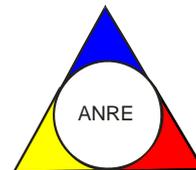




ROMANIAN ENERGY REGULATORY AUTHORITY



NATIONAL REPORT 2012

August 31, 2013

CONTENT

1. Foreword	3
2. Main developments in the electricity and gas markets.....	6
3. Electricity market.....	49
3.1. Network regulation.....	49
3.2. Promoting competition	66
3.3. Security of supply	92
4. Natural gas market.....	96
4.1. Network regulation	96
4.2. Promoting competition	104
4.3. Security of supply	113
5. Consumer protection and dispute settlement in the electricity and gas sector	113
5.1. Consumer protection.....	113
5.2. Dispute settlement	116

1 Foreword

This document represents the national report issued by the Romanian Energy Regulatory Authority – ANRE for ACER – the Agency for the Cooperation of Energy Regulators 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(1)(ş), paragraphs (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 2012 – 31 December 2012, in accordance with the ACER-CEER requirements.

The need for achieving the targets set at European level on completion of the internal energy market by 2014 led the European Commission to propose an Action Plan aimed at four main areas: implementation of European legislation, strengthening consumers' capacity to participate in the market, creating an European energy system, limiting possible state intervention, to ensure fulfillment of the targets.

Most of the actions proposed by the European Commission towards achieving the targets can be found in the national legislation adopted in 2012 and in the measures package attached to the roadmaps for the phasing out of regulated prices for final consumers of electricity or natural gas agreed with the International Monetary Fund, European Commission and the World Bank. Among these are:

- **Transposition into national legislation of the provisions of the Third Energy Package** by adopting Law no.123/2012 on Electricity and Natural Gas and Law no.160/2012 for the organization and functioning of ANRE;
- **Completion of the steps to phase out regulated prices** in accordance with the terms set out in the roadmaps approved at Government level;
- **Reduce the impact on consumers of the process of phasing out regulated tariffs/ prices** by proposing measures in the Memorandum approved by the Government such as: identifying vulnerable consumers, providing them direct subsidies, increasing suppliers' activities of informing consumers about the process of market liberalization, reviewing provisions on changing suppliers, detailing electricity bills. Vulnerable consumers will be the main beneficiaries of social benefits envisaged in the process of phasing out the regulated prices/ tariffs;
- **Development of the feasibility study on the implementation in Romania of smart metering** to measure energy consumption by the AT Kearney consulting company in a program run by the European Bank for Reconstruction and Development (EBRD) having as beneficiary the ANRE. The study concluded feasibility of implementing smart metering for electricity consumers, and for the gas consumers the installation will be optional and will be up to the distribution operators;
- Participation with other European regulators, within ACER, in **adopting and implementing European Network Codes**.

To continue the harmonization and implementation of the secondary legislation for developing the internal energy market, ANRE will continue to pursue the application of the best European practices in the field, adapted to the national particularities, within a mandatory consultative procedure to ensure the transparency of the decision-making process.

NICULAE HAVRILEȚ

PRESIDENT

Abbreviations

AAC – Already Allocated Capacity

ATC – Available Transmission Capacity

BM - Balancing Market

BRM - Romanian Commodities Exchange

BRP – Balance Responsible Party

CMBC – Centralized Market of Bilateral Contracts

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

DAM - Day Ahead Market

DO – Distribution 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

NPS –National Power System

NTC – Net Transfer Capacity

NTS - Romanian Natural Gas Transmission System

OEL – Overhead Electricity Line

REM – Retail Electricity Market

TRM – Safety Margin of the International Interconnection

TSO – Transmission System Operator

2. Main developments in the electricity and gas markets

The provisions of the Third Energy Package were transposed into Romanian national law in 2012 by *Electricity and Natural Gas Law no.123/2012* and by *Law regarding organization and functioning of ANRE no.160/2012*.

The most important elements of novelty brought by *Electricity and Natural Gas Law no.123/2012*, published in the Official Gazette no. 485 of 16 July 2012, refer to:

