulatory framework developed by ANRE to meet the diverse trading needs of wholesale market participants at the market operator level – The organized framework for contracting electricity for large final consumers and respectively the Centralized market of bilateral contracts of electricity with continuous trading has not yet been implemented during 2013.

In the wholesale market are also included the transactions realized on the **ancillary services market** (STS) and on the **interconnection capacities market** with the power systems of the neighboring 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

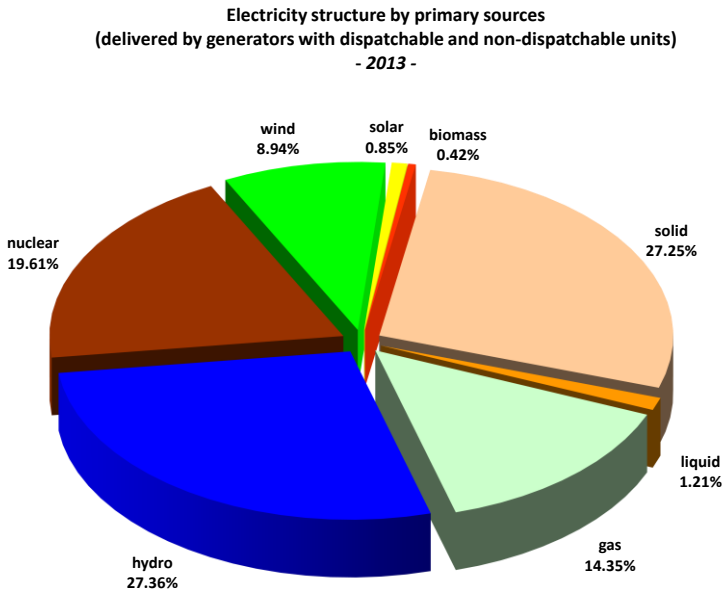
conditions determined by the technical capabilities of those production units (according to the types of ancillary services for which they were qualified); contracts require offering the capacities on the Balancing Market, and the possible amounts of energy produced/ reduced are subject to settlement on the 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 current structure of the power generation sector reflects the successive reorganizations that took place between 2000-2004 and led to a reduced concentration on the wholesale electricity market until 2012, when, following the application of Government Decision no. 1023/2011 and Government Decision no. 1024/2011, two main producers of electricity from conventional sources were created through merger.

The total amount of electricity delivered into the network, in 2013, by producers was **54.44 TWh**, of which delivered into the networks by the producers holding dispatchable units – 51.70 TWh. The structure of electricity supplied by producers, according to reports made to the ANRE, calculated on the types of conventional and unconventional resources is shown in the chart below:



Source: Annual reports of producers

NPS operation in 2013 was characterized by **lower domestic electricity consumption** in conjunction with the **continuous increase of the share of plants operating on renewable energy sources in the total installed capacity**, under a normal hydrologic year.

Compared to 2012, in 2013, **decreases were recorded in the energy delivered from power plants using solid and liquid fuel**, respectively **increases in the energy supplied from plants operating on gas, hydro power plants and plants operating on renewable energy sources**. Largest decline was recorded in the electricity delivered from plants operating on solid fuel. Electricity from wind produced by dispatchable generators was almost two times higher compared to last year, reaching an annual total of over 3.67 TWh; the hydropower

increased by 23% and the energy from gas sources by 14%. Overall, **there was a decrease of about 0.8% of electricity delivered in the networks produced from both conventional and unconventional sources, in dispatchable units**.

The following table presents the annual quantities of electricity (separately for producers with a production of more than 1000 GWh) of producers with dispatchable units, subject to market monitoring activities. In comparison with the 2012 data, it can be observed **a decrease of 1.6% of the total annual electricity generated**. Except for the nuclear producer, whose production is comparable to the previous year, all significant producers in terms of production have registered a quantitative decline from the previous year. It is also noted that the first 6 producers (with an annual production in 2013 of more than 1 TWh) represent approx. 85.93% of the total annual production registered by producers with dispatchable units.

Producer	Electricity generated	
	TJ	GWh
S.C. Hidroelectrica S.A.	4116	14819
S.C. Complexul Energetic Oltenia S.A.	3285	11827
S.N. Nuclearelectrica S.A.	3227	11618
S.C. OMV Petrom S.A.	958	3447
S.C. Complexul Energetic Hunedoara S.A.	837	3014
S.C. Electrocentrale Bucureşti S.A.	767	2762
Other dispatchable generators (including wind)	2303	8290
TOTAL	**15493**	**55777**

Source: Annual reports of producers

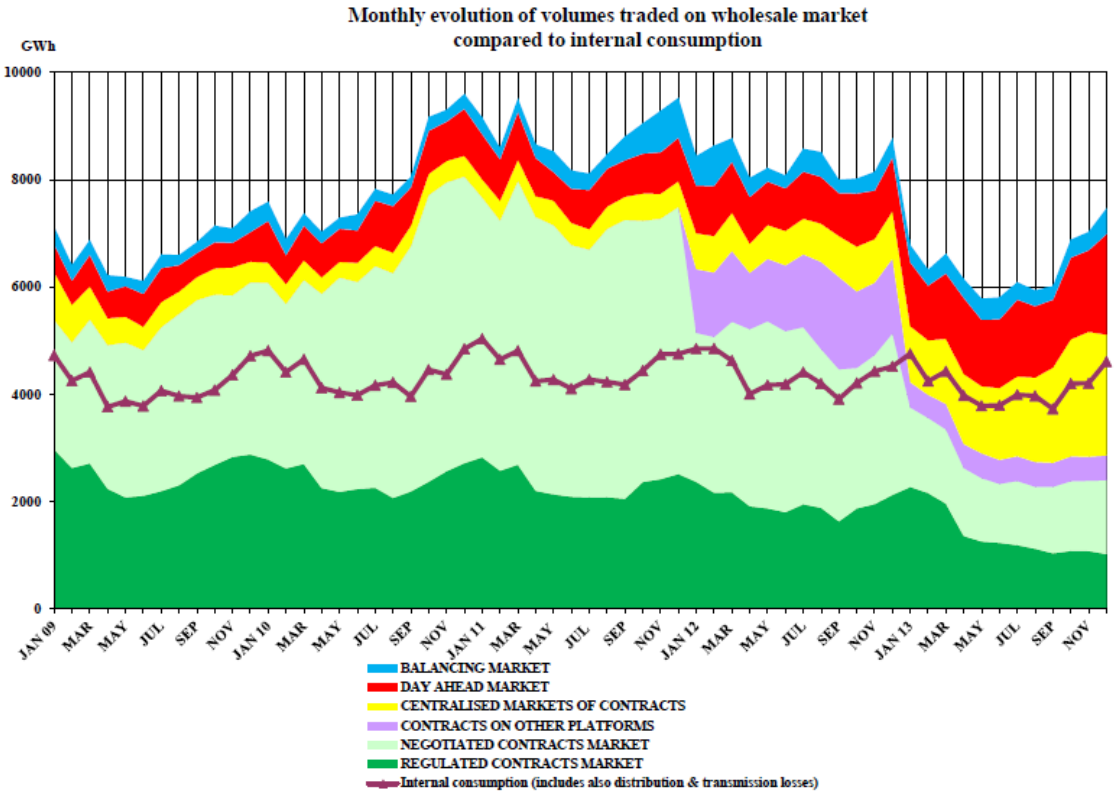
In 2013, in Romania, **a quantity of about 450 GWh was imported and 2466 GWh were exported**; these values do not represent physical flows, but are the result of commercial trade, as reported monthly by the transmission system operator (TSO).

Compared to 2012, imports decreased by about 68.9%, while exports increased by about 114.7%; it is to be noted that producers did not carry out transactions based on export contracts.

Domestic consumption calculated based on electricity delivered into the networks and import-export balance was of about 49.69 TWh, 5.1% lower than in 2012, with the exception of December 2013, when the domestic consumption level calculated as described above was greater than in the corresponding month of 2012, domestic consumption recorded monthly decreases between 0.03% in October and 12.5% in February.

Developments on the wholesale electricity market in 2013

The following graph presents the monthly evolution of volumes traded on the main wholesale electricity market components during 2006-2013 as compared to domestic consumption.



In 2013, it is noted the volumes monthly traded on the market of over 5.8 TWh, with about 50% more than the monthly values of the domestic consumption (calculated as the sum of the energy delivered in the networks and the import-export balance), but less than the monthly values registered in 2012, of over 8 TWh.

Across the wholesale market, trading on bilateral contracts (regulated and negotiated, including on brokerage platforms) was predominant, with a volume that was about 76% of the domestic consumption and 51% less than the previous year. **It is noted the increase in the volumes traded on the centralized markets operated by OPCOM SA, as a result of applying Electricity and Natural Gas Law no. 123/2012**; thus, the volumes monthly traded on these markets varied between 47% (January) and 92% (November) of the monthly domestic consumption.

Wholesale market components	Volumes traded in 2013 - GWh	Evolution compared to 2012 - % -	Share of domestic consumption in 2013 - % -
Regulated contracts market	16755	▼ 29.3	33.7
Market of contracts on brokerage platforms	5466	▼65.9	11.0
Market of directly negotiated contracts	15386	▼57.9	31.0
Export	2466	▲114.7	5.0
Centralized market of bilateral contracts	18779	▲119.6	37.8
Day ahead market	16346	▲52.5	32.9
Intra-day market	14	▲90.6	0.03
Balancing market	4168	▼11.5	8.4

The volumes traded successively between market participants represented 35.9% of the domestic consumption in 2013, but they were about 57% lower than the volumes handled among suppliers in the previous year. The decrease to about 43% of the quantities handled (traded on contracts dating before Law no. 123/2012) of volumes on directly negotiated contracts or on brokerage platforms, a smaller value than that registered in the previous years, should lead to an increase in the level of transparency and efficiency of the electricity market and should be reflected in the final consumer price.

At the same time, due to the competitive and transparent nature of the centralized markets, increased volumes traded on the Centralized market of bilateral contracts, (which registered significant growth), on DAM and volumes traded (although insignificant) on the intra-day market are seen as positive developments of these wholesale market segments.

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

i. 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).

Average prices on the wholesale market components *	2013 - lei/MWh -	2012 - lei/MWh -	Evolution 2013 compared to 2012 - % -
Regulated contracts market	171.13	151.85	▲ 12.7
Market of contracts on brokerage platforms	222.51	212.97	▲ 4.5
Market of directly negotiated contracts	185.82	204.15	▼ 9.0
Export	179.63	223.15	▼ 19.5
Centralized market of bilateral contracts	204.47	215.25	▼ 5.0
Day ahead market *	156.05	217.47	▼ 28.2
Intra-day market **	194.30	297.57	▼ 34.7
Balancing market ***	242.50	291.68	▼ 16.9

* 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

Comparative analysis of annual average prices resulting from the transactions completed on different components of the wholesale market in 2013, compared to 2012, shows the following:

- **a decrease of annual average prices on all types of contracts**, except average price on regulated contracts market, which increased by about 12.7% and the average price of transactions on brokerage platforms, which increased by about 4.5%;
- **the significant decrease of average price on DAM may be explained by the hydro power plants production increase, given a normal hydrological year, and by the increase of production from renewable energy sources, in conjunction with domestic consumption decrease;**

- the average annual price for the energy reported as delivered under transactions concluded on brokerage platforms was about 8% higher than the average price on the centralized market of bilateral contracts, operated by OPCOM;
- annual average export price corresponds to transactions undertaken by competitive suppliers, stating that, in 2013, no producer reported export transactions.

Regulated bilateral contracts market

The regulated component of the wholesale market also operated in 2013, to supply at regulated tariffs household and partially – in correlation with the roadmap for phasing out regulated tariffs - non-household consumers who did not use their right to switch suppliers; in the first 3 months of 2013, this component also ensured covering the distribution network losses.

Since March 2013, all 8 distribution operators submitted offers for buying the necessary energy on the CMBC, and, in April, the entire electricity purchase to cover losses in the distribution networks took place exclusively through competitive mechanisms (DAM and CMBC) at market prices.

For distribution operators, regulated market purchases represented, in 2013, about 23.9% of the total. Distribution operators have bought on the wholesale market 1745 TJ (6282 GWh). The average buying price was 157.20 lei/MWh.

In 2013, **suppliers of last resort** have bought on the wholesale market (regulated and competitive market) a quantity of electricity of **5733 TJ (20640 GWh)** to cover electricity demand of the regulated consumers, including the purchase corresponding to the CMC, of which about 74% was bought on the regulated market, and the remaining on the competitive market. The average electricity buying price was 177.82 lei/MWh.

The competitive market

The volume of transactions in the competitive market decreased from 2012 to about 22.1%, mainly due to changes in the legal and regulatory framework and to conditions that influenced the structure of electricity production. At the same time, there have been changes in the structure of supplies on types of transactions**: volumes traded on centralized markets organized by OPCOM SA increased with approx. 83% and exports with approx. 115%, while transactions on brokerage platforms decreased by about 66% and directly negotiated transactions by about 58%**.

On the directly negotiated contracts concluded before the entry into force of the new law, market participants reported a total of approx. 15.4 TWh, traded at an annually average price of 185.82 lei/MWh comparable to the average price of 183.16 lei/MWh recorded on the centralized markets from OPCOM and much lower than the average price recorded on brokerage platforms of 222.51 lei/MWh.

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

Total sales of producers on the competitive market			100% (36544 GWh)
A.	***Transactions made upon bilateral negotiated contracts***		***27.2%***
	1.	With suppliers	18.2%
	2.	With external partners (export)	0.0%
	3.	With other producers	0.0%
	4.	With distribution operators	0.0%
	5.	With consumers	9.0%
B.	***Transactions made upon auctions on the centralized markets***		***38.4%***
	1.	With suppliers	31.3%
	2.	With distributors	5.8%
	3.	With other producers	0.1%
	4.	With the transmission operator	1.2%
	5.	With consumers	0.0%
C.	***Transactions on DAM***		***34.4%***

We specify that producers did not conclude contracts on the brokerage platforms; the conclusion of these types of contracts exclusively characterizes the competitive suppliers' activity.

Producers sold on the CMBC on contracts concluded with other producers, suppliers of last resort, competitive suppliers, distribution operators and with the transmission system operator, and on directly negotiated contracts to competitive suppliers and consumers. The average negotiated selling price of electricity by producers to competitive suppliers (brought to comparable values by including only the component T_g of the transmission tariff) was 176 lei/MWh. For deliveries on contracts concluded on the centralized contracts markets by producers, resulted average prices of approx. 207 lei/MWh for sale to competitive suppliers, 185 lei/MWh for sale by distribution system operators and 228 lei/MWh for sale to the transmission system operator; average selling price by producers on DAM was of about 170lei/MWh, 25.8% lower than the average price recorded in 2012.

Seen from the point of view of suppliers, the competitive market sales structure is as follows:

Total sales of suppliers on the competitive market			100% (46198 GWh)
A.	***Transactions made upon bilateral negotiated contracts***		***71.4%***
	1.	With other suppliers	16.5%
	2.	With external partners (export)	5.2%
	3.	With producers	2.4%
	4.	With distribution operators	0.0%
	5.	With final consumers	47.4%
B.	***Transactions on OTC platforms***		***11.8%***
C.	***Transactions upon auctions on the centralized markets***		***10.2%***
	1.	With other suppliers	8.3%
	2.	With producers	0.4%
	3.	With transmission operator	0.2%
	4	With distribution operators	1.3%
D.	***Transactions on DAM***		***6.5%***

It is noted that 11.8% of the electricity sold by suppliers on the electricity market are the transactions concluded on the international brokerage platforms, with an average price of 222.51 lei/MWh.

Average selling prices of suppliers on the competitive market in 2013 (including the component T_g of the transmission tariff) were: 189.70 lei/MWh for sales negotiated with other suppliers, 179.63 lei/MWh on export, 218.06 lei/MWh on contracts negotiated with producers and 215.50 lei/MWh to final consumers, but this last price does not include network costs (transmission, distribution, ancillary services).

For transactions on DAM, the average price of suppliers was 146.50 lei/MWh, and for deliveries on contracts concluded on the centralized markets, it was 183.06 lei/MWh with producers, 207.74 lei/MWh with suppliers, 180.46 lei/MWh with distribution operators and respectively 232.46 lei/MWh with the transmission system operator.

Centralized market of bilateral contracts, with the two trading methods (CMBC şi CMBC-CN)

2013 was characterized by an unprecedented scale of the centralized market of bilateral contracts with the two ways of trading - by public auction (CMBC) and public auction with continuous negotiation (CMBC-CN) – determined mainly by regulatory changes introduced by Electricity and Natural Gas Law no. 123/2012, which eliminated the possibility of trading on directly negotiated bilateral contracts, practically forcing participants to carry out new transactions in a transparent, public, centralized and non-discriminatory way, in other words, on the platforms organized at the OPCOM SA (Romanian centralized electricity markets operator, except for the balancing market). This was reflected in the increased number of participants, the number of initiating offers, the number of contracts awarded and not least the volume traded, mainly by way of public auction trading (PCCB).

Thus, if in January 2013, there were 144 registered participants, this number has increased steadily from month to month, reaching in December to a total of 376 participants, 2.6 times more than the beginning of the year and 128 more than those registered in the DAM. Basically, at the end of 2013, more participants were registered on this market than in any of the existing energy markets in Romania – dispatchable electricity producers, competitive suppliers, suppliers of last resort, the transmission system operator, distribution operators and, in large numbers – non-dispatchable producers of energy from renewable sources.

The products offered on the CMBC are non-standardized in terms of quantities offered, daily deliveries profile and delivery terms, practicing even introducing precautionary clauses (in the case of the nuclear producer), combinations of supply profiles or variations of the power tendered in the same offer. On the CMBC-CN, forward contracts market, only standard products are traded in terms of power offered, the daily profile of deliveries and delivery periods.

In 2013, it was found that dispatchable and non-dispatchable producers of electricity from renewable sources, license holders or still on probation, introduced initiating sales offers or responded to initiating buying offers with amounts offered in a broad range, unspecified exactly, offers that, after assessment, ANRE considers to be outside the regulatory framework established by the *Regulation on the organized framework for trading bilateral electricity contracts*, in force.

If in 2012, of the 609 initiating offers introduced (selling or buying) have been completed 254 transactions, representing approx. 42%, in 2013, following the introduction of a record number of 2493 initiating offers, a number of 866 contracts was traded, representing about 35% of trading intentions, nearly 3.5 times more than the previous year.

In the past three years, the volumes reported by OPCOM SA, as traded on CMBC after winning public auctions have evolved from year to year, with close growth rates: 2.6 times higher in 2012 compared to 2011 and 2.3 times higher in 2013 compared to 2012, reaching a traded volume of 32.8 TWh in 2013. The minimum price traded in 2013 was 115 lei/MWh

(for a quantity with peak delivery profile for July 2013-December 2015 from two photovoltaic producers to a supplier), while the maximum price traded was 278.59 lei/MWh (also for a contract with peak delivery profile for 2 months at the end of the year). As a novelty, 2013 was the year that contracts concluded for delivery periods longer than 1 year were recorded for the first time since the establishment of this market. Thus, the varied deadlines for completion of contracts ranged from several months to 15 years.

Opening prices varied between 115-285 lei/MWh, compared to 2012, which ranged between 155-298 lei/MWh.

The most active producers in terms of introducing initiating sale offers with minimum price and which recorded the highest volumes of electricity delivered as a result of contracts concluded on the CMBC and CMBC-CN in 2013, and previously, were Nuclearelectrica, with an annual quantity of 4.9 TWh, Hidroelectrica with a quantity of 3.3 TWh and CE Oltenia with 2,8 TWh. Among suppliers who bought on contracts concluded on CMBC and CMBC-CN were noted Electrica Furnizare with an amount of approx. 2.5 TWh, TinmarInd with an amount of approx. 1 TWh, ArcelorMittal Galati with an amount of about 1 TWh and E.ON with approx. 0.9 TWh. The same suppliers also recorded sales of electricity on this market, but those amounts were much lower than the amounts bought.

Volumes delivered as a result of transactions concluded on CMBC and CMBC-CN increased more than 2.2 times over the previous year, reaching an unprecedented value since the start of trading on this market until now - 18.8 TWh - representing approx. 37.8% of the domestic consumption.

The months with quantities supply that exceeded 2 TWh per month were those from the fourth quarter of 2013.

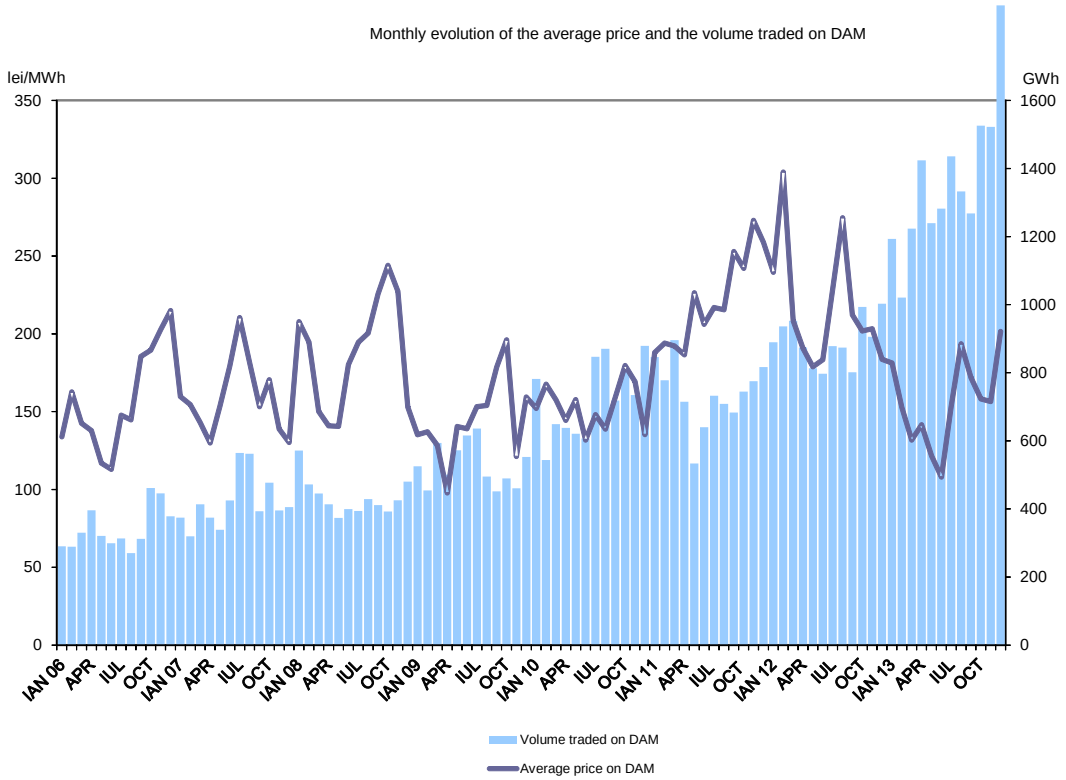
Average annual price recorded on contracts concluded on CMBC and CMBC-CN with delivery in 2013 was 204.47 lei/MWh, 8% lower (18 lei/MWh) than that recorded for quantities in delivery on contracts concluded on other brokerage platforms and 31% higher than the average annual price on DAM (48 lei/MWh). The evolution of monthly average prices recorded on this market has been steadily decreasing, starting from 233.62 lei/MWh in January and reaching 189.99 lei/MWh in November and respectively 191.17 lei/MWh in December. Comparison with the 2012 average annual price shows a decrease of 5% of the same one in 2013.

Day-Ahead Market – DAM

The volume of electricity traded on DAM in 2013 increased by approx. 53% of the volume traded in 2012. The 32.9% share of domestic consumption registered on DAM in 2013 increased compared to the value recorded in 2012, when it represented 20.5%.

Average closing price of DAM (determined as an arithmetic average of monthly closing market prices) decreased by approx. 28.24% to the average of 2012.

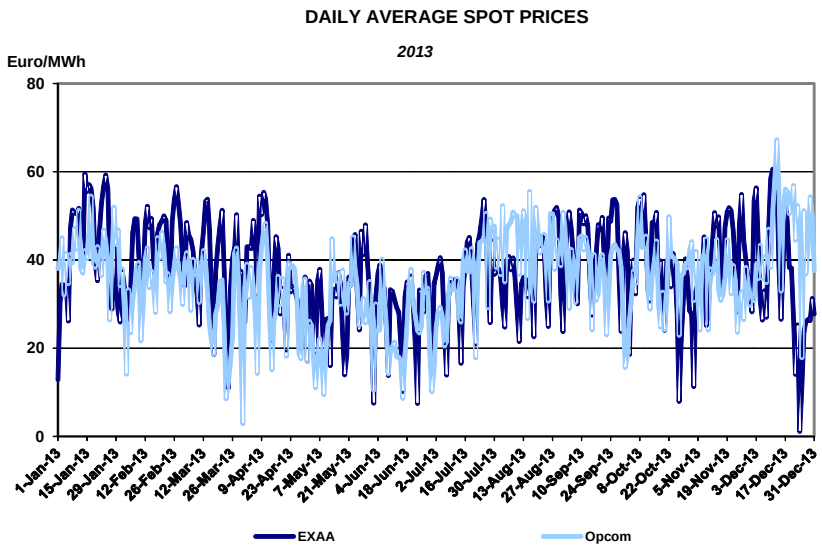
The following graph shows the monthly evolution of the average price and of the volume traded on DAM between 2006 and 2013.



Variations from month to month of the monthly average price set on DAM were registered in both directions, but with a downward trend in the first semester and an upward trend in the second semester and much lower values than the 2012 monthly values. Minimum for the period was reached in June 2013 (108.01 lei/MWh), while the maximum – in December 2013 (201.59 lei/MWh). The average annual price, determined as an arithmetic average of average monthly prices recorded, was 156.05 lei/MWh in 2013.

As in previous years, it is estimated that the price set on the DAM in 2013 includes with sufficient accuracy the available information on the level of resources and electricity demand, presenting, however, specific high volatility.

After comparing the closing price on the OPCOM-organized DAM with spot prices of other European power exchanges in 2013, it is noted that the prices recorded by OPCOM were below the EXAA prices in all intervals, except August and the second half of December.



Intra-Day Market – IDM

The Intra-Day market is part of the wholesale market, where firm hourly transactions with electricity are made, after the DAM, but delivering the day after trading. Although, unlike the previous year, it operated throughout 2013, the Intra-Day Market recorded traded monthly volumes only eight months. The volumes are very small, with a peak in June (4477 MWh) and a minimum in August (0.22 MWh). Comparison with previous year is only relevant in terms of growth of 90.6% of the volumes traded, but as the absolute value of these volumes is very small compared to the volumes traded on any part of the wholesale market, that market has not reached desired maturity; it is expected that implementation of the new regulation approved by ANRE Order no. 73 / 10.10.2013 to increase the liquidity of the market.

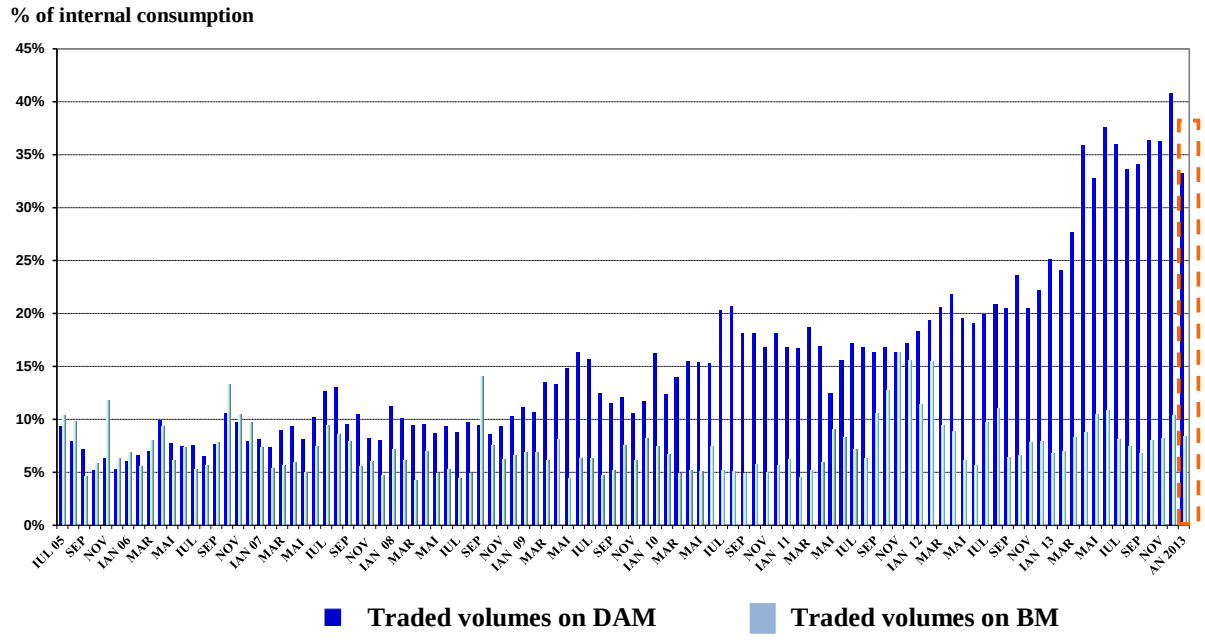
It should be noted that 9.7% of the offer for sale was traded, and 37.0% of registered demand and the total value of transactions in this market in 2013 was approx. 2.75 million Lei, 19.2% higher than 2012.

Balancing Market – BM

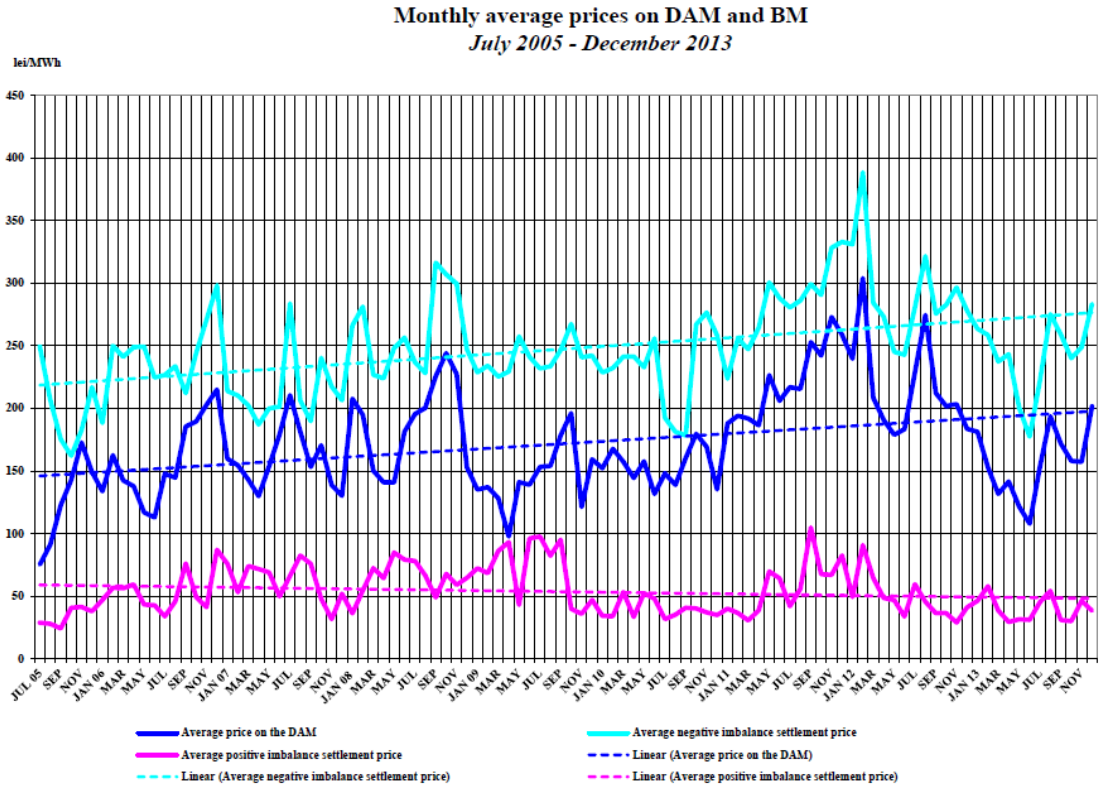
In December 2013, there were 39 producers on this market, with a total of 163 dispatchable units and 114 BRPs were registered. The increase in the number of producers was determined by starting the qualification process as dispatchable units of renewable producers with installed capacity higher than 5 MW.

Total volume traded on the BM in 2013 decreased by 11.5% compared to 2012. 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 2013 is generally correct, Hidroelectrica, the largest provider of system services, operating under a normal hydrologic year; difficulties encountered by the TSO in operating NPS were determined by the increase in production from renewable sources intermittent nature, following the entry into commercial operation of numerous wind farms.

Traded electricity volumes on the DAM and BM



The following graph shows the monthly average prices for imbalance settlement recorded by BRP's (surplus price and deficit price) for July 2005 - December 2013. Average values of settlement prices for 2013 were 242.50 lei/MWh deficit price (about 16.9 % lower than the one registered in 2012) and 40.06 lei/MWh surplus price (about 17.5% lower compared to 2012). These values are determined as an arithmetic average of hourly prices recorded.



In 2013, the additional value resulting from market monthly balancing and BRP imbalance settlement was a cost, except for the months of January, March, August, September, October and December, the aggregate value for the entire period was 14.07 million lei, 23.8% lower than the one recorded in 2012.

The monitoring reports submitted by the TSO in 2013 show that there were recorded transactions periods in which have been ordered cuts of power of wind power 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 regulation possibilities had been exhausted. Information on ordered cuts were published on Transelectrica website at, Transparenţă/Echilibrare şi STS, item 20 of the table.

In 2013, Transelectrica has identified two participants who complied with the obligation of publication of tenders and transactions as a result of exceeding the 40% of the transactions for a particular type of regulation and direction. They are S.C. Hidroelectrica S.A. and S.C. CE Oltenia S.A., and data was published on Transelectrica website at, Transparenţă/Echilibrare şi STS, point 18 of the table.

The Ancillary Services Market

The Ancillary Services Market operates on types of reserves, secondary, fast tertiary and slow tertiary. As the concentration on the Ancillary Services Market is constantly high, the reserve was primarily ensured, in 2013, through regulated contracts concluded between producers qualified for this type of service and the TSO. TSO, to the extent considered necessary,

conducted monthly auctions for the purchase of secondary regulation reserves and slow tertiary, ultimately about 1.5% of the total secondary regulation and 14.2% of the total slow tertiary being ensured through contracts on the competitive market.

Compared to previous year, in 2013, purchase of secondary regulation reserve (SRR) dropped by 4% and of fast tertiary reserve (FTR) by approx. 10%, while for the slow tertiary reserve (STR), the amount increased by approx. 9%; competitive acquisition system during January-June 2013 did not support too much the declared need, as TSO affirmed, falling by 69% for secondary regulation and by 55% for STR compared to 2012, while for FTR no auctions were conducted. Since July 2013, the entire acquisition on the three types of reserves was provided through regulated contracts.