- **Choosing the unbundling model of the transmission system operator.** According to the law, considering that the transmission networks are public property, the transmission system operator, both in the electricity field and in the natural gas field, is organized and operates according to the “independent system operator (ISO)” model. This model allows the certification of the transmission system operator in compliance with European provisions, and at the same time, maintaining the existing ownership and providing also an effective unbundling of electricity and natural gas transmission from generation and supply;
- **Gradually phasing-out the regulated tariffs for final customers and development of competitive electricity and natural gas markets.** The law provides the gradual phasing-out of regulated tariffs for non-households and households customers by ensuring the affordability of measures by the final customers. The Law includes also the principle of „non-reversibility” of regulated tariffs, once a customer has opted for the competitive market;
- **Customers’ protection.** The law provides for the establishment, both in the field of natural gas and in the field of electricity, of dispute settlement commissions, as independent extrajudicial bodies, organized in ANRE. Likewise, it stipulates the rights of final electricity customers to call on the services of a mediator, according to *Law on mediation and organizing the mediator profession no.192/2006*, with subsequent amendments;
- **Consolidation of competitive markets for electricity and natural gas** through increased transparency, centralizing transactions, implementing new trading platforms in natural gas sector, regulating the market operator activity;
- According to the law, ANRE has the **power of investigation** of electricity and natural gas markets functioning, decides and imposes any necessary and proportionate measures to promote effective competition and ensure the proper functioning of the market. By case, the regulatory authority, also has the power to cooperate with the Competition Council and with financial market regulators or with European Commission for investigations in the field of competition law;
- In order to guarantee an efficient competition, ANRE shall continuously **monitor the operation of the electricity and natural gas market** to evaluate the level of efficiency, transparency and competition, the continuity of supply and elaborate annual reports on activity, problems raised, solutions applied and results. Also, ANRE **shall monitor the application of support schemes for the promotion of electricity produced from renewable energy and high efficiency cogeneration in order to avoid overcompensation.**

ANRE has the appropriate rights and powers to conduct investigations related to disputes settlement on or connected to the transmission system operators, distribution operators or tariff methodologies for transmission and distribution activities, issued by ANRE.

According to the most important elements of novelty brought by *Law no.160/2012*, published in the Official Gazette no. 685 of 3 October 2012, **ANRE is defined as an autonomous**

administrative authority with legal personality, under parliamentary control, financed autonomously, (tariffs charged for licenses, authorizations and certificates, annual contributions collected from regulated economic operators on electricity, heat and natural gas markets, as well as funds provided by international bodies), independent in terms of decisional, organizational and functional powers.

The Regulatory Committee's members **act independently** of any interest of the participants in the electricity and the gas markets, **shall not seek or take direct instructions** from any public or private entity when carrying out the regulatory tasks, **shall not conduct gainful activities** in the electricity, heat and natural gas sectors, except for those with didactic character for professional training, **shall not hold shares or social parts and cannot be members in the management of companies** with activity in the electricity, heat and natural gas sector, or any other domains within the competence of ANRE, under the law.

ANRE's duties and powers were also completed, the main additional provisions being related to an increased role of authority in:

- promoting competitive electricity and natural gas markets,
- promoting regional energy markets in support of the European internal energy market,
- development of cooperation with regulatory authorities in the Member States,
- facilitate access to network and
- development of a national, safe, reliable, sustainable and efficient energy system, consumer oriented.

A. The electricity market

1. Network regulation

1.1. Unbundling

Since the electricity transmission network in Romania is public property, the chosen unbundling model was the **independent system operator model**.

According to the law, the unbundling of the public entity that represents the state as majority shareholder in operators engaged in production and supply activities, on the one hand, and public entity representing the state as shareholder in transmission system operator, on the other hand is done by the Government, through a normative act proposed by the relevant ministry. The unbundling measures asked by the law were adopted in 2013, through Government Emergency Ordinance no.18/2013, which entered into force on 27 of March 2013, therefore the certification decision was not been issued in 2012.

All 8 companies acting as distribution operators have completed the process of legal unbundling of electricity distribution activity and electricity supply activity in 2007. Electricity distribution operators having less than 100.000 clients are not forced to unbundle the distribution activity from other activities of the company in accordance with Directive 72/2009/EC concerning common rules for the internal electricity market.

1.2. Technical functioning

Balancing market

The balance between electricity supply 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 Commercial Code for wholesale market, as amended and supplemented*. New legislation adopted in June 2012 does not alter the powers of the regulator in setting the rules in this market.

In Romania is defined a single balancing area operated by a single licensed system operator / operator of the balancing market, CN Transelectrica SA. Interaction with other control areas is made via exchanges of mutual inter-TSO, and not via acceptance of offers to be integrated into a common merit order.

In December 2012, 22 producers were operating on this market, with a total number of 139 dispatchable units and were recorded a number of 108 Balancing Responsible Parties.

Total volume traded on BM in 2012 decreased by 21% since 2011, but is 25% higher than the total volume traded in 2010. Monthly amount has been constantly below the amount traded on DAM; linking the two markets (DAM and BM) in 2012 is generally correct, while the main hydro producer - Hidroelectrica - extended until the end of April 2012 "force major" declared in October 2011 and has reactivated it for the period August to November 2012.

Since January 2012, non-controllable priority production (from renewable sources) pays imbalances recorded on the BM.