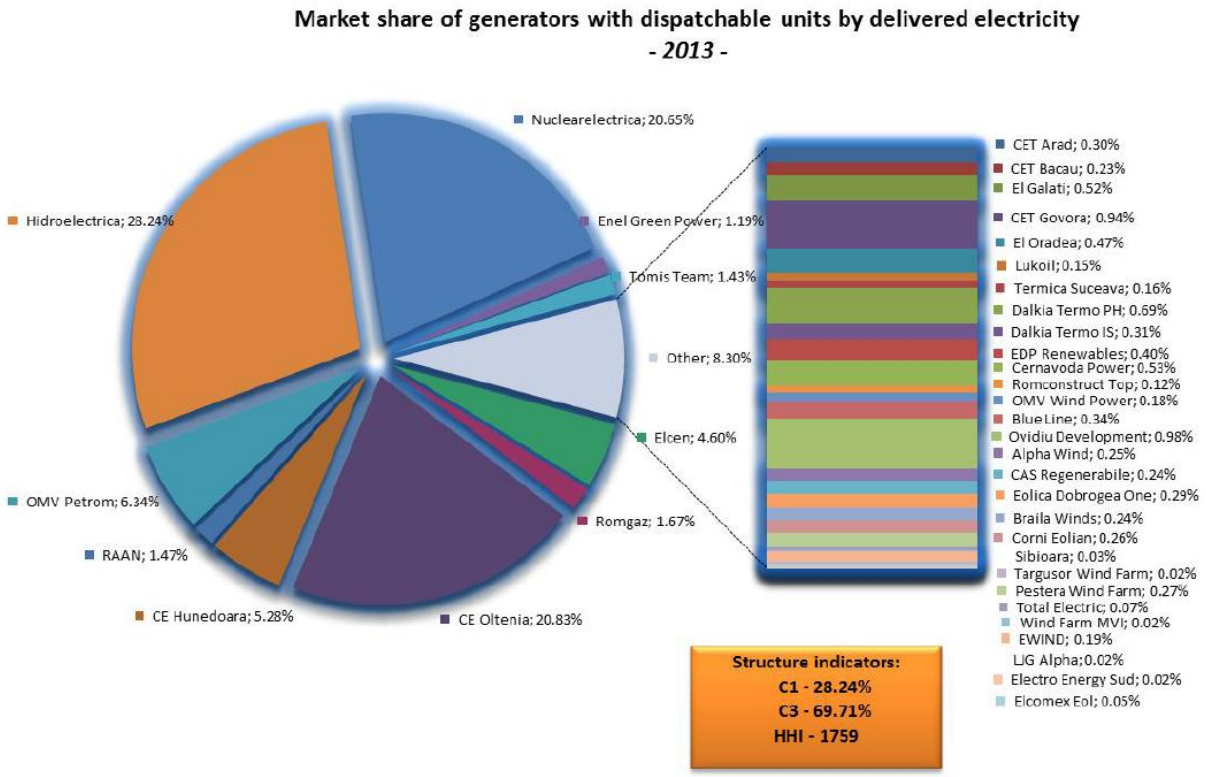
The regulated purchase tariffs for ancillary services in 2013 remained at the level of 2012, except CE Hunedoara producer which during May-December 2013 had a different regulated tariff for STR. Prices resulting from auctions varied from one month to the other between 63.53-78 lei/h*MWh for secondary reserve and 2.5-20 lei/h*MWh for slow tertiary. The total cost of acquiring reserves was about 575 million lei, of which only 3% for competitive acquisition.

In the application of **Regulation (EU) no. 1227/2011 of the European Parliament and of the Council on wholesale energy market integrity and transparency (REMIT**), the *Multilateral Memorandum of Understanding between ACER and national regulatory authorities concerning cooperation and coordination of market monitoring* was signed in July 2013. Also, a working group was organized within ANRE to examine the implementation of the provisions of the Regulation (completing primary legislation, correct identification of potential data providers, informing them of their obligations, registration of market participants, identification of commercial transactions to be monitored, establishing a national framework for cooperation between regulatory authorities in energy, financial markets and competition in the application of the Regulation, establishing communication methods with ACER, additional staff and infrastructure costs for the regulatory authority for data transmission and data confidentiality).

Concentration indicators evolution on the wholesale electricity market

Production

The following figure presents the market shares of producers with dispatchable units in 2013, on the basis of the electricity supplied to the network.



Source: monthly reports of producers

The following table shows the average annual values for 2004-2013 of **C1 structure indicators** (market share of the largest producer market participant, expressed as a percentage) and HHI, determined based on electricity delivered by producers to the networks.

Herfindahl-Hirschman Index (HHI) is the sum of the squares of the market shares.

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

*- the significance of the indicator values is: HHI<1000 non-concentrated market; 1000<HHI<1800 moderate market power concentration; HHI>1800 high market power concentration

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

HHI index value for 2013, determined by annual energy delivered to the network was 1759, slightly below 1800, limit which differentiates moderate concentration markets of those with extreme concentration. Annual market share of the most important producer is 28.24% (calculated using all the energy delivered by component generation groups) and is owned by

hydropower producer, who held the previous years, except 2012, the largest market share; CE Oltenia fell to second place with a share of 20.83%, followed by nuclear producer, ranked third with a share of 20.65%.

The value of concentration indicator C3, calculated as the sum of market shares of the top 3 producers was, in 2013, 69.71%, slightly below the level of 70%, which, according to economic theory and European standards indicate a high concentration of power on the market.

The day ahead market

The HHI concentration indicator on DAM had values that generally indicate lack of buying concentration (monthly values in the 511 - 683); in sales, there is a less concentrated market in the first three months and last two months of 2013, with monthly values of HHI in the 740-961, and in April-October 2013, there is a moderately concentrated market, with the exception of August, when there was an HHI value of 1992

Centralised Market for Bilateral Contracts

Concentration indicators calculated based on energy volumes in delivery, previously contracted, according to contracts attributed by public auctions in the previous sessions, highlight an excessively concentrated market for both types of trading on the centralized market.

The following table shows the **concentration indicators on the centralised market for bilateral contracts**, organized at the market operator OPCOM SA, during 2005-2013.

Concentration indicators on CMBC,
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

Source: OPCOM SA data and interpretation

In 2013, it is noted a decrease of the concentration degree both in selling and buying, due to legislative changes introduced by Law no. 123/2012 on electricity and natural gas which resulted in market participants' migration from the centralized market of bilateral contracts (CMBC) organized at the market operator OPCOM SA.

Participants which established C3 indicator for sale were the big producers, CE Oltenia (traditional sources), Hidroelectrica (hydro sources) and Nuclearelectrica (nuclear sources),

and for purchase, the first three in the hierarchy are suppliers Electrica Furnizare, Tinmar Ind and industrial supplier / consumer ArcelorMittal Galaţi.

Balancing market –BM

The following table presents comparative values of the concentration indicators for 2006, 2007, 2008, 2009, 2010, 2011, 2012 and 2013 determined based on the energy actually delivered by producers on the BM for each type of regulation and direction.

The values of the Balancing market concentration indicators

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

The values of the concentration indicators for 2013 show a dominant participant and an excessive concentration of the balancing market for all types of regulation.

Given the high concentration constantly recorded on the balancing market, ANRE has maintained, in the first eight months of 2013, the upper limit of the tender price in the market to a maximum of 450 lei/MWh. Following the entry into force of ANRE Order no. 60 / 2.08.2013, tender prices on the BM were correlated with the clearing price on DAM, so the price of offers on a hourly interval must be less than or equal to the sum of the DAM clearing price for the given interval and the value of 450 lei/MWh. It is noted that for a producer which has more dispatchable units, tender price variation is limited to a maximum of 250 lei / MWh - limit determined as the difference between the highest price of the offers related to a hourly slot for dispatchable units in the portfolio and the lowest price of offers related to the same time slot for dispatchable units in the portfolio.

The Ancillary Services Market

The following table presents the concentration indicators for the Ancillary Services Market in 2013, regardless of the type of system reserves contracting, which were obtained based on data reported by Transelectrica and producers qualified for this type of service.

2013		Secondary reserve	Fast tertiary reserve	Slow tertiary reserve
Regulated component	Contracted quantity (h*MW)	3,121,380	6,307,200	4,267,144
	C1 (%)	52.0	81.0	53.4
	C3 (%)	99.0	92.6	100

Competitive component	**Contracted quantity (h*MW)**	**45.940**	**0**	**1,007,650**
	C1 (%)	**98.8**	**-**	**40.8**
	C3 (%)	**100**	**-**	**83.3**
	HHI	**9759**	**-**	**2672**

It is noted the high degree of concentration on the secondary reserve determined by participation with approx. 90% of the amount of producers Hidroelectrica and CE Oltenia and that on the slow tertiary reserve, where the contribution of CE Oltenia and CE Hunedoara represented 82%. Also, at the acquisition of fast tertiary reserve, the share of the hydro producer is overwhelming (81%). Monthly auctions for slow tertiary reserve were of interest for thermal producers, of which shares of over 20% were recorded by Termoelectrica, Romgaz and Electrocentrale Galati.

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 2013 the retail market has enabled 62 suppliers, including 9 licensed producers, and 5 are the incumbent suppliers. On the regulated 5 incumbent suppliers operated – 1 state owned and 4 with private majority.

The number of consumers supplied on the regulated market at December 31, 2013 was **8991881** of which **8490691 households** and **501190 non-households.** The provided energy was about **18966 GWh**, representing a decrease of 9% from 2012, in terms of decreasing total final consumption by approx. 5% from the same year, 2012.

Regarding the evolution of the structure of electricity consumption to final consumers, based on data processed by ANRE for 2013, the data presented in the table below shows the following:

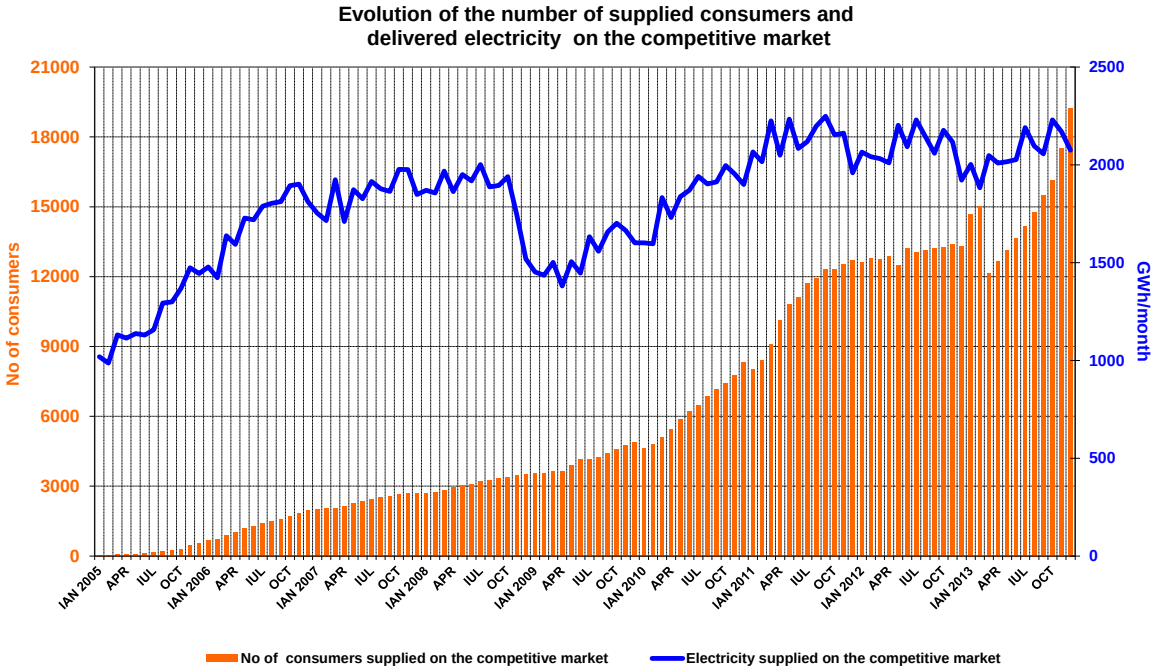
	2008		**2009**		**2010**		**2011**		**2012**		**2013**	
	GWh	**%**	**GWh**	**%**	**GWh**	**%**	**GWh**	**%**	**GWh**	**%**	**GWh**	**%**
Consumers supplied on the regulated market	**23416**	**51**	**23046**	**55**	**23165**	**49**	**20289**	**44**	**20779**	**45**	**18966**	**43**
households	10376	23	10990	26	11246	26	11590	25	11987	26	11670	27
non-households	13040	28	12057	29	10119	23	8699	19	8792	19	7296	17
Consumers supplied on the competitive market	**22414**	**49**	**18536**	**45**	**22075**	**51**	**25525**	**56**	**25105**	**55**	**24805**	**57**
households		0		0		0		0		0		0
non-households	22414	49	18536	45	22075	51	25525	56	25105	55	24805	57
Total final consumption	**45830**	**100**	**41583**	**100**	**43440**	**100**	**45814**	**100**	**45884**	**100**	**43771**	**100**

• final electricity consumption recorded in 2013 decreased by approx. 5% from the level recorded in 2012;
• low levels of household consumption in final consumption, with a decrease of consumption by approx. 3% in 2013 compared to 2012;
• decrease consumption for the non-households who have switched supplier by about 1% in

2013 compared to 2012; an increase of share in final consumption with 2% in 2013 compared with 2012;
• decrease consumption for the regulated non-households by approx. 17% in 2013 compared to 2012.

In December 2013, on the competitive market were **19214 eligible consumers**, electricity supplied to these consumers in 2013 being **24805 GWh**, 1% decrease compared to the same period of the previous year.

The evolution of the number of customers who has changed the electricity supplier is shown graphically from the beginning of the market opening. In 2013 the number has registered strong growth. The electricity supplied ranged from one month to another, recording higher values of approx. 2000 GWh/month, excepting February. 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.



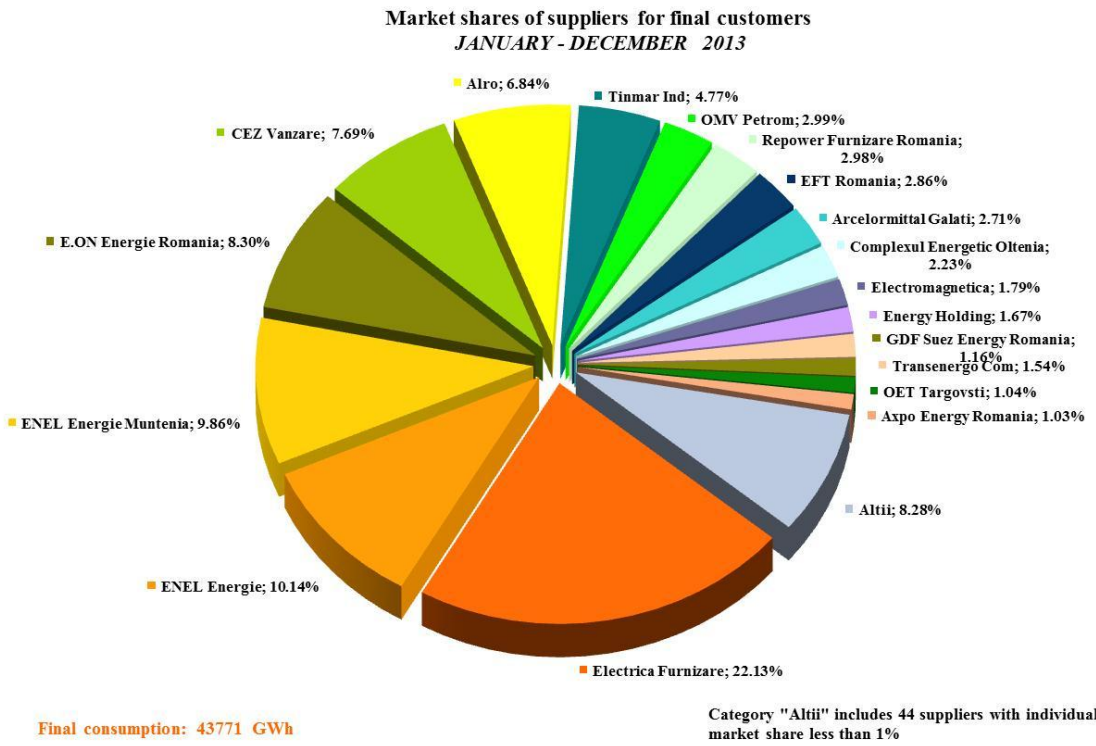
The values of **competitive retail market concentration indicators during 2004-2013**, showed in the following table highlights a positive evolution -downward concentration. Year 2013 is characterized by a non-concentrated market, due to the large number of suppliers who competed in this market and dividing them as market power.

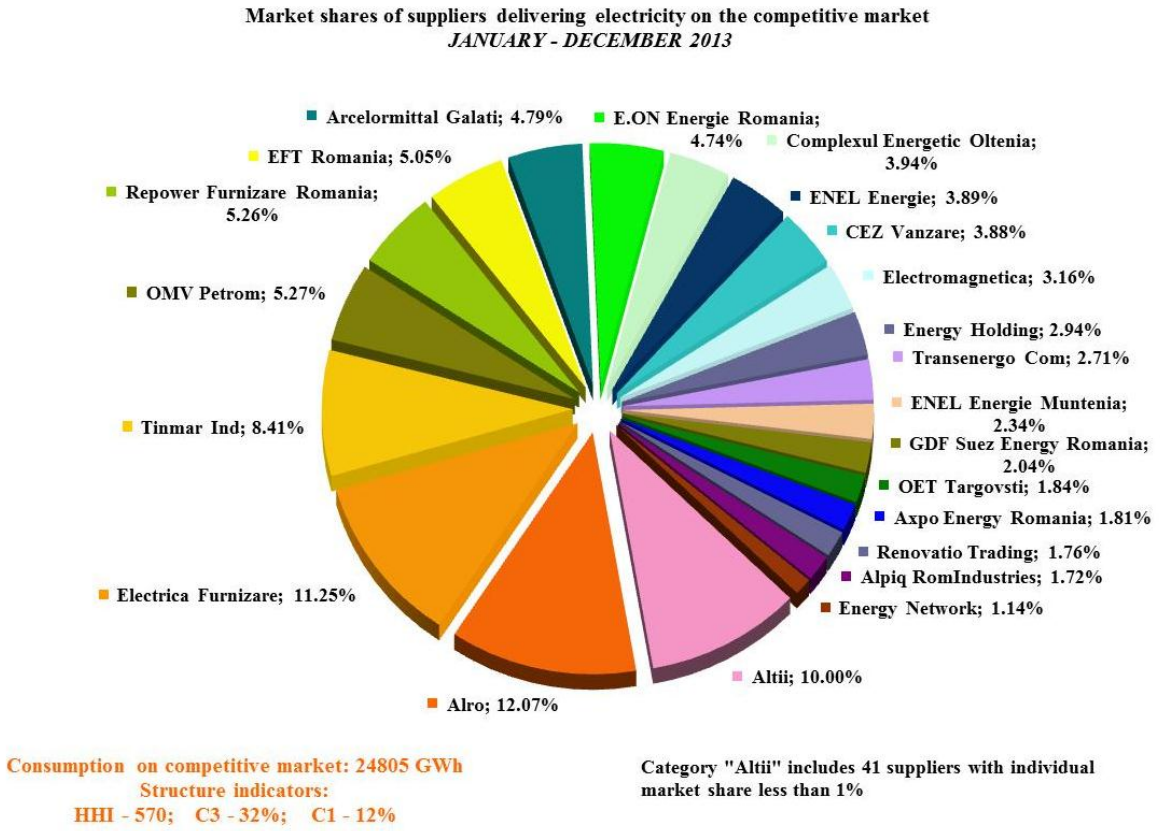
Year	C1 (%)	HHI
2004	62	4323
2005	39	1930
2006	20	885
2007	19	904
2008	17	659
2009	16	669
2010	14	562
2011	13	467
2012	12	530
2013	12	570

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 IE categories; IA, IB, IF categories and others have a moderate level of concentration.