Performance standards and grid 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 on continuity of electricity transmission service is the average interruption time - AIT, which represents the equivalent average period of time, in minutes, in which the power supply was interrupted. The evolution for this indicator is presented below:

Year	2005	2006	2007	2008	2009	2010	2011	2012
Average interruption time (AIT), min/year	4,434	1,187	0,857	1,792	0,817	2,639	1,059	1,19

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

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

SAIFI (System Average Interruption Frequency Index) represents the average number of interruptions borne by consumers supplied (served) by OD. It is calculated by dividing the total number of customers interrupted over 3 minutes to the total number of consumers served.

SAIDI (System Average Interruption Duration Index) is the average interruption time at an OD level (a weighted average). The indicator is calculated by dividing the cumulative duration of total number of long interruptions to the total number of consumers supplied (served) by OD.

Depending on the type of disruption, 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 OD).

The most important are the values of the indicators for planned outages (a) and for unplanned outages (d), due to OD. In fact, normally, the values of the indicators for cases (b) and (c), which are not due OD are very low.

The average values of SAIFI and SAIDI indicators in 2012 for Romania are shown below.

Activity area	SAIFI Planned outages	SAIFI Unplanned outages due to OD	SAIFI Total outages
Urban	0.4	3.9	4.3
Rural	1.6	7.5	9.2
National average	0.9	5.5	6.5

Activity area	SAIDI Planned outages	SAIDI Unplanned outages due to OD	SAIDI Total outages
Urban	101.0	271.0	372.0
Rural	422.0	1063.0	1485.0
National average	246.0	630.0	876.0

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

Also through the performance standard for distribution service are monitored the indicators **as the average time to issue the technical permit for connection or the average time to issue connection contracts**.

The average time to issue the connection technical permit in 2012 for Romania was 13.5 days. Maximum period of 30 days was respected by each OD.

The average time for issuing connection contracts was 4 (i.e. 3.8) days, ranging from 1 day for Enel Banat to 10 days for Enel Dobrogea and Enel Muntenia. It is noted that the standard term for issuing the connection contract offer is 10 calendar days from filing the application (accompanied by full documentation), the average period falling within the statutory period for all OD.

A World Bank study (*Doing Business in Romania, 2012*) appreciates in Romania an average period for connection to a network of about 7 months, of the request for connection to its completion. In accordance with Art.9, letter q) of *Law no. 160/2012 on the organization and functioning of ANRE*, the regulatory authority approves the regulation on connecting users to public electricity networks. In these circumstances, the regulatory authority has begun the process of reviewing the existing regulation provisions to adapt and approve as required by law.

Monitoring of safeguard measures

Provisions of Directive 72/2012/CE, art. 37, paragraph (1), letter t), have been transposed in *Law no. 160/2012 on the organization and functioning of ANRE*, by art. 9, paragraph (4), letter. k).

February 2012 was characterized by a difficult energy situation, leading to the situation of lack of energy reserve at peak loads due to lack of fuel in hydrocarbons power units, shutdown of wind farms and lack of water supply due to the frost in some hydropower plants. Measures taken by the competent authorities are detailed in Chapter 3.3.

Situation of connecting, access and dispatching of electricity produced from renewable sources. Balancing responsibilities for renewable energy sources

In 2012, the transmission system operator has registered 65 applications for network connection, one for power production units using conventional fuel (450 MW) and 64 for units using renewable energy (5903 MW). Network connection requests for units using renewable energy sources have increased significantly since the implementation of *Law 220/2008 on establishing the promotion system of electricity production from renewable energy sources*, republished, with subsequent amendments.

The total number of connections actually made for of the transmission network in 2012, was 26 of which 5 for units using conventional fuel (890 MW) and 21 for units using renewable energy (620 MW).

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

For the electricity contracted and sold on the market, receiving support, **guaranteed access to the network** is ensured. For electricity contracted and sold at regulated price (produced in power plants with installed capacity of 1 MW per plant or in the case of high efficiency cogeneration from biomass, 2 MW per plant) **priority access to the network** is ensured.

The dispatch of electricity that is produced from renewable sources is regulated by ANRE *Order no. 33/2012 on establishment of rules on the balancing market for electricity producers benefiting from the promotion system*, which sets **its priority dispatching**.

The dispatchable renewable production units are responsible for payment of generated imbalances.

1.3. Network tariffs for connection and access

Network tariffs

The methodology for setting tariffs for electricity transmission service, approved by ANRE Order no. 60/2007, establishes the determination of income and calculation of tariffs for electricity transmission. Tariff for transmission service is determined using the **revenue cap** methodology.