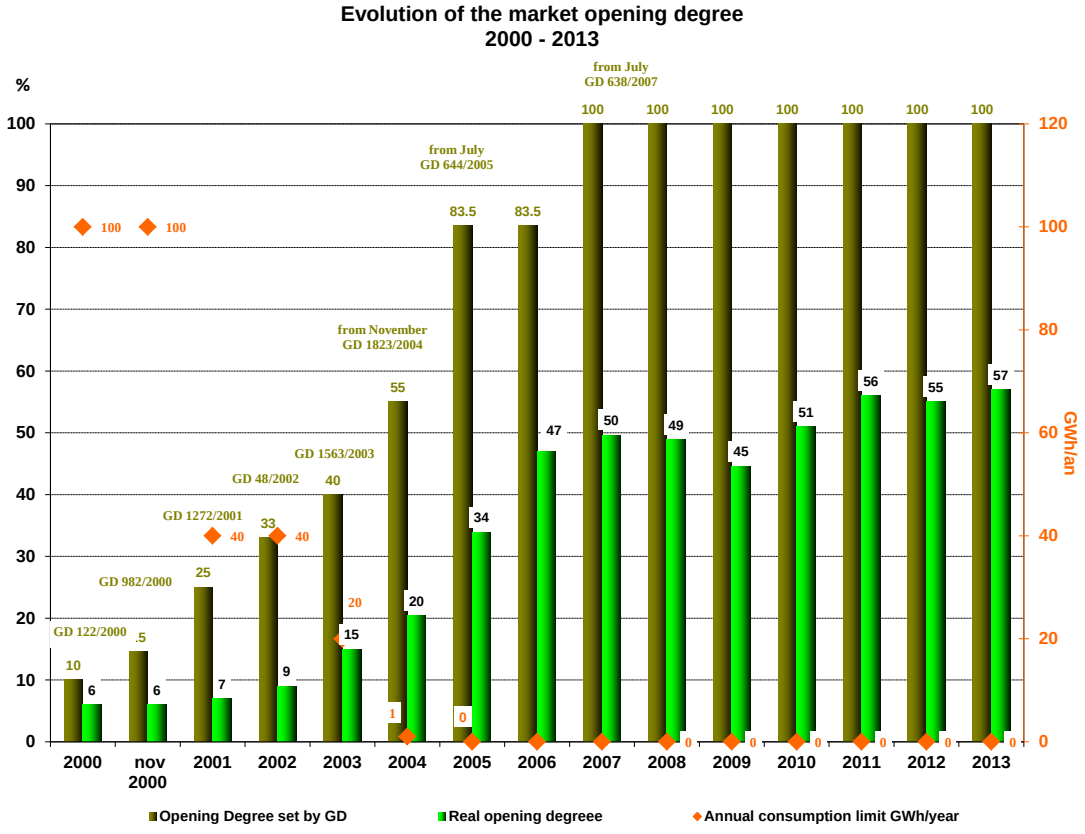
Year 2013	Customers							Total competitive retail market
	IA	IB	IC	ID	IE	IF	Others	
C1 (%)	29	27	24	17	18	18	32	12
C3 (%)	54	54	42	35	28	44	56	32
HHI	1417	1267	974	705	834	1064	1568	570
Consumption (GWh)	42.9	1572	2367	6214	3280	2238	9092	24805
Number of suppliers	34	52	47	47	24	12	17	62
Number of last resort suppliers	5	5	5	5	5	3	3	5
Number of competitive suppliers	24	41	35	37	14	7	7	48
Number of producers	5	6	7	5	5	3	7	9

The market shares of suppliers for final customers and the market shares of suppliers delivering the electricity on competitive retail market for the year 2013 are presented in the following graphs:





In 2013, there is an increase of two percentage points of the actual degree of electricity market opening compared with 2012, representing about 57% of total final consumption. Annual evolution of the degree of opening of the retail market is shown in the following chart:



The switching rate for 2013, 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 2013 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.

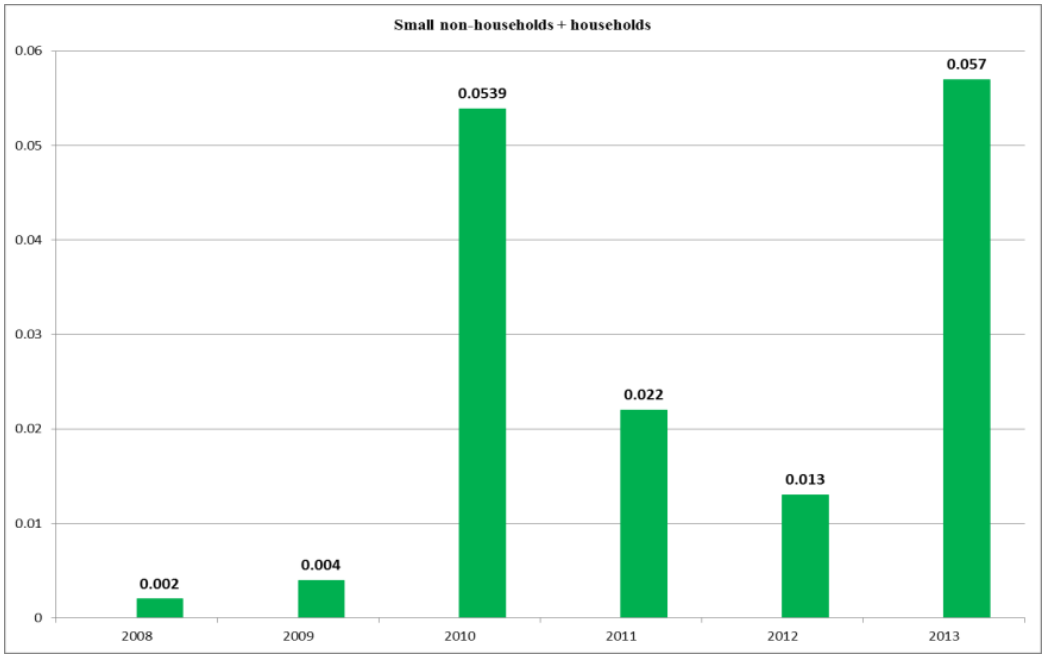
Crt.	Consumer type	The rate of switching the electricity suppliers (%)	
		No. location places	Supplied electricity
1.	Small non-households + Households (contracted power less than or equal to 100 kW)	0.057	1.215
2.	Large non-households (contracted power between 100 kW and 1000 kW)	5.687	9.993
3.	Very large non-households (contracted power higher or equal to 1000 kW)	15.687	17.305
4.	**TOTAL Retail market**	**0.075**	**8.990**

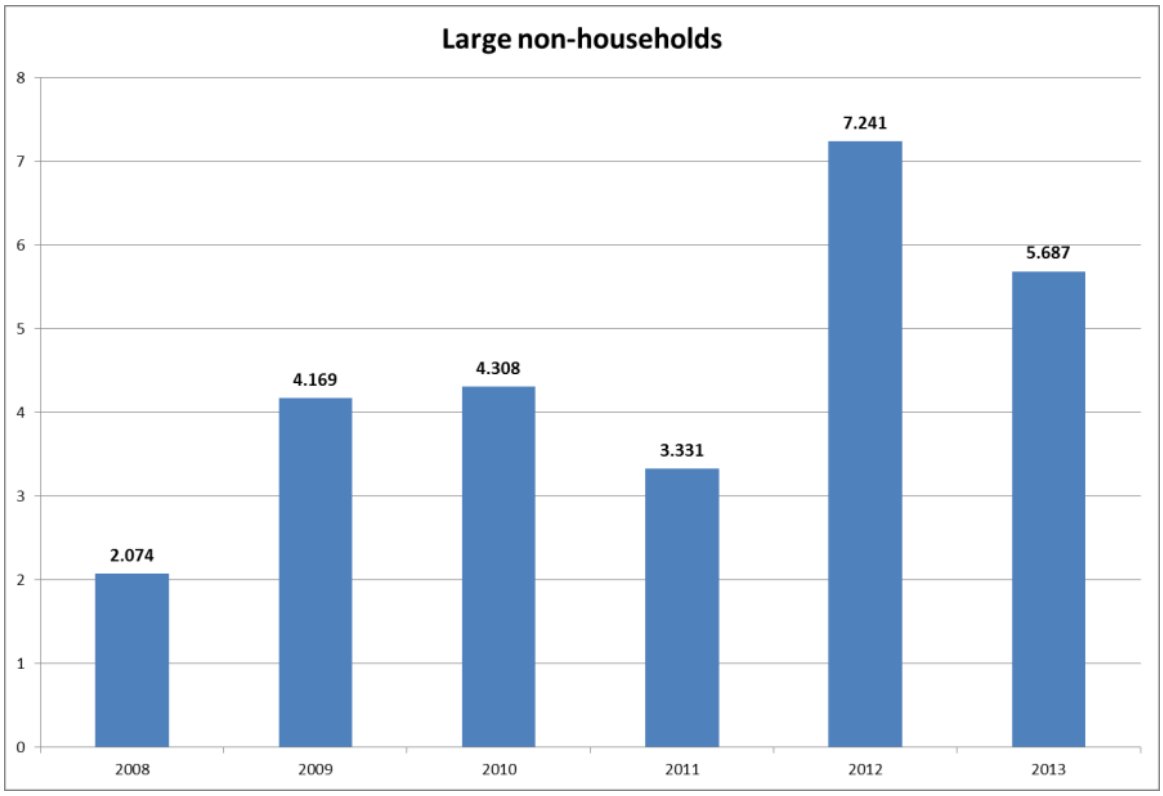
Source: supplier's data, ANRE processing data

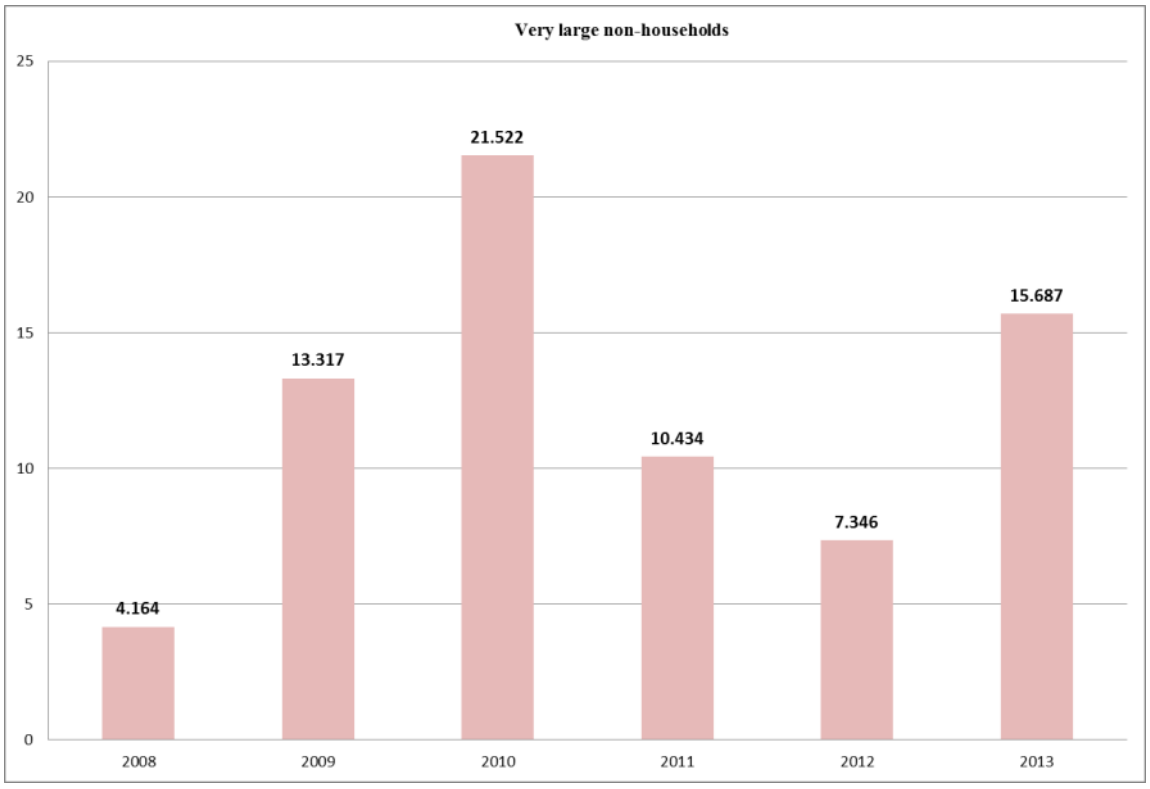
The rate value of switching electricity supplier for the retail market determined on the basis of number of consumer places registered a slight increase compared to values resulted last year, which indicates that migration of consumers from one provider to another was resumed; there can be noticed a tripling 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 registered a doubling as compared with the last year results for small non-households and households category. It is noted a migration from one provider to another of consumers for all the categories of consumers.

The evolution of the number of switching supplier on the number of customer's sites in 2008-2013 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 2013.

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.

Crt.	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)	4	35	81	2515
2.	Large non-households (contracted power between 100 kW and 1000 kW)	5	28	58	1437
3.	Very large non-households (contracted power higher or equal to 1000 kW)	7	13	31	655
4.	**TOTAL PAM**	**4**	**20**	**46**	**990**

Values of market structure indicators calculated for 2013 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 rose to 2012, when its value was 292.82 lei/MWh.

Consumers	Consumtion (MWh)	Average price (lei/MWh)
IA	42885	416.76
IB	1572331	403.35
IC	2366523	368.17
ID	6213644	336.05
IE	3279952	311.50
IF	2237627	293.41
Others	9092131	229.41
Total	24805092	297.34

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. 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.

non-**domestic** consumer categories	Annual consumption in the range **(MWh):**	
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	

The regulated tariffs for electricity supplied in 2013 to the final customers who choose not to change their supplier were established by ANRE Orders no. 53 and no. 54 of 19.12.2012, with effect from January 1st, 2013. The values of these rates nationally increased by 6% compared to the second half of 2012.

The provisions of the Law no. 134/2012 approving Government Emergency Ordinance no. 88/2011 amending and supplementing Law no. 220/2008 on establishing the promotion system of energy production from renewable energy sources are requiring separate billing of green certificates. In the first half of 2013, ANRE conducts an analysis of costs and revenues recorded by suppliers of last resort due to the fact that the regulated tariffs for end customers, approved before the entry into force of Law no. 134/2012, include components for green certificates. Therefore, by ANRE Orders no. 40 and no. 41 of 21.06.2013, with effect from July 1st, 2013, regulated tariffs were adjusted and nationally decreased by 1.3%. Regulated tariffs applicable in 2013 have been established and approved by ANRE according to the *Methodology of establishing prices and tariffs for end users who do not use their eligibility right*, approved by ANRE Order no. 30/2012.

Competitive Market Component - CMC tariffs

According to 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 elgibility right was adopted.

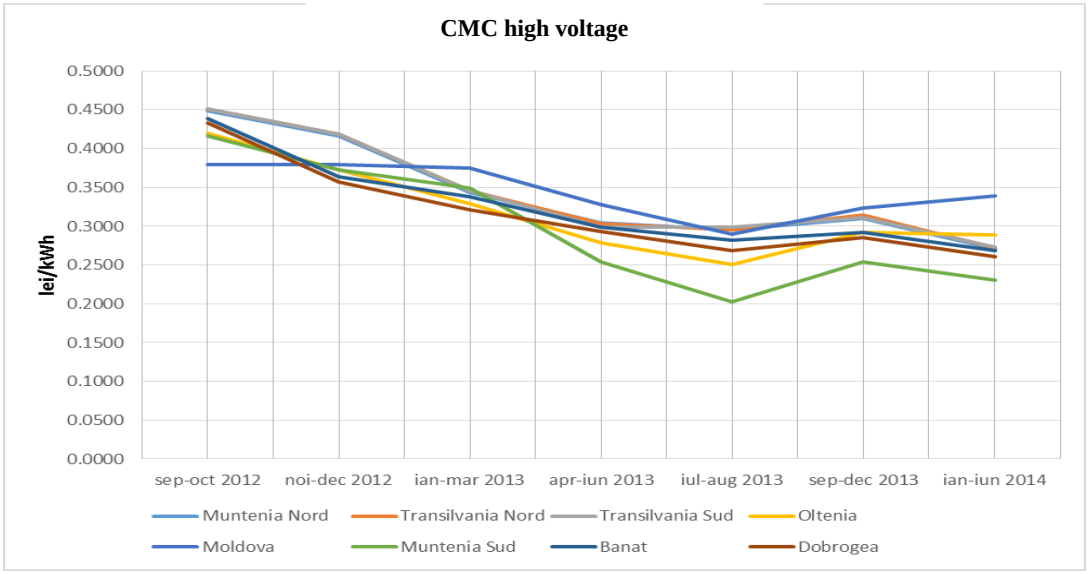
According to the roadmap, there have already gone through five stages of phasing out regulated tariffs, the percentage of purchasing electricity from the competitive market for end customers who have not choose to change supplier are:

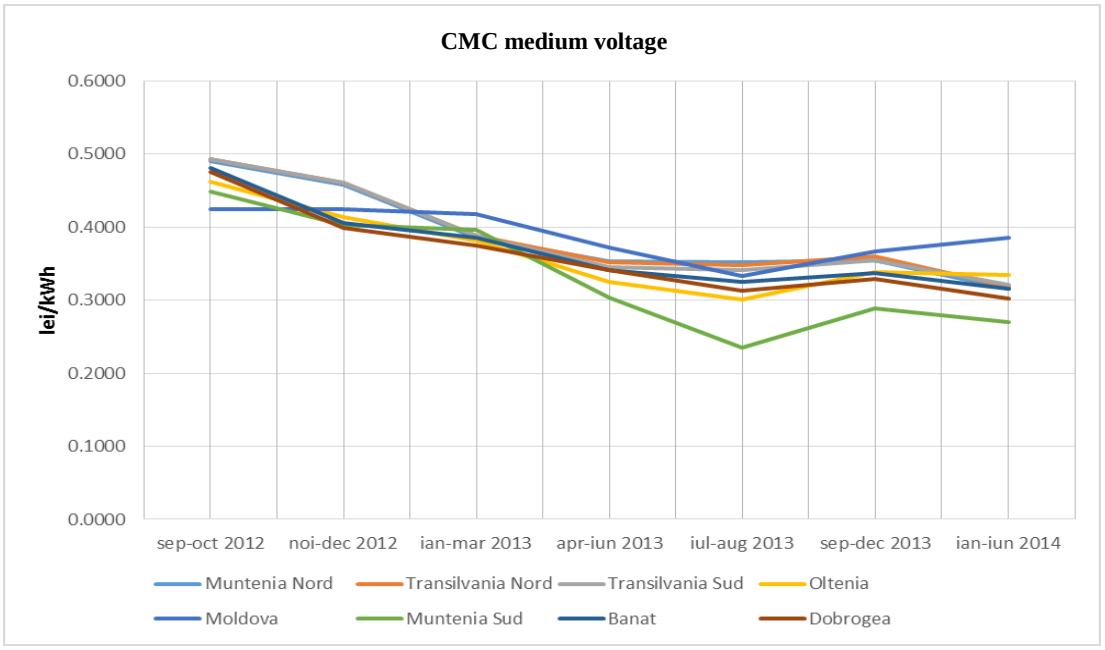
- 15% of non-households consumption (the period 01.09.2012 - 31.12.2012); this period was split on two sub-stages, due to extreme weather conditions, generating a force majeure clause enabled by the producer SC Hidroelectrica S. A. and rising trading prices on DAM, CMBC and BM, distinct values of the CMC tariff being approved for the period September-October 2012 and November-December 2012;
- 30% of non-households consumption (the period 01.01.2013 - 31.03.2013);
- 45% of non-households consumption (the period 01.04.2013 - 30.06.2013);
- 65% of non-households consumption (between 07.01.2013 - 31.08.2013);
- 85% of non-households and 10% of households consumption (between 01.09.2013 - 31.12.2013).

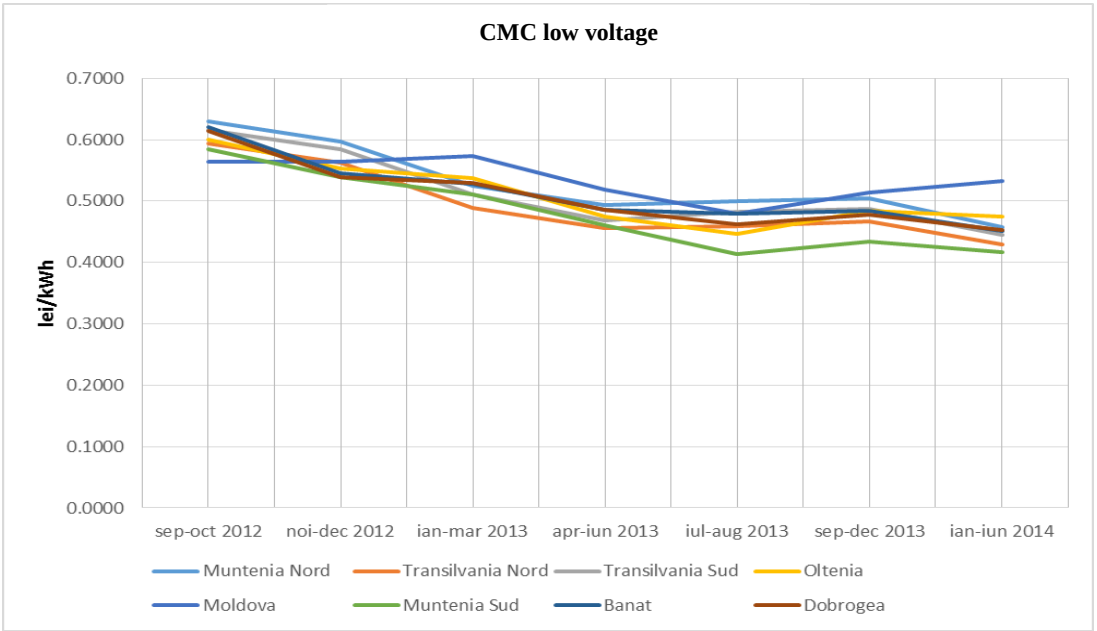
For each step of removing regulated tariffs in 2013, the values of the CMC tariffs have been endorsed by ANRE according to the *Methodology of pricing and tariffs for final consumers who are not using their eligibility right*, approved by ANRE Order no. 30/2012.

Starting with 01/01/2014, according to the roadmap for phasing out regulated tariffs, **the percentage of buying electricity from the competitive market** becomes:
- 100% of consumption for non-households who have not used their eligibility right,
- 20% of consumption for households who have not used their eligibility right.

Based on the *Methodology for monitoring of the regulated electricity market*, approved by **ANRE Order no. 68/2013**, the first monitoring report on the regulated market (for the third quarter of 2013) was drafted. Also reports for the fourth quarter of 2013 and the full year 2013 were issued. Evolutions of CMC tariffs for high, medium and low voltage are shown in graphs and table below:


CMC high voltage
lei/kWh
0.5000
0.4500
0.4000
0.3500
0.3000
0.2500
0.2000
0.1500
0.1000
0.0500
0.0000
sep-oct 2012
noi-dec 2012
ian-mar 2013
apr-iun 2013
iul-aug 2013
sep-dec 2013
ian-iun 2014
Muntenia Nord
Transilvania Nord
Transilvania Sud
Oltenia
Moldova
Muntenia Sud
Banat
Dobrogea


CMC medium voltage
lei/kWh
0.6000
0.5000
0.4000
0.3000
0.2000
0.1000
0.0000
sep-oct 2012
noi-dec 2012
ian-mar 2013
apr-iun 2013
iul-aug 2013
sep-dec 2013
ian-iun 2014
Muntenia Nord
Transilvania Nord
Transilvania Sud
Oltenia
Moldova
Muntenia Sud
Banat
Dobrogea


CMC low voltage
lei/kWh
0.7000
0.6000
0.5000
0.4000
0.3000
0.2000
0.1000
0.0000
sep-oct 2012
noi-dec 2012
ian-mar 2013
apr-iun 2013
iul-aug 2013
sep-dec 2013
ian-iun 2014
Muntenia Nord
Transilvania Nord
Transilvania Sud
Oltenia
Moldova
Muntenia Sud
Banat
Dobrogea

Based on the *Methodology of establishing prices and tariffs for end customers who do use their eligibility right*, approved by ANRE Order no. 82/2013, regulated tariffs for household consumers for 2014 were maintained at values approved by ANRE Order no. 40/2013 and ANRE Notices no. 56-60 / 20.12.2013 endorsed CMC tariffs for step 6 of phasing out road-map (period 01.01.2014 - 30.06.2014).

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
- Household customers who have not used the eligibility right is 20% of consumption.

Based on the *Methodology of monitoring regulated electricity market*, approved by **ANRE Order no. 68/2013** the first monitoring report on the regulated market (for the third quarter of 2013) was developed, as well as reports for the fourth quarter of 2013 and whole 2013.

Based on processing monitoring data for the year 2013 received from the five largest suppliers of last resort, structure of regulated retail electricity market can be characterized by the following indicators:

a) number of consumer sites for end customers who did not use their eligibility right

Last resort supplier	**No. of consumer sites**				
	Total	**Non-household**	**Household**		
			Household total	**Of which with social tariff**	**[%] Household with social tariff/total household**
SC Electrica Furnizare SA	3532304	196939 6%	3335365 94%	377277	11.31
SC ENEL Energie SA	1473361	88257 6%	1385104 94%	119206	8.61
SC ENEL Energie Muntenia SA	1167786	61615 5%	1106171 95%	24251	2,19
SC CEZ Vânzare SA	1395851	73717 5%	1322134 95%	222680	16.84
SC E.ON Energie România SA	1422579	80662 6%	1341917 94%	324461	24.18
TOTAL	**8,991,881**	**501,190 6%**	**8,490,691 94%**	**1,067,875**	**12.58**

b) quantities of electricity sold by suppliers of last resort on the regulated market (to end users who have not used their eligibility right) in 2012 and 2013, broken down by categories of customers and consumption (consumption billed at regulated tariffs and consumption billed at CMC tariff)

Selling structure of LRS for consumption billed at regulated tariffs (GWh)	2012	2013	[%]consumption variation 2013 vs 2012
Non-household sell	8 358 (41.1%)	3 279.6 (22.8%)	-60.76%
Household sell	11 992 (58.9%)	11 090.9 (77.2%)	-7.51%
Total sell	20 349.8 (100%)	14 370.5 (100%)	-29.38%
Selling structure of LRS for consumption billed at CMC tariff (GWh)	**2012**	**2013**	**[%]consumption variation 2013 vs 2012**
Non-household sell	430.2 (100%)	4 016.7 (87.4%)	833.76%
Household sell	0.00	578.70 (12.6%)	0.00%
Total sell	430.2 (100%)	4 595.40 (100%)	968.29%
Selling structure of LRS for consumption on regulated market (GWh)	**2012**	**2013**	**[%]consumption variation 2013 vs 2012**
Non-household sell	8 788.14 (42.3%)	7 296.33 (38.5%)	-16.98%
Household sell	11 991.79 (57.7%)	11 669.63 (61.5%)	-2.69%
Total sell	20 779.93 (100%)	18 965.96 (100%)	-8.73%
Of which with social tariff	712.2 (5.9% of the total household consumption)	697.4 (6% of the total household consumption)	-2.08%

The evolution of the average prices billed to households and non-households in 2012 and 2013 is the following:

	Household consumer			Non-household consumer		
	Price without taxes	**Price with taxes**	**Network tariff**	**Price without taxes**	**Price with taxes**	**Network tariff**
	lei/MWh	lei/MWh	lei/MWh	lei/MWh	lei/MWh	lei/MWh
2012	365.24	482.43	213.83	361.37	468.37	123.02
2013	400.11	581.31	232.74	364.45	534.42	134.35

The selling price for consumer categories listed in the table below resulted from the synthesis of data for eligible customers and those who have not opted to change the supplier.

Type of consumer	Euro/MWh				
	Network tariff	**Taxes for network tariffs**	**Energy acquisition price**	**Taxes**	**Total price**
Household consumer with an annual consumption between 1000 and 2500 kWh/year	52.5	-	39.1	38.6	130.2
Commercial consumer with an annual consumption between 500 and 2000 MWh/year	32.6	-	49.4	36.5	118.5
Medium industrial consumer with an annual consumption between 2000 and 20000 MWh/year	24.7	-	46	32.9	103.6
Industrial consumer with an annual consumption between 20000 and 70000 MWh/year	20.2	-	41.8	31.6	93.6

Annual exchange rate for Euro: 4,4190 RON

Source: Eurostat

An obvious effect of the process of deregulation of electricity prices was recorded in the first quarter of 2014 when the number of non-household customers registered at regulated tariffs fell by 23% as a result of their migration in the competitive market.

3.3. Security of supply

In accordance with Electricity and Natural Gas Law no. 123/2012, art. 24 in case of unexpected situations of crisis in the energy market and where physical safety or security of persons, appliances, installations or system integrity is threatened, TSO may propose ANRE and 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.

In 2013 there were no such situations of crisis in the energy market.

3.3.1 Monitoring balance between supply and demand

In accordance with Electricity and Natural Gas Law no. 123/2012, 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.

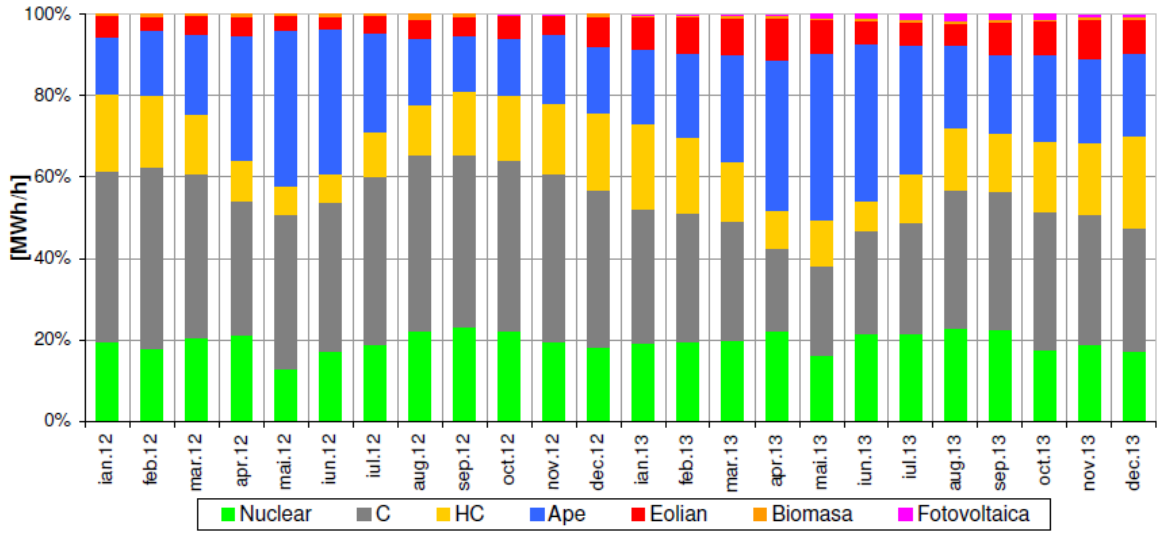
During 2013, there was no crisis in the electricity market.

2.2.3.1 Monitoring balance between supply and demand

Throughout 2013, there was a decline in gross domestic consumption of 4.4% compared with 2012, while production had decreased by 0.6%. Regarding the mix of resources, once the

wind power installed capacity increased, the default share in production mix increased also, leading in 2013 to over 8% of total production. Also, there is an increase in the hydrocarbon production due largely to CECC Petrom SA, and in the production of hydroelectric power (hydropower situation was better in 2013, unlike previous year, when, because of the drought, Hidroelectrica had to activate the force majeure clause, which resulted in the reduction of contracts to suppliers). Also, an increase in production of photovoltaic electricity due to increased installed capacity was recorded.

Electricity generation – monthly structure of resources 2012-2013



Source: CN Transelectrica SA

In 2013, electricity production, including internal services of producers and network losses, was 58.7 TWh, about 0.6% lower than in 2012. The domestic consumption was about 56.65 TWh, with about 5% lower than in 2012. Romania was a net exporter of electricity during 2013, import-export balance is negative (- 2.012 TWh).

In 2013 the tendency to increase the contribution of wind power plants (from 5% of total production in 2012 to about 8% of total production in 2013) was maintained. It is remarkable also the increased production of photovoltaic (from 0.01% in 2012 to 0.70% in 2013) due to the increase in installed capacity. Instead, the production in coal power plants decreased, from 40.35% in 2012 to 29.65% in 2013.

The maximum value of consumption in 2013 was lower than the maximum values recorded in 2012 and 2011. Thus maximum gross consumption was 9158 MWh / h and was registered on December 19, 2013 at 19:00. The minimum value of consumption (3648 MWh / h) was recorded in May 6th, 2013 at 6:00 am.

The sum of the net maximum installed generation capacity of individual plants at 31.12.2012 was 20.082 GW. Net available power and consumption values on the third Wednesday of the month at 11am CET (net values) are shown below.