Average transmission tariff has not been changed for 2012. Thus, this tariff was maintained in 2012 at the level of 18.77 lei / MWh, as approved by ANRE Order no. 45/2010. The average injection tariff (T_g) was 8.6 lei / MWh and the average tariff value extraction (T_1) was 10.18 lei / MWh.

The distribution tariffs are monomial (lei / MWh), being differentiated on three voltage levels: high voltage (110 kV), medium voltage, low voltage and on distribution operators. Distribution tariffs are approved by the regulator for each distribution operator. Distribution tariffs are calculated according to a **tariff basket-price-cap methodology**.

During the period 1 January 2012 - 1 July 2012 the distribution tariffs were maintained to the same values as those from ANRE Order no. 44/2010. Starting with July 1, 2012, the distribution tariffs increased (ANRE Order no. 24/2012) with an average of 2.93% compared with 2011.

In 2012 a quantity of 41584 GWh electricity was distributed, less with 1.7% compared with 2011 (42 318 GWh).

For the distribution operators with less than 100,000 customers, the tariffs for the service of electricity distribution is calculated according to the *Methodology to setting up electricity distribution tariffs for legal persons, other than the main electricity distribution operators, and the conditions for the retransmission of electricity* (ANRE Order 3/2007). The adopted type of regulation is the “cost plus” method; a maximum rate of return of 5% is considered upon the total justified costs. In 2012, ANRE approved tariffs for distribution service to 27 operators.

Connection tariffs

Procedures and steps in the connection process, as well as the connection tariff are set up in the *Regulation for the connection of users to public electricity networks*, GD no. 90/2008, and secondary legislation issued by ANRE. In accordance with *Law no. 160/2012 on the organization and functioning of ANRE*, the regulation will be reviewed and approved by ANRE order.

1.4. Cross-border issues

Access to cross-border infrastructure

On the borders with Hungary and Bulgaria the allocation of interconnection capacity on the National Power System interconnection lines with neighbouring systems, for electricity import/export and transit activities, has continued to be coordinated and done through explicit auctions on long-term (annual and monthly) and short-term (daily and intra-daily).

On the border with Serbia, Transelectrica held long-term auctions (annually and monthly auctions) for 50% of capacity, the remainder being allocated by the Serbian TSO.

In **December 2012**, an agreement was signed between Transelectrica and EMS-JP Elektromreza (Serbia) to organize bilateral coordinated and transparent allocation processes for 100% of the interconnection capacity between the two countries, starting with January 2013. Thus, under the new agreement and the annual rotation principle, in 2013 the long-term and intra-day auctions are organized by Transelectrica while EMS holds the daily auctions.

Capacity utilization obtained by auction on borders with **Ukraine and Moldova** is subject to the written approval of TSO in Ukraine, or the distribution operator from the passive island of consumption area for Moldova. Setting to ATC value available for daily and intra-day auctions use the netting principle, and participants are required to undergo the exclusive partnership principle (1:1). Capacity gained from conducting this type of auctions cannot be transferred to another participant.

Following the **annual auctions**, values of C1 to denote the existence of dominant participants were recorded on the border with Bulgaria for export (C1 = 58% and C3 = 90%), on the border with Serbia for export (C1 = 49% and C3 = 93%) and on the border with Serbia for import (C1 = 45% and C3 = 78%).

During the **monthly auctions**, higher values at 40% of market share were recorded in some months on the border with Bulgaria (for both directions) and for import in case of Ukraine and Serbia, and following **the daily auctions**, the market share exceeded that limit on the borders with Bulgaria and Hungary, in both directions.

After conducting **annual auction** on each border and direction for 2012 there were great prices registered on the border with Bulgaria, on import direction, with values in the range of 13.81 to 31.58 euro/MW/h (annual auction was held for 3 different periods of time because ATC was different for April-September compared to the rest of the year). On the other borders prices were below 5 euro/MW/h and lower than the same kind of prices obtained from the 2011 annual auction. In case of export direction, the highest price was recorded on the border with Serbia, from September to December 2012, when it reached 14 euro/MW/h.

During **monthly auctions**, the highest prices were recorded throughout the import direction also, on the border with Bulgaria, peaking in January 2012 when was recorded a price of 61.82 euro/MW/h.