2013 (MW)	Jan	Feb	March	Apr	May	Jun	July	Aug	Sept	Oct	Nov	Dec
Net available power	**18914**	**18956**	**19076**	**19152**	**19152**	**19179**	**19375**	**19375**	**19375**	**19824**	**19900**	**20082**
Consumption	**7568**	**7248**	**6422**	**6224**	**5933**	**6597**	**5995**	**6120**	**5817**	**6142**	**6501**	**7427**

Source: CN Transelectrica SA

Park production 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 production park can provide available power because groups are periodically removed from exploitation service 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 2013-2030), the forecast of the net generation capacities and of the electricity consumption in Romania based on 3 scenarios is presented below:

Scenario A	**2014**		**2015**		**2016**		**2020**		**2025**	
	Jan. 19:00 pm	**July 11:00 am**	**Jan. 19:00 pm**	**July 11:00 am**	**Jan. 19:00 pm**	**July 11:00 am**	**Jan. 19:00 pm**	**July 11:00 am**	**Jan. 19:00 pm**	**July 11:00 am**
Net generation capacity (GW)	20.15	20.76	21.41	21.41	21.38	21.38	21.70	21.70	22.15	22.15
Consumption (GW)	7.87	6	7.97	6.10	8.15	6.3	8.87	7.10	9.8	8.10

Scenario B	**2014**		**2015**		**2016**		**2020**		**2025**	
	Jan. 19:00 pm	**July 11:00 am**	**Jan. 19:00 pm**	**July 11:00 am**	**Jan. 19:00 pm**	**Julie 11:00 am**	**Jan. 19:00 pm**	**July 11:00 am**	**Jan. 19:00 pm**	**July 11:00 am**
Net generation capacity (GW)	20.15	20.76	21.41	21.41	21.75	21.75	25.96	25.96	26.88	26.88
Consumption (GW)	7.87	6	7.97	6.10	8.15	6.30	8.87	7.10	9.80	8.10

Scenario EU 2020	**2020**	
	Jan. 19:00 pm	**July 11:00 am**
Net generation capacity (GW)	25.19	25.25
Consumption(GW)	10.40	8.96

3.3.2. Monitoring investments in generation capacities in relation to security of supply

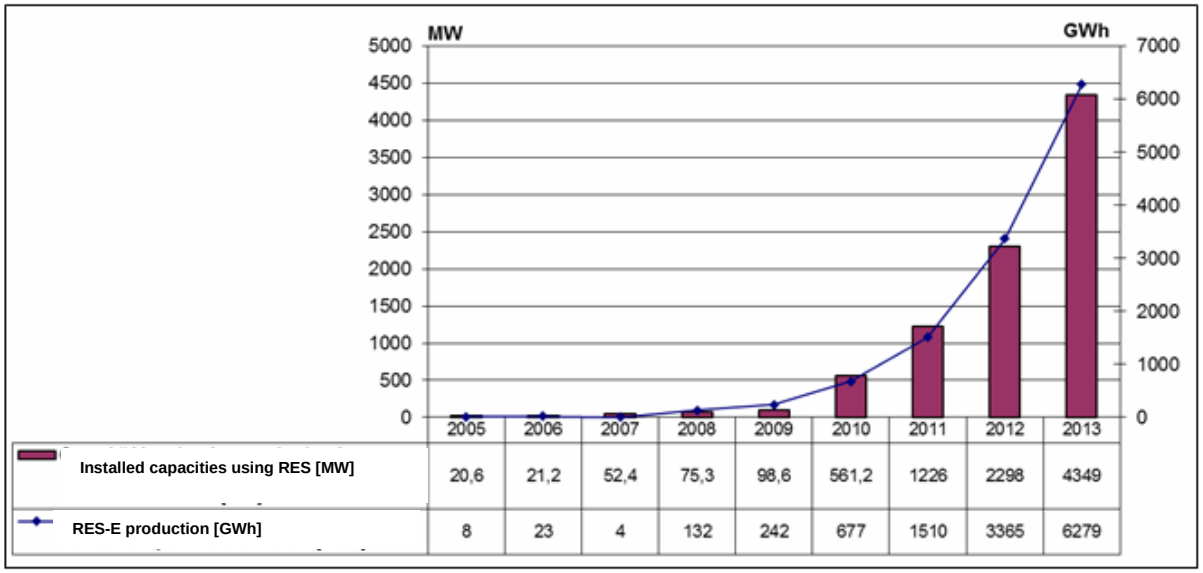
The establishment of new generation capacities and rehabilitation of existing ones is done under authorisations issued by ANRE. Authorisation and licensing procedure and the conditions of granting: criteria, power levels, approvals, differentiated by power category and activities are specified in the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

In 2013, 381 establishment authorisations were granted (photovoltaic plants – 312, wind farms – 34, hydrocarbons power plants – 12, hydro power plants – 18, power plants using biogas – 2, power plants using biomass – 3) 97% being awarded to units of production using renewable sources.

At the end of 2013, the installed power in authorized capacities of RES-E was 4349 MW (increasing by 47% compared to 2012). Structure of total installed power capacity by type of technology was as follows:

- 2594 MW installed power in wind farms;
- 531 MW installed power in hydro power plants;
- 66 MW installed power in power plants using biomass, including power plants using waste and power plants using waste and sludge digester gas from wastewater treatment plants;
- 1158 MW installed power 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 2005-2013.



	2005	2006	2007	2008	2009	2010	2011	2012	2013
Installed capacities using RES [MW]	20,6	21,2	52,4	75,3	98,6	561,2	1226	2298	4349
RES-E production [GWh]	8	23	4	132	242	677	1510	3365	6279

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.**

On 04.06.2013 Emergency Ordinance of the Government no. 57/2013 amending and supplementing *Law no. 220/2008 on the establishment of promotion system for the production of energy from renewable sources*, with effect from July 1st 2013 was adopted. This introduced the following main changes:

1. Between July 1st, 2013 - March 31, 2017 granting of a number of green certificates based technology is temporary postponed as follows:
- a green certificate for new hydroelectric plants with installed capacity of 10 MW;
- a green certified for wind power;
- two green certificates for solar power plants.

Recovery of postponed green certificates will be done starting with April 1st, 2017 for new hydroelectric power plants and solars power plants, respectively from January 1, 2018 for wind power plants, until 30/12/2020 at the latest.

2. Limitation of the accreditation groups / power plants that benefit from green certificate promotion system up to the amount of total annual installed capacity of power plants producing energy from renewable sources for each year established by Government decision, based on updated National Action Plan on Renewable Energy;

3. The right for the network operators to require financial guarantees when issuing the technical connection permit;

4. 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;

5. The system to promote electricity from RES will be not applied to photovoltaic plants located on July 1, 2013 on land that was in agricultural use;

6. No application of the system for the promotion of E-RES for quantities of electricity supplied by the dispatchable units additional to the quantities of electricity specified in the hourly notifications sent by E-RES producers to TSO;

7. Electricity produced from renewable energy sources supported through the promotion system may be sold through regulated contracts, according to regulations issued by ANRE.

On the 26th of June 2013 *Government Emergency Ordinance no. 79/2013 amending and supplementing Law no. 138/2004 on land improvements, supplementing Government Emergency Ordinance no. 82/2011 on certain measures of organization of land improvement and amending subparagraph e) of paragraph (6) of Article 3 of Law no. 220/2008 on the establishment of promotion system for the production of energy from renewable sources*, with effect from 29/06/2013 was adopted. This introduced the amendment on the non-application of promotion system for electricity of photovoltaic plants located on lands which at December 31st, 2013 were used in agriculture.

Based on the *Report on the analysis of over-compensation for green certificate system promotion of energy from renewable sources in 2012*, on 11/12/2013 the *Government Decision no. 994/2013 on approving measures to reduce the number of green certificates in the cases provided for in art. 6 para. (2) a), c) and f) of Law no. 220/2008* was adopted. Through this there have been made changes in the support scheme established by Law, with effect from 01.01.2014.

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.

Both producers operating in the production of electricity and heat as well as consumers who have low power cogeneration plants and micro and delivers some of the electricity produced

in electric networks it they use electricity and heat produced mainly for own consumption and have measuring groups legally compliant are eligible for the support scheme.

Support scheme is not granted for the amount of electricity produced from high-efficiency cogeneration plants that is not delivered to the power grid.

For the 37 producers concerned, the total amount of electricity produced in high efficiency cogeneration which received bonus for the period January to December 2013 was 5654 GWh (down by 5.89% compared to 2012).

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

Source: CN Transelectrica SA - Projects of common interest

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. Reşiţa (RO) – Pancevo (Serbia);
- LEA 400 kV Porţile de Fier – Reşiţa and development of the power station 220/110 kV Reşiţa by the a new building of 400 kV;
- Pass to 400 kV of LEA 220 kV d.c. Reşiţa –Timişoara – Săcălaz – Arad, including the building of the power stations 400 kV Timişoara 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 analyzed. LEA 400 kV Suceava (RO) - Balti (Moldova) will increase the transmission capacity provided by the LEA 400 kV Isaccea (RO) - Warsaw (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 Commission in the first list of projects of common interest (PCI), forming, along with three draft lines and stations in Bulgaria, "Bulgaria-Romania group, increasing capacity." Transmission related projects in the east section (Dobrogea) included in the development plan for the next ten years are as follows:

- LEA 400 kV d.c. Smârdan – Gutinaş;
- LEA 400 kV d.c. Cernavodă - Stâlpu, circuit input/output in Gura Ialomiţei, that will be continued with LEA 400 kV Stâlpu – Braşov;
- 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 Electricity and Gas Law no. 123/2012, 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 Electricity and Natural gas Law no.123/2012;
- 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 National Gas Transmission Company "TRANSGAZ" - SA Medias, maintaining the cancelling clause, the certification is conditional upon, the time limit is 6 months, the measures provided for in the order. ANRE order was communicated to the European Commission.

Also, during the year 2013, **ANRE Decision no. 2052/12.07.2013** was issued for preliminary certification of the Company Nabucco Gas Pipeline International GmbH as transmission system operator for the Romanian section of the Nabucco pipeline, the decision was published in the Official Gazette of Romania, Part I, no. 430 of 15 July 2013.

Distribution operators are distribution licensee that is specific to the natural gas distribution activity in one or more areas delineated. At the end of 2013, 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.

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 endorsment, 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 and SC South DISTRIGAZ S.A. (later SC GDF SUEZ ENERGY ROMANIA etc.).

Regarding the legal unbundling obligation for underground storage, the requirement was performed by the storage operator SC Depomureș S.A. The legal unbundling of the latest storage operator - SNGN ROMGAZ S.A. is still on-going.

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 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.

Among the important changes promoted under this order, the followings are the most important:
• updating the terms used in the Network Code according to the changes imposed by Electricity and Natural Gas Law no. 123/2012;
• supplement the provisions relating to the review of proposals for amendments submitted by the natural gas operators by including Working Group, whose membership is determined by ANRE, which is tasked to formulate views on the proposals for amendments received ;
• definition of a Virtual tradin Point (VTP) and the framing procedure of VTP;
• detailing the process for the capacity reservation in case of request for short-term transportation services;
• detailed description of the allocation principles of the gas quantities at entry/exit points to/from National Transmission System;
• correction of reported failures in congestion management procedures;
• completing commercial balancing procedures so as to consider the effects of using VTP;
• changing the tolerance limits allowed for imbalances accumulated in the situation of surplus supply in the National Transmission System;
• assuming, in a separate annex, the tariffs related to the activities described in the Network Code for National Transmission System and consequently repeal ANRE Order no. 31/2010 regarding the approval of tariffs provided in Annex. 10 of the Network Code, approved by ANRE Order no. 54/2007, and the purchase price of the natural gas delivered as the surplus to the national transmission system;
• specifying the applicability under test values for imbalance tariffs until and no later than July 1st, 2014.

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 instalations 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 strandard requirements and other regulations referring to the distribution service,

f) Solving consumer's petitions regarding DSO activity.

For **natural gas supply activity**, the Performance Standard sets the commercial quality criteria, defined by performance indicators for ensuring the natural gas supply service, as well as for establishing the reporting needs for the suppliers (ANRE Order no. 37/2007).

The supply performance standard sets up performance indicators for the following activities:

a) Natural gas contracting,

b) Billing the supplied quantities of natural gas,

c) Solving consumer's petitions regarding the quality of the supplied natural gas,

d) Informing consumers according with the requirements of the performance standard ,

e) Solving consumer's petitions regarding the non-observance by the supplier of the requirements of the performance standard ,

f) Solving other petitions of the consumers.

4.1.3. Network tariffs for connection and access. Underground storage tariffs

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

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

The pricing system for **transmission** contains a set of *revenue cap* tariffs, through which total regulated revenue is established that covers all the costs related to a year activity of the regulatory period.

The tariff for transmission through the national transmission system is unique, with a binomial structure:

$$Tt = RCt + Vt$$

where:
Tt – transmission tariff
RCt – fixed component for booking of capacity in the transmission system, expressed in lei / MWh
Vt – volume-related component for the use of the transmission system, expressed in lei /MWh.

The fixed component for the booking of capacity in the transmission system covers fixed costs, related to the development of the transmission system capacity. The volume-related component for the use of the transmission system covers the costs generated by the use of the system, including the costs generated by the performance of services ancillary to the use of the system.

Starting with April 1st, 2013, transmission tariffs by the type of service have been introduced, as follows: firm services for contracts longer than one year, interruptible service for contracts longer than one year, firm service for contracts lasting less than one year, differentiated by day, month and quarter and backhaul services. After June 30, 2013, the firm services for contracts lasting less than one year are differentiated by quarters.

These tariffs are introduced for the first time in Romania, according with the provisions of *Regulation (EC) no. 715/2009 of the European Parliament and of the Council on conditions for access to the natural gas transmission networks*. Also, it started the development of the **Methodology for approving and setting tariffs in the transport of natural gas on entry-exit points**, so as the methodology to be in force starting with August 1st, 2014.

In accordance with art.13 of *Regulation (EC) no. 715/2009 of the European Parliament and of the Council on conditions to access the natural gas transmission networks*, and later of *Regulation (EU) no. 347/2013 the European Parliament and of the Council on guidelines for trans-European energy infrastructure*, for the third regulatory period, it is established an incentive of 1.4% more than the regulated rate of return on capital (7.72%) for categories of tangible and intangible assets prudently conducted by licensed operators in this period, in order to increase efficiency, improve market integration and security of supply and support the related research activities.

The tariff system for distribution activity includes differentiated tariffs on consumer and homogeneous distribution systems based on technical features and operating mode of each distribution system.

For 2013, the categories of consumers for which the regulator establishes differentiated distribution tariffs are the following:

B. Final consumers 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.

In 2013, it was introduced the *proximity distribution tariff* for customers who meet cumulatively the following conditions:
• are industrial customers and have a viable solution in terms of technical and economical connection to the NTS;
• are located at a distance of up to 1 km, in a straight line from the NTS;
• are fed by pipelines operating at pressures greater than or equal to 0.4 MPa;
• have a minimum annual consumption of 250,000 MWh.

For the distribution activity, a regulated unit income is determined to cover unit costs for one year of the regulatory period.

Distribution tariffs are monomial and quantify fixed and variable costs related to carrying out 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 license'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 and/or to innovate the natural gas distribution systems and increase efficiency in operation and maintenance.

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.

The regulated prices are set separately for the following categories of final customers, as follows:
a) For domestic customers and producers of heat, only for the amount of natural gas used to heat production 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 production 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;
Pf – 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	0.64	0.64	0.64	0.64
Distribution Tariff	1.39	1.63	1.64	1.64

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

The tariffs are established for each underground storage and have the following structure:

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

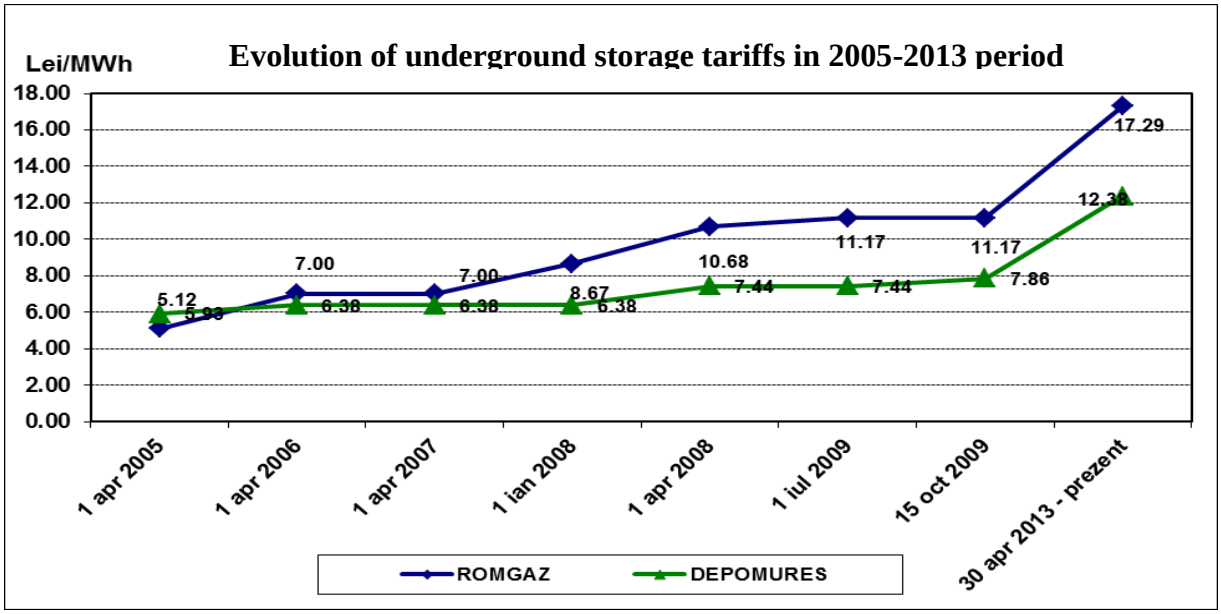
Where:
T(ds) – underground storage tariff
RC(ds) – fix component for booking the capacity into the underground storage, in lei /MWh/complete storage cycle
I(ds) – volume component for natural gas injection into the underground storage, in lei /MWh;
E(ds) – volume component for natural gas extraction from the underground storage, 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 2013 were:

Price component	U.M.	National Gas Company Romgaz S.A. Mediaş	"Depomureş"Company - S.A. Târgu Mureş
Fixed component for capacity booking	Lei / MWh / complete cycle storage	13.12	8.01
Volumetric component for gas injection	Lei / MWh	2.37	3.10
Volumetric component for gas extraction	Lei / MWh	1.80	1.27



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

As of February 1st, 2014, TRANSGAZ and FGSZ will provide to the market a transport capacity of 10,000 cubic meters/hour under firm conditions and 40,000 cubic meters/hour under interruptible regime on the direction of flow Romania - Hungary.

To increase transmission capacity in this direction, a number of developments are taken into consideration both in the Romanian and in the Hungarian system, developments expected to be completed in December 2016. Since then, the capacity that is provided from Romania to Hungary will reach 1.75 billion cubic meters/year, with further expansion plans to the maximum capacity of the interconnector, meaning 4.4 billion cubic meters/year.

After the commissioning of the interconnection pipeline RO-BG, a transport capacity of 0.5 billion cubic meter / year at the minimum pressure set in the financing decision (21 bar) could be provided. A number of additional developments in the Romanian transmission system are planned. Following their implementation, in the direction of flow RO-BG, the maximum interconnection capacity will be provided, meaning 1.5 billion cubic meters/ year.

Steps to implement the provisions of *Regulation (EC) no. 1775/2005 on conditions for access to the natural gas transmission networks, namely Regulation (EC) no. 715/2009*:

Romanian-Bulgarian relations

In order to solve the problems that led to the initiation of the infringement, ANRE has regulated the allocation of capacity by auction at a starting price set by benchmarking. Applying the new methodology, however, assumes the following:

- Finalizing the Agreement for Allocation of Capacity and Operating Agreement for interconnection point Negru Voda I between Transgaz and Bulgartransgaz, the documents are in the final stage of agreeing and signing;
- Resolving contractual issues with Bulgargaz.

Bulgargaz does not accept cancellation of the contract settlement. Consequently, a potential solution to the situation is the approval by the European Commission of an interim solution through which Bulgargaz would continue to enjoy the necessary consumption transport capacity for Bulgaria within the conditions of the current contract. The remaining capacity will be offered to the market in accordance with European legislation on third party access to gas transmission networks.

In this regard a letter was received from the Bulgarian ministry seeking to preserve the contract expiration (December 31, 2016) because it provides Bulgaria the only source of gas supply, and a letter from Bulgargaz in which it confirms its willingness to assign unused capacity (1.8 billion cubic meters/year) to be offered to the market according to the European Union's regulations in force.

Transgaz forwarded these documents to the Ministry of Foreign Affaires - Government Agent, with request of analyzing the opportunity of asking for an opinion from the Commission on the possibility that such a solution is accepted until December 31, 2016.

Romanian-Russian relations

Taking into consideration that the Russian part refused to renegotiate the existent conventions, Romania unilaterally denounced these documents, but trade agreements remain in force until they expire in December 2015, and December 2023.

Monitoring investment plans

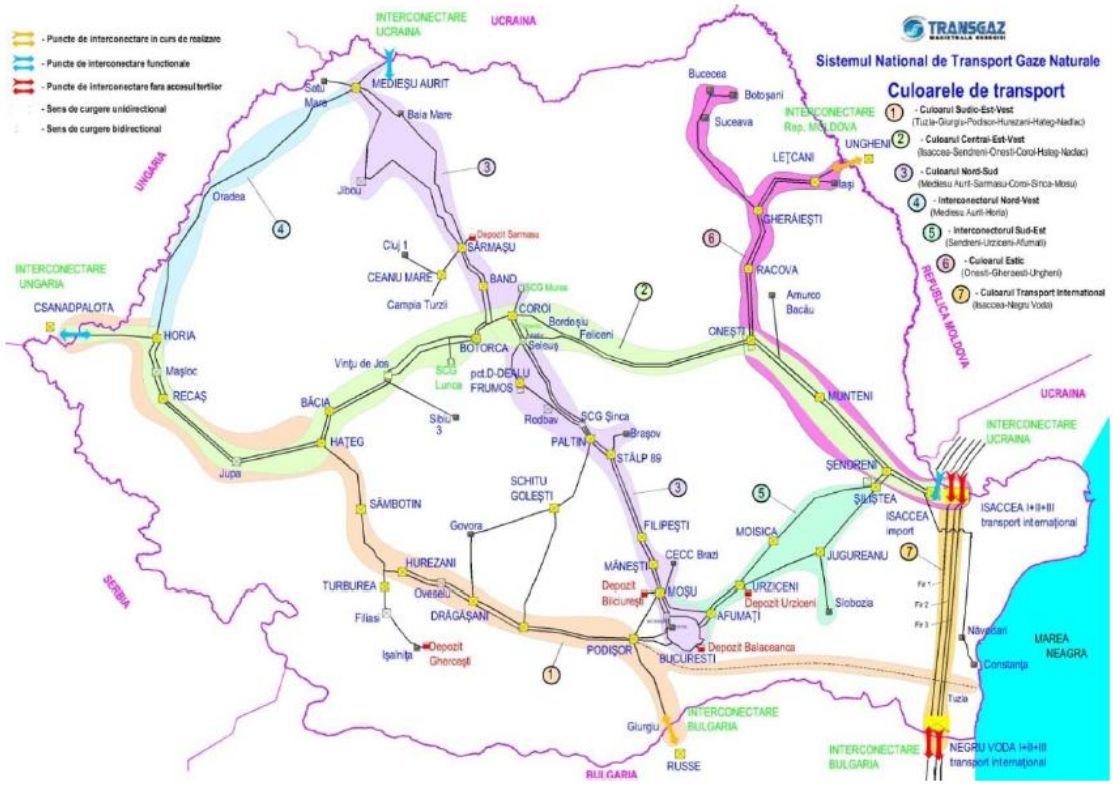
Concerning the approval and monitoring of the investments plans of the TSO by the regulator, we mention that these attributions are provided to the regulator by the provisions of the Electricity and Natural Gas Law no. 123/2012

Development Plan of the gas transmission system in the period 2014-2023 presents the development directions of Romanian natural gas transmission network and major projects that the National Transport Company Transgaz SA (*SNTGN Transgaz SA*) intends to implement over the next 10 years in order to achieve a maximum degree of transparency regarding the development of the national gas transmission system and the possibility of up-dated information for market actors regarding existing and planned transmission capacities, so that, through public consultation, decisions on investment in gas transmission network to meet market requirements.

The Development Plan meets the European energy policy regarding:

- ensuring security of supply of natural gas;
- increasing the interconnection of national gas transmission network in the European network;

• increase the flexibility of national gas transmission network;
• liberalization of the gas market;
• creating integrated gas market in the European Union.



Source: SNTGN Transgaz SA

TSO sent this plan to ANRE and a decision on the approval is expected to be made in 2014.

4.1.5. Compliance

Compliance with binding decisions of the Agency and the Commission
For 2013 there are no such situations to report.

Compliance of transmission and distribution companies, system owners and natural gas undertakings with relevant Community legislation
Taking into account that the certification process for the TSO was finalized at the beginning of 2014, the monitoring activity of compliance with independent system operator obligations could not be done.

4.2. Promoting Competition

4.2.1. Natural gas wholesale market

Natural gas consumption has decreased in the last year, reaching about 12.5 billion cubic meters, with a decrease of about 8% in 2013 compared to 2012, due to a slight decrease in end-use customers.
Natural gas internal market is formed 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 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 2013, the total natural gas consumption was 132,603,304.644 MWh, out of which 91,032,601.493 MWh was the non-households consumption (75.44%) and 29,636,073.006 MWh households consumption (24.56%).

In 2013, the total number of end consumers was 3,282,209, out of which 5.45%, meaning 178,951 were non-household consumers and 3,103,258 household consumers (94.55%).

Consumption is covered both from domestic production as well as imports. The domestic production was 112,341,214.350 MWh and the import was 20,262,090.294 MWh

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 2013:

- a National Transmission System Operator - SNTGN Transgaz S.A. Medias
- 5 producers: Romgaz, OMV Petrom, Amromco Energy, Raffles Energy, Foraj Sonde;
- 2 operators of underground storage: Romgaz, Depomureş;
- 41 distribution operators - the largest being Distrigaz Sud Retele SRL and E.ON Gaz Distributie S.A.;
- 41 suppliers operating in the regulated segment of the natural gas market;
- 54 suppliers operating in the competitive segment of the natural gas market.

Domestic production of natural gas in 2013 which came into consumption represented 84.72% of total sources. The top two producers (Romgaz and OMV Petrom) covered 97.92% of this source.Imports entering consumption in 2013, current import and extracted from storage, represented the difference, meaning 15.28%. The top three importers - internal suppliers - achieved together 47.23%.

Import price and quantity of the imported for consumption

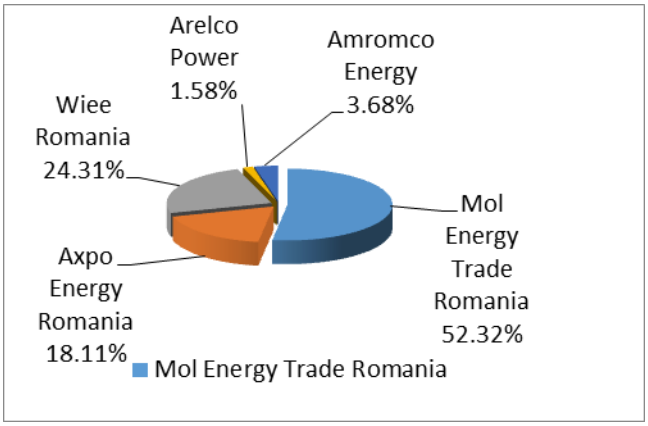
Month	Quantity (MWh)	Price USD/ 1000cubic meters
January	2,939,593.550	409.08
February	2,212,511.312	408.46
March	1,699,167.651	411.42
April	1,107,222.545	391.68
May	1,405,279.433	391.92
June	1,282,033.442	394.29
July	863,876.735	393.35
August	780,132.458	390.86
September	1,009,167.531	389.65
October	807,830.115	401.60
November	1,084,371.229	397.86
December	1,796,118.429	398.33
2013	**16,987,304.430**	**400.56**

The market share of the main three suppliers based on the volume of transactions on the wholesale market is 79.29%, and on the retail market is 60.36%.

The situation of the companies providing natural gas to the most relevant consumer's categories is the following:

Suppliers Consumers	Number of companies with over 5% share	Share of top three suppliers (%)
Electricity and/or heat producers	5	69.01
Industrial consumers	6	53.72
Commercial consumers	3	84.91
Household consumers	2	91.13

Also in 2013, the rules for virtual export (backhaul) were approved by ANRE, Order no. 12/2013 - and since July 2013 the first virtual export has been realised at the Arad – Szeged point. The situation of companies that have achieved the backhaul export in 2013 is shown in the following figure:



Romanian Commodities Exchange Company and the Electricity and Gas Market Operator "OPCOM" – SA were licensed as gas centralized markets operators by ANRE decisions no. 2119 and no.2120/19.07.2013.

According to the Electricity and Gas Law no.123/2012, the centralized market administration is an activity related to the regulated market on which ANRE establishes regulated tariffs. Consequently, **the regulated tariffs charged by the two operators** were approved and published.

The General rules on the natural gas centralized market were approved by ANRE Order no. 50/2013. The order sets minimum requirements to be met by the license holders regarding the organized trading on the natural gas centralized markets, methods for approval organisational and operation procedures for centralized markets and subsequent amendments thereof, information on transactions concluded on centralized gas markets following each auction session that must be published on their websites and communicated to ANRE and also the types of tariffs that may be charged by operators of centralized gas markets. The regulations regarding the organized trading on the centralized gas markets for the two operators were approved by ANRE Orders no.51 and 52/2013.

Thus, the necessary premises were created for the implementation of centralized gas market transactions.

In applying the provisions of **Regulation (EU) no. 1227/2011 of the European Parliament and of the Council on wholesale energy market integrity and transparency (REMIT)**, in July 2013 the Multilateral Memorandum of Understanding between the Agency for the Cooperation of Energy Regulators and National Regulatory Authorities on cooperation and

coordination of market surveillance was signed. Also, within ANRE a working group was set up in order to examine the ways of implementing the provisions of Regulation (completion of primary legislation, the correct identification of potential data providers, informing them of their obligations, registration of market participants, identification of commercial transactions to be monitored, establishing a national framework for cooperation between regulators in the area of energy, financial markets and competition, establishing procedures for communicating with ACER, additional staff and infrastructure costs in the regulatory authority for transmission data, data confidentiality).

4.2.2. Natural gas retail market

In 2013, gas consumption in Romania, structured on types of consumers was:

Final customers			**Connection**	**No. of customers**	**Consumption - MWh**	**Share of total consumption**
Households			National Transmission System	2	504.498	0.00%
			Distribution system	3,103,256	29,635,568.508	24.56%
			Total	**3,103,258**	**29,636,073.006**	**24.56%**
Non-Households	Tertiary		National Transmission System	19	23,865.955	0.02%
			Distribution system	43.880	5,255,004.233	4.35%
			Total	**43,899**	**5,278,870.188**	**4.37%**
	Commercial		National Transmission System	69	2,758,854.654	2.29%
			Distribution system	106.914	7,276,486.623	6.03%
			Total	**106,983**	**10,035,341.277**	**8.32%**
	Secondary	Other secondary	National Transmission System	107	5,617,788.080	4.66%
			Distribution system	27.152	11,256,935.609	9.33%
			Total	**27,259**	**16,874,723.689**	**13.98%**
		Chemical industry	National Transmission System	1	998,789.433	0.83%
			Distribution system	198	2,407,561.090	2.00%
			Total	**199**	**3,406,350.523**	**2.82%**
		Electricity and heat producers	National Transmission System	5	431,550.356	0.36%
			Distribution system	572	4,120,472.831	3.41%
			Total	**577**	**4,552,023.187**	**3.77%**
	Industrial	Other industrial	National Transmission System	2	3,364,831.551	2.79%
			Distribution system	0	0.000	0.00%
			Total	**2**	**3,364,831.551**	**2.79%**
		Chemical industry	National Transmission System	10	18,273,214.589	15.14%
			Distribution system	0	0.000	0.00%
			Total	**10**	**18,273,214.589**	**15.14%**
		Electricity and heat producers	National Transmission System	13	25,722,072.517	21.32%
			Distribution system	9	3,525,173.972	2.92%
			Total	**22**	**29,247,246.489**	**24.24%**
TOTAL				**3,282,209**	**120,668,674.499***	**100.00%**

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

In 2013, the share of consumed quantities by household customers out of the final total consumption is 24.56% and the number of these consumers represents 94.55% of all clients connected to natural gas networks.

Thus, 5.45% of all clients connected to gas networks (NTS + distribution systems) consume 75.44% of the total consumption of final consumers for 2013.

Customers category	Group of consumers	Share in total consumption
TOTAL. out of which:		100 %
NON-HOUSEHOLDS	Consumers who have not opted to change the supplier	15.87 %
	Eligible consumers	59.57 %
HOUSEHOLDS	Consumers who have not opted to change the supplier	24.54 %
	Eligible consumers	0.02 %

The main suppliers and their shares in the total gas sources are presented below:

OMV Petrom	42.92%
Romgaz	40.04%
GDF Suez Energy Romania	2.83%
Romgaz Import	2.47%
Wiee Romania SRL	1.92%
E.ON Energie Romania	1.68%
Amromco Ploiești	1.54%
Interagro Bucuresti	1.29%
Intergaz	1.21%
Azomureș	1.06%
Elcen Buc.	0.82%
Mol Energy Romania	0.74%
Arelco Distribuție	0.54%
Conef Gaz	0.46%
Axpo Energy Romania	0.22%
Foraj Sonde	0.11%
Raffles Energy	0.11%
OMV Petrom Import	0.02%

Five companies perform production and supply activities: Romgaz, OMV Petrom, Amromco Energy, Raffles Energy și Foraj Sonde.

On the **regulated market,** in 2013, the consumers on the regulated supply market segment were served by 41 suppliers; the total number of these consumers was **3,279,041** and the quantity of gas supplied to them amounted to **48,767.002 GWh**. The market shares of the three main suppliers are listed below:

Suppliers	Market share (%)
GDF SUEZ Energy Romania	49.60
E.On Energie Romania	40.62
Congaz	2.04

On the **competitive market** 54 suppliers were active. In the table below are presented the suppliers which supply customers from the competitive market, whose market shares are of more than 5%; one of them is also a gas producer (S.N.T.G.N. Romgaz S.A.). The total consumption was **71,901.672 GWh**.

Suppliers	Market share (%)
Romgaz	23.78
OMV Petrom Gas	20.36
Interagro Zimnicea	12.46
OMV Petrom	9.01
GDF SUEZ Energy Romania	8.98
E.On Energie Romania	7.34

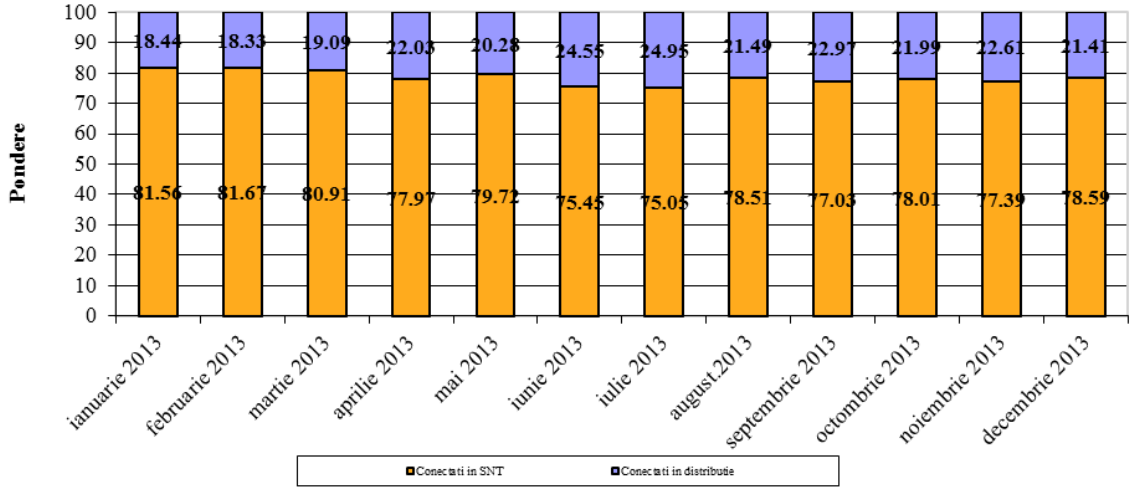
Romania's gas market was opened on 1 July 2007, so that all gas consumers have the opportunity to choose their own supplier.