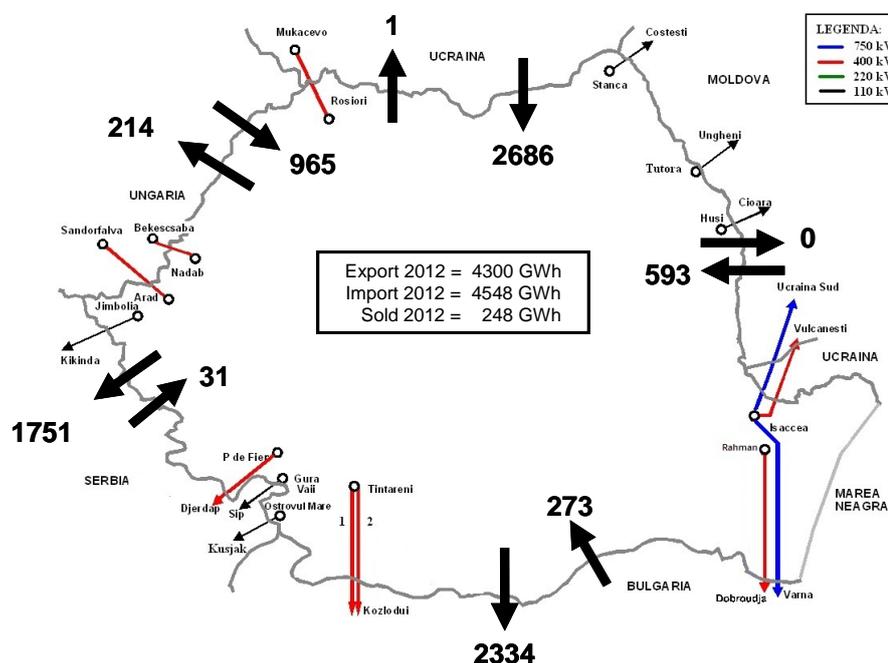
Following **daily auctions**, in most hourly intervals, on the borders with Bulgaria and Hungary have been different rates than zero; on the border with Hungary were recorded import values with maximum price of 35 euro/MW/h and 25 euro/MW/h, while on the Bulgarian border peaks did not exceed 15 euros/MW/h on import, and on export these values are insignificant.

The highest **degree of average annual utilization of total allocated capacity** after the auctions was at the border with Serbia on export direction and with Bulgaria on import direction. Interest in the use of allocated capacity on the border with Hungary decreased from 2011, both import and export. Every month there were participants who transferred the gained capacity at annual and monthly auctions to other participants.

Over 90% of Transelectrica revenue obtained from the allocation of interconnection capacity resulted from long-term (annual and monthly) auctions, especially from capacity allocation on the Bulgarian border for import direction, the Serbian border export direction and on the Hungarian border export direction. Revenues from daily auctions are mainly from the allocations on Hungarian border import and export directions. Although there were capacity

requirements in intra-day auctions on some hourly intervals, there were no revenues from such allocated capacities; participants' interest is still low for this type of auctions.

Total physical flows on the borders of Romania in 2012, separate on import / export directions by considering transits are shown in the figure below.



Monitoring technical cooperation between TSOs and operators in third countries

Regional cooperation on infrastructure projects with neighbouring power systems has a significant size in the activity of CN Transelectrica SA. In this context, there are a number of infrastructure projects designed to increase interconnection capacity for improving the interchange of electricity between neighbouring systems and eliminate potential bottlenecks:

- on the south-west border of the country, CN Transelectrica SA and EMS-JP Elektromreza (Serbia) collaborate on basis of a Joint Position Paper (signed in 2011) on the common interest project for construction of LEA 400 kV double circuit interconnection Resita (RO)-Pancevo (RS). Total length of 400 kV LEA line Resita-Pancevo is 131 km, of which 63 km in Romania and 68 km in Serbia;
- on the north-east border, CN Transelectrica SA and IS Moldelectrica (Moldova) collaborate to achieve the 400 kV Balti-Suceava line;
- in cooperation with TEIAS (Turkey) to achieve a 400 kV undersea cable link between Romania and Turkey, the feasibility study contracted by CN Transelectrica SA with the Swedish company VPC-Vattenfal was completed, the project being in the stage of setting strategically investors and constituting project company for construction and operation.

In **April 2012**, negotiations were completed on establishing Coordinated Auction Office Ltd. - CAO in south-eastern Europe. CN Transelectrica SA was from the beginning, one of the main supporters of the project. CAO is a regional project initiated by the EC, currently coordinated by the EC and member of the Energy Community of South-East Europe, aimed at coordinated allocation of transmission capacity on the interconnection between power systems in the region. By participating in this project, CN Transelectrica SA made an important step in the implementation of European energy regulations on regional integration as a first step in the organization of the single European electricity market.

Monitoring TSO investment plans

The planning of transmission grid development seeks to:

- Ensure the appropriate sizing of the transmission grid for the transmission of the generated, imported, exported or transited electricity and determine the prospective development plan;
- Ensure the safe operation of the NPS and the transmission of electricity at a quality that is in compliance with the requirements of the Grid Code and of the Performance Standard for transmission and ancillary services;
- Ensure the development planning activities by: initiating the procedures required for the promotion of new and efficient investments in the transmission networks, estimating the marginal costs on long run for each node of the transmission network, providing the database for the design of the transmission tariff systems.

In accordance with art. 35 of the *Electricity and Natural Gas Law no. 123/2012*, the transmission system operator is required to develop **plans for investment and development of the transmission network for 10 years**, according to 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 plans for systematizing the territory, in compliance with environmental regulations.

Unlike the previous legislative framework when these plans were endorsed by the regulatory authority and approved by the ministry, the present development plans will only be approved by the regulatory authority.

Other relevant aspects on cross-border cooperation

ANRE continued to cooperate with regulatory authorities in neighbouring countries in order to ensure an uniform application of the provisions of the Regulations 715/2009/CE and 714/2009/CE. In this context, particular attention was paid to cooperation with Hungary and Bulgaria in order to promote the **implicit allocation of interconnection capacity and market coupling aspects**. Bilateral meetings were held with both regulators, Bulgarian and Hungarian.

On 14 December 2011, following a process of analysis and evaluation in the national working group (MECMA, ANRE, SC Opcom SA and CN Transelectrica SA), Romanian entities involved have formally expressed interest, through a Letter of Intent, in joining the project of markets coupling from Czech Republic, Slovakia and Hungary. Regional Project Steering Committee Czech-Slovakia-Hungary approved Romania's request. In December 2012, Poland has also expressed its intention to join the trilateral project.

During 2012, the work of the national working group composed of representatives from ANRE, ME, CN Transelectrica SA and SC OPCOM SA continued, regional meetings being organized with regional coupling project partners Czech-Slovakia-Hungary to identify the steps that follow to be driven. On 22.10.2012 *Memorandum on Accession to market coupling project of electricity markets in the Czech Republic, Slovakia and Hungary* was approved by the Prime Minister. The document calls preliminary assessment of costs induced by the implementation of the market coupling project and their recognition within the approved tariffs by the regulatory authority for the transmission system operator and electricity market operator if their amount is acceptable.

1.5. Compliance

Compliance with decisions of the European Commission and ACER

In accordance with *Law no. 160/2012 on the organization and functioning of ANRE*, art. 9 (1) lit.w) ANRE respects 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 art. 39, paragraph 8 of Directive 2009/72/EC shall be implemented within 60 days after entry into force.

For 2012 there are no cases of this kind to be reported.

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

Since the certification process of the transmission system operator was not completed in 2012, the work of monitoring the fulfilment of the obligations of an independent system operator could not be achieved.

The transparency of transactions on interconnections is provided by Transelectrica, publishing information on its website www.transelectrica.ro in accordance with Regulation (EU) no. 714/2009.

For a complete identification of how Transelectrica fulfilled the obligations set out in the EC Regulation no. 714/2009 on conditions for network access of the cross-border exchanges in electricity, the regulator has decided to carry out a control action, which began in June 2012. ANRE requested from the transmission system operator details of steps taken per every requirement from EC regulation, presenting the action stage. There have also been controlled how the provisions are observed, especially regarding transparency and providing information, including the publication in terms of content, timing and duration of availability of information publication.

2. Promoting competition

2.1. Wholesale electricity market

Wholesale electricity market structure of Romania

The wholesale electricity market includes all the transactions conducted between participants, except the ones for selling electricity to final customers, which runs on the retail market.

The **wholesale electricity market** is divided into the following components:

- **bilateral contracts** (regulated, negotiated or concluded through auctions on centralized markets).
- transactions concluded **on the day ahead market** (DAM) or intra-daily market (ID), in which participants adjust their contractual position or to gain profit from the difference between the contract price and the spot price.
- **balancing market (BM)**, which covers differences between notified production and consumption forecast. For imbalances participants assume financial responsibility.

For a greater transparency on the competitive market was organized **Centralized Market for Bilateral Contracts**, which includes two ways of trading, i.e. trading means that contracts are

awarded through public auction (**CMBC**) and the method of trading that contracts are awarded through a combined process of auction and negotiation (CMBC-CN). Centralized Market for Bilateral Contracts was completed at the end of 2012 with an organized market for high industrial customers (CMHC).

In the wholesale market are also included the transactions on the **ancillary services market** and on the **interconnection capacities market**.

According with the provisions of the Electricity and Natural Gas Law no. 123/2012, on the competitive market, commercial transactions of electricity are performed in a transparent, public, centralized and non-discriminatory manner. This involves eliminating the possibility to conclude negotiated bilateral contracts on the wholesale electricity market.

Law no. 123/2012 establishes similar principles and for ancillary services transactions, which the transmission system operator must perform on the basis of transparent, non-discriminatory and competitive mechanisms.

Also, network operators (transmission and distribution) must provide the technological consumption of the networks they operate on the basis of transparent and non-discriminatory and competitive mechanisms.

The structure of power generation sector

The present 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. Thus, in June 2012 Oltenia Energy Complex (CE Oltenia) entered the electricity market - a new company administered in a dual system following the merger of the National Company of Lignite Oltenia Tg. Jiu, Turceni (CE Turceni), Rovinari Energy Complex (CE Rovinari) and Craiova Energy Complex (CE Craiova), and from November 2012 the Energy Complex Hunedoara (Hunedoara CE) began operating on the market, established through the merger of Electrocentrale Deva with Electrocentrale Paroseni.

The total amount of electricity supplied to the network in 2012 by producers, was 53.793 TWh, of which delivered on networks by the producers holding dispatchable units summed up 52.107 TWh.

The year 2012 was characterized by maintaining one of the largest producers of energy, Hidroelectrica, in the state of force majeure applied to all commercial contracts for the sale of electricity. Applying force majeure clause began in the fall of 2011 and continued during the first 4 months of the year because of the severe hydrological deficit, affecting main inland rivers and the Danube. After a period of 3 months, when Hidroelectrica was active on the electricity market in normal conditions, due to the sharp drop in the flows of the Danube and inland rivers and taking account of unfavourable weather until the end of the year, Hidroelectrica has taken steps to activate the second force majeure clause in all commercial contracts for the sale of electricity. Hidroelectrica came out from the second force majeure period at the end of November 2012.

Another exceptional situation, with major impact on the activity on the electricity market of the same producer, was entering the general procedure of insolvency aiming to reorganize activity according to a reorganization plan, starting end of June 2012. The insolvency

application was explained by Hidroelectrica by the existence prolonged drought in late 2011 and early 2012, with the effect on reducing cash flows and record of financial losses.

Compared to 2011, in 2012 there were decreases in electricity delivered for almost all types of conventional fuel, except gas. Largest decrease was recorded in the electricity produced on liquid fossil fuel (18.5%) and hydro (with approx. 18.1% due to force majeure during the year). The lowest decrease was recorded in electricity produced from nuclear fuel (2.4%), this amount of electricity remains at about the same level as in previous years. While all other sources, except gas, on which it was produced and delivered nearly 3% more than in 2011 (largely due to the entry into production of Petrom CCPP) had recorded decreases in delivered electricity to the networks, the electricity from wind (produced by dispatchable generators) was almost two times higher than last year, reaching a total of over 1.8 TWh annually. In addition to that quantity, approx. 1 TWh was produced by non-dispatchable wind producers or by those on trial period. Overall, 2012 saw a decrease of more than 6% of electricity delivered into the network, produced from both conventional and unconventional sources from dispatchable units.

In 2012 in Romania has imported a quantity of about 1402 GWh and 1149 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 with 2011, imports increased by about 35%, while exports fell by more than 61%, that accomplished by competitive suppliers as well as that of Hidroelectrica, because of the electricity deficit. For the first time in the last five years Romania was an importer of energy.

Domestic consumption calculated based on electricity delivered on networks and import-export balance was about 52.36 TWh, 2.6% lower than in 2011, with the exception of months February, June and July 2012, when domestic consumption levels calculated as described above was greater than the corresponding months of 2011; a lower reduction of the domestic consumption was in August (0.7%) and the highest one was in November (6.7%).

Developments of the wholesale electricity market in 2012

The volumes of electricity traded on the wholesale market components are shown in the following table:

	Trade volumes in 2012	Evolution compared with 2011	Percentage from the domestic consumption
Wholesale market components	- GWh -	- % -	%
Regulated bilateral contracts market	23707	▼15.4	45.3
OTC market	16020	▼11.1	30.6
Negotiated bilateral contracts market	36536		69.8
Export	1149	▼61.0	2.2
Centralised bilateral contracts markets	8551	▲70.0	16.3
Day-ahead market (DAM)	10718	▲20.8	20.5
Intra-day market (PI)	7	▲62.0	0.2
Balancing market (BM)	4709	▲2.6	9

As compared to 2011, there is a decrease in the quantities traded on each type of contracts: regulated, directly negotiated contracts or OTC. The largest decrease was recorded for exports, which declined significantly, especially in the case of Hidroelectrica. To this situation had contributed the force majeure and the insolvency declared. Significant increases of traded electricity volumes were recorded by both centralized markets administrated by the market operator, especially due to changes caused by Law no. 123/2012 that have occurred since August 2012.

Due to the competitive and transparent nature of the centralized organized markets, increased volumes traded on DAM, the centralized market of bilateral contracts (which registered significant growth) and volumes traded (albeit insignificant) on the intraday market are seen as positive developments of these wholesale market segments.

The following table presents the average prices on the components of the wholesale market.

Average prices on the wholesale market components	2012 - lei/MWh -	2011 - lei/MWh -	Evolution in 2012 compared to 2011 (%)
Regulated bilateral contracts market	189.75	164.29	▲ 15.5
OTC market	212.97		
Negotiated bilateral contracts market	204.15	177.88	▲ 14.8
Export	223.15	192.78	▲ 15.8
Centralized bilateral contracts market	215.25	171.78	▲ 44.2
Day-ahead market*	217.47	221.2	▼ 1.7
Intra-day market**	297.57	281.71	▲ 22
Balancing market***	291.68	283.13	▲ 3.0

* the annual average price published by SC Opcom SA and calculated as simple arithmetic mean

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

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

Regarding the average prices of electricity on the wholesale market, we add the following information:

- i. average prices do not include VAT, excise or other taxes and were determined by weighting prices with corresponding transaction quantities monthly reported by market participants;
- ii. All prices include transmission charge Tg component (on centralized markets it is included by the tenderers in the price).

Comparative analysis of annual average prices resulting from the transactions completed on different components of the wholesale market in 2012, compared to 2011, indicates the following:

- an increase of annual average prices on all types of contracts, except average price on DAM, which fell, however, with a small percentage;
- large increase of the average price of the CMBC (including CMBC-CN) on delivery compared with 2011, the maximum monthly average was recorded in October-December, over 220 lei / MWh, period during which were traded the quantities to be delivered in 2013 ;
- the average annual prices for OTC contracts (concluded on brokerage platforms) was slightly lower than those obtained on the OPCOM organized platforms;
- annual average export price recorded on competitive supplier's contracts was around 257 lei / MWh, while the price of the contracts concluded by Hidroelectrica, the only exporting producer, was 146 lei / MWh.

Regulated bilateral contracts market

The regulated component of the wholesale market also operated in 2012, to supply at regulated tariffs household and non-household consumers who did not use the right to choose their electricity supplier, as well as for covering the distribution network losses and, just for the first 3 months of the year, to cover losses of the transmission network.

From the total sales of the producers on the regulated market, 98.7% are covered by electricity quantities from regulated contracts approved by ANRE decisions for default suppliers and distribution operators. These quantities were covered approx. 50.8% by the producers using conventional fuel, approx. 30.9% by producer using nuclear fuel and by the hydro producer, approx. 16.9%. The differences till 100% are covered by sales on regulated contracts with TSO, by the mutual-aid between producers or by the sales on the retail market.

From the total sales of the producers, the electricity quantities sold on the regulated market represented about 46% of the total (24 233 GWh), the difference was recorded on the competitive market, including direct bilateral contracts (27 958 GWh). These volumes do not include transactions made on the balancing market / imbalances.

In the first quarter of 2012, Transelectrica had purchased approx. 175 GWh from producers, on regulated contracts, to cover losses in the grid at the price of 250 lei / MWh, respectively 350 lei / MWh. The needed differences were purchased from DAM all 3 months.

Since March 2012, Transelectrica started buying this electricity from CMBC, through buying bids, so that in April, the entire electricity purchased to cover losses took place exclusively through competitive market mechanisms (DAM and CMBC), at much lower prices.

In 2012, the default suppliers had purchased on the wholesale market an electricity quantity of 72,259 TJ (20,072 GWh) to cover electricity needs of the customers which choose not to change supplier, of which about 91% was acquired on the regulated market and the remaining on the competitive market. The average purchase price of electricity was 161.54 lei / MWh.

For distribution operators, regulated market purchases represented in 2012 about 91% of the total electricity needed. The necessary electricity to cover the network own consumption was acquired from the competitive market. In total, distribution operators have purchased on the wholesale market 23,810 TJ (6,614 GWh). The average purchase price was 162.18 lei / MWh.

Competitive market

In the competitive market are included all transactions completed through bilateral negotiated contracts between the various participants (including successive resale) and the transactions on centralized markets (CMBC, CMBC-CN, DAM, IDM, BM) operating in the auction type mechanisms.

The table below shows the competitive market sales structure (without taking into account the volumes on the BM) seen from the producers' viewpoint:

Total sales of producers on the competitive market		100% (27958 GWh)
A.	Transactions closed upon bilateral negotiated contracts	48.6
	1. With suppliers	33.0
	2. With external partners (export)	1.3
	3. With other producers	0.9
	4. With distributors	0.0
	5. With final consumers	13.4
B.	Transactions upon auctions on the centralized markets	29.6
	1. With suppliers	28.0
	2. With distributors	0.0
	3. With other producers	0.0
	4. With final consumers	0.0
	5. With TSO	1.6
C.	Transactions on DAM	21.9

Mention