At the end of 2013, there were **3168** eligible customers on the natural gas free market, with a consumption amount to an effective rate of **54.21%** market opening.

In 2013, from the customer group directly connected to the national transmission system about 99.24% of customers (in terms of the amount of energy consumed) have chosen to be part of a negotiated supply contract.

In 2013, the share of non-household customers from the final customers category connected to the distribution system that have chosen to be part of a negotiated supply contract was about 44.68% of all non-household customers (in terms of the amount of energy consumed).

Eligible consumption percentage in transmission and distribution networks



According to the Electricity and Natural Gas Law no. 123/2012, final customers have no right to return to regulated supply if the right to eligibility has been exercised.

Price developments for households and non-household customers

In accordance with art.1 paragraph (2) of ANRE Order no. 15 of March, 27 2013 regarding the capitalisation of the natural gas quantities on the domestic market and the way to set and endorse the structure of gas mix, starting with 1st of April 2013 until December 31, 2014 or

until December 31, 2015, the structure of the domestic/import gas mix is established monthly on distinct customer groups, as follows:
a) for the households and producers of heat, only for the amount of natural gas used to heat production in CHP plants and heating plants for the population, the structure of the gas mix is established by ANRE, so as to ensure the supportability costs related to the energy bill, especially for heating, and considering the road-map of phasing out regulated prices for end customers established by the Government, in accordance with the schedule for the producers prices;
b) for non-households, except heat producers, for the amount of natural gas used to heat production in CHP plants and heating plants for the population, the structure of the gas mix is determined by the Direction of the gas market operator from the National Gas Transmission Company "TRANSGAZ" - SA Medias, providing full and balanced coverage of the domestic market demand, and it is endorsed by ANRE.

During 2012, according to the *Memorandum approved by the Romanian Government*, the **Roadmap for liberalization of the natural gas market was approved,** respectively, **the Roadmap for phasing out the regulated prices for final customers** and the **Schedule of measures to eliminate regulated gas prices**.

The roadmap for phasing out regulated prices for final customers provides:

- phasing out the regulated prices until **31 December 2014** for final non-household consumers (except the case where to that date there is a significant difference between the domestic natural gas price and european import price that could endanger market stability, situation in which the deadline is extended until **31 December 2015**). The process begins at **1 December 2012**,
- phasing out the regulated prices until **31 December 2018** for households, process to begin at **1 July 2013**,
- gradual increase of the price of domestic production of natural gas in relation to the price of imported natural gas on the Romanian market.

According with the provisions of the Roadmap and Electricity and Natural Gas Law no. 123/2012, art 181, paragraph 5, the Government Decision no. 22/2013 was issued, establishing a quarterly linear increase in the purchase price of natural gas from domestic production for the regulated market, values used by ANRE to calculate regulated final prices.

According to the provisions of the Roadmap of phasing out regulated tariffs, on December 1st, 2012, an increase by 5% in the price of natural gas for industrial consumers taking into consideration a domestic output price 49 USD/MWh, was expected. As the Government Decision approving the purchase price of natural gas from domestic production was approved in January 2013, the increase of 5% was done on February 1st, 2013.

According to the roadmap of phasing out regulated prices for end customers and based on the Government Decision No. 22/2013, in 2013 there were price increases for households and non-households, as follows:

- On February 1, 2013
  - a 5% increase in the price of natural gas for non-household consumers
- On July 1, 2013
  - a 8% increase in the price of natural gas for households and a 3% increase in the price of natural gas for non-household consumers
- On October 1, 2013
  - a 1% increase in the price of natural gas for households and a 2% increase in the price of natural gas for non-household consumers.

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

The application of the roadmap for phasing out regulated prices for end customers was conducted in accordance with the steps set. The investigations done during 2013, in the natural gas sector, are found in chapter 5 of this report.

The Government approved Ordinance No. 27 / 27.08.2013 amending and supplementing Government Emergency Ordinance no. 70/2011 on social protection measures in the cold season through which the monthly benefit to cover part of the cost of home heating during the cold season, called the heating allowance, is set. This is defined as a measure of support, from the state budget and / or, where appropriate, local budgets, for vulnerable consumers with incomes up to a threshold established by law, which aims to cover all or, where appropriate, a portion of the costs of heating. This allowance is granted also for natural gas consumers.

4.3. Security of supply

In accordance with Article 102 of Electricity and Natural Gas Law no. 123/2012, 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, until 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 the electricity and gas sector

5.1. Consumer protection

Electricity

In order to reduce the negative impact of tariff / regulated prices phasing out process on consumers, in the memorandum approved by the Government on the roadmap for phasing out tariffs / regulated prices a number of measures to protect consumers have been proposed, including: identifying vulnerable customers, providing them direct subsidies, increase the suppliers' activity of informing consumers about the process of market liberalization, reviewing provisions on switch of supplier.

Electricity and Gas Law No. 123/2012 defines "vulnerable customer" as the household who for reasons of age, health or low income are at risk of social exclusion, and who, for preventing this risk, benefit from social protection measures, including financial ones. Social protection measures and eligibility criteria are established by normative acts. The vulnerable customers will be the main beneficiaries of social benefits envisaged in phasing out process of the regulated prices/tariffs.

Setting out the categories of the vulnerable customers, the ways to protect them at the national level and promoting the legislation regarding the implementation of the financial protection are in the working process, being one of the negotiation topics with IMF, EC and World Bank.

Currently, as an instrument of social protection to ensure a minimum level of electricity consumption the social tariff is used. Thus, in accordance with the "*Procedure regarding terms and conditions for granting social tariff for household consumers of electricity*" approved by ANRE Order no. 38/2005 as amended and supplemented, vulnerable consumers with average monthly income per family member of less than or equal to the minimum wage set by the government decision have the right to opt for the social tariff. Social tariff was designed in installments consumer with differentiated prices increasing progressively, so to the extent of 90 kWh / month average price of return is less than the result by applying any other tariff for domestic consumers supplied at low voltage. About **1,067,875 consumers** (4.8% less than in 2012) of the total of **8,490,691 households** benefit by this social price.

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 of distribution providers 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 on the labelling of 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 is obliged to issue the bill to each customer it serves, once a year, but not later than 15 April, accompanied **by the label of electricity supplied in previous calendar year.**

Energy 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_2 emissions and radioactive waste for electricity they provide,
• comparison of the above data with national averages.

Electricity supply for households and small industrial/commercial customers at regulated tariffs is based on **framework contracts**. These contracts are issued by the regulator for each category of customers in part, containing mandatory minimum terms on the contract period, conditions for renewal and termination of the contract, tariffs, meter reading period, the billing and payment terms, multiple ways to pay the bills (at the customer's home, at the supplier's cashier, by bank or at the post office), compensation for voltage deviation from the nominal value, the supplier's obligation to inform the consumer about planned outages.

Electricity and Natural Gas Law no.123/2012 introduced a number of changes in the organization of retail concepts including quitting terms as *default supplier* and *supplier of last option* and only use the concept of *supplier of last resort*. It has the obligations:

- to supply electricity in terms of quality and at reasonable prices, transparent, easily comparable and non-discriminatory, according to ANRE regulations, in compliance with Law no. 123/2012, to the end customers who have not exercised their eligibility;

- to supply electricity as a regulated supplier to the end customers who are entitled to universal service (if they did not express a desire to change supplier). In this case the supply is regulated under framework contract at regulated rates;
- to supply electricity as a supplier of last resort, on a limited period, for consumption places that are in danger of being disconnected due to the fault of the supplier, namely:
  a) the license of supply is withdrawn by the regulator;
  b) the place of consumption is in imminent danger of running out of power supply when the end customer receives notice of disconnection from the distribution operator or TSO, because the supplier did not pay for network services for that place of consumption, although the final customer have respected the payment's dead-lines according with the supply contract;
  c) in any other case identified by the regulatory authority when end users did not have assured supply of electricity from other source, except the customers that were disconnected for electricity theft or non-payment.

Also, the law requires revising the *regulation for electricity supply* and its approval by ANRE order. Given the requirements from the law for phasing out regulated tariffs/prices and consumer protection provisions introduced by Directive 72/2009/EC, through the new rules regarding electricity supply have set mandatory clauses to be introduced into supply contracts - negotiated or regulated - such as: the supplier's obligations on the wholesale market, end users must be informed about their rights, the legislation and the means of dispute settlement in case of disagreement or complaint, information on single points of contact and payment arrangements (the least two of which one is free). etc.

Switching supplier process should not take longer than 21days. The end customer who has exercised the eligibility cannot return to regulated tariffs (in conjunction with Law no. 123/2012).

The billing will also be regulated, a series of measures have been proposed, such as:

- invoicing period is usually monthly or agreed by contract. Contractually agreed period shall not exceed one quarter;
- invoicing period based on actual consumption (meter index reading) may not exceed 6 months (cf. Directive 27/2012: 1 year; according to Directive 2009/72: often enough, so that end users should be able regulate their own consumption);
- invoice must include: comparison of current consumption and the previous year - preferably in graphic form, prices and actual consumption, ANRE contact information, the end client organizations or similar bodies - including the addresses of sites where can obtain information on available measures to improve energy efficiency, consumption profiles of end clients.

There has been proposed minimum information to be provided to end customers by the suppliers.

Taking into account 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 Member States to ensure the implementation of intelligent metering systems that contribute to the active participation of consumers in electricity supply market, provisions that have been transposed into national law (Electricity and Natural Gas Law no. 123/2012), in December 2013, ANRE Order no. 91/2013 on the implementation of intelligent metering systems for electricity was approved.

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.

In order to assess the implementation of intelligent metering systems in terms of costs and long-term benefits of market, profitability and feasible implementation deadlines, ANRE requested the support of the European Bank for Reconstruction and Development (EBRD), which in turn contracted a feasibility study on the implementation of smart meters, including a cost-benefit analysis to assess the possibilities of introducing smart meters in markets for electricity, natural gas and heating in Romania. The feasibility study and cost-benefit analysis results indicated that the implementation of electricity smart metering in the electricity sector has the potential to be a profitable investment, due to the benefits from reducing network losses and reducing operating costs to utilities.

It should also be noted the fact that the benefits resulting from the implementation of intelligent metering systems will reflect at the level of end user through the opportunity of energy consumption management, which leads to more efficient energy consumption and savings, access to advanced systems rates, facility of switching process, in the context of electricity market opening.

The regulator provides access to customer consumption data in a harmonized national way under *Procedure for changing electricity supplier*, approved by ANRE Order no. 88/2009, as supplemented and amended. The regulation stipulates that each network operator has the obligation to create and manage a centralized database with information on consumption places connected to the network from his area and the obligation to ensure access to suppliers and customers to information from the database - for measurement points situated in the owned or serviced consumption places - based on operational procedures approved by ANRE. Minimum content of the database is established by ANRE by the same regulation.

For full transposition into national law of the provisions of Annex 1 of Directive 72/2009/ EC, Romanian authorities have prepared a draft amendment and completion of Law 123/2012 to be submitted to the Romanian Parliament.

Natural gas

At the end of 2012, by ANRE Order no. 42/2012, the *Regulation on gas supply to end customers* was approved. The document establishes the relationship between the supplier and the end customer on contracting and terms of supply natural gas.

The supplier of natural gas has the following main obligations:

a) to carry out the supply of natural gas based on commercial contracts concluded with end customers, according to ANRE regulations;

b) comply with the performance standard for the supply service provided under framework contracts;

c) make available to the end user, at his request, based on information provided freely by the system operator, the relevant data on consumption, on the amount of natural gas consumed by the end user monthly and annual, expressed in cubic meters and MWh in a period comprising at least the previous five years;

d) to establish a single point of contact to inform end users about their rights and obligations, the legislation and the means of dispute resolution in case of a dispute;

e) to allow end users effective change of the actual natural gas supplier, free of charge, while respecting contractual conditions, within three weeks of the request, according to the procedure approved by ANRE;

f) to make available to end users at least two ways to pay the equivalent natural gas consumption and allow them to opt for any of them;

g) to respond to requests from the end user on the activity of supply, according to regulations, and to solve them;

h) to forward the system operator the request of the end users related to its activity;

i) require the system operator to interrupt gas supply at the request of the end user of natural gas, if the interruption is related to the safe operation of the facilities of the final customer or system operator;

j) inform the system operator, based on the end user notification in connection with malfunctions noted by him in the functioning of the measuring equipment and installations of the system operator, in order to be checked and solved;

k) to recalculate the invoice representing the natural gas supply services, in case there is damage to the system / measuring instrument, in accordance with legal regulations;

l) to notify the end user of any intended change to the contract and to inform him, upon notification of the right to terminate the contract, in compliance with contractual agreements, if they do not accept the new conditions;

m) to resume gas supply restricted and / or terminated as a result of defaulting on the payment terms provided in the contract, within 24 hours of the date of the end user full payment of outstanding invoices, including increases interest due according to the contractual provisions and, where applicable, for the reconnection fee, provided the end user allows access to the system operator representative in order to restart the supply;

n) other obligations under the regulations or agreed with the end user according the legal provisions in force.

For full transposition into national law of the provisions of Annex 1 of Directive 73/2009 /EC, Romanian authorities have prepared a draft amendment and completion of Law 123/2012 to be submitted to the Romanian Parliament.

In 2012, a feasibility study was completed regarding the implementation of **smart metering** in Romania. The study was done by the consulting firm AT Kearney in a program run by the European Bank for Reconstruction and Development (EBRD) having as beneficiary ANRE. The study concluded that in the case of natural gas the smart metering installation will be optional and the necessary actions implementation will be left to the distribution operators.

The Government approved Ordinance No. 27 / 27.08.2013 amending and supplementing Government Emergency Ordinance no. 70/2011 on social protection measures in the cold season through which the monthly benefit to cover part of the cost of home heating during the cold season, called the heating allowance is set. This is defined as a measure of support, supported by the state budget and / or, where appropriate, local budgets, for vulnerable consumers with incomes up to a threshold established by law, which aims to cover all or, where appropriate, a portion of the costs of heating. This allowance is granted also for natural gas consumers. This legislation established eligibility criteria for heating allowance, the limit level of net monthly income per family member or per single person.

5.2. Dispute settlement

Complaints

Supply license holders must ensure the recording, investigating and solving complaints made against them by consumers **Consumer's complaints management obligations** are included in the *licensing conditions*, in *standard framework contracts* and the *performance standard for electricity supply at regulated tariffs*. Customer service is to be provided to take any complaint made against the licensee by a consumer who considers themselves wronged by the licensee practices. Customer Service will establish and maintain the register of applications, notifications and complaints filed by consumers and the way of solving them.

If the consumer is not satisfied with the response of the operator, it may appeal the regulator under the provisions of Ordinance No. 27/2002, as amended and supplemented.

Regulator's control actions were required for petitions that required further examination. The manner to deal these complaints was 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 justified, ANRE has sent letters warning them that established measures of compliance to legal provisions and/or were taken legal measures for the implementation of sanctions.

Electricity

Of the **2940** complaints received by ANRE in 2013, **2236** dealt with the electricity sector. All complaints received were resolved in due time and in accordance with regulations, informing complainants and institutions through which were transmitted to ANRE, as appropriate.

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	468	20.93
2	Electricity quality	321	14.36
3	Request for general information	205	9.17
4	Technical connection approval	176	7.87
5	Suspected theft of electricity	144	6.44

The regulator control activities aimed 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 2013, 702 inspections were conducted in the electricity sector. Following control actions were made **minutes of finding and punishing offences.**

Natural gas

Of the **2940** complaints received in 2013, **704** were dealt natural gas sector. All complaints received were resolved in due time and in accordance with regulations, 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	Access Agreement	157	26.12%
2	Use of natural gas installations	104	17.30%
3	Natural gas billing	82	13.64%
4	Contracting connection works	59	9.81%
5	Contracting	31	5.15%

ANRE conducted **313 inspections in the natural gas sector** during 2013. Following control actions **minutes of finding and punishing offences** were made.

The total amount of fines imposed on both electricity and natural gas was of 7,422,700 RON.

Dispute settlement

During 2013, a number of 2 requests were resolved on electricity misunderstandings 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 1 to the ANRE Order 35/2013.

In the gas sector, ANRE mediate pre-contractual disagreements in natural gas according to the *Procedure on mediation disputes occurred in the conclusion of contracts for natural gas,* approved by Annex 2 of ANRE Order no. 35/2013. During 2013 there were no requests for mediation in pre-contractual disagreements in the natural gas sector.

To resolve 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 organization and functioning of the committee for settling disputes in the wholesale and retail market arising between the participants in electricity and natural gas market participants* was delivered.

Challenging decisions of the regulator

The regulatory framework developed by ANRE and implemented by orders and decisions have a major impact on **economic and social realities, given that, it is binding** for the covered legal entities and individuals.

The possibility of contesting the regulator's decisions is an important factor in ensuring its accountability to the consumers. Thus, orders and decisions issued by ANRE can be

challenged in court by those who believe that by applying those regulations, they have violated certain rights.

At the end of 2013, pending state court litigation was as follows:

Total: 448 underway causes in 2013 out of which 215 cases completed in 2013

Classification of the disputes handled by ANRE in the courts, in 2013, in electricity and natural gas sectors is presented below:
- Legal Administrative - 103 cases;
- Law Offences - 128 cases;
- Insolvency - 61 cases;
- Employment - 47 cases;
- Claims - 92 cases;
- Obligation to make - 8 cases;
- Criminal Law - four cases;
- Payment Order - 2;
- Land - 1;
- Acquisitions - 2.

Of the total number of cases finalized in 2013, respectively 215, **94% of these were given verdicts favourable for ANRE.**

All ANRE orders and decisions that were challenged in court by operators in the electricity and gas sector (eg. Hidroelectrica, Nuclearelectrica, Radet, Electrica Furnizare, OMV Petrom, GDF, E.ON Energie, TRANSGAZ etc.) and which were subject to administrative records were solved in favour of ANRE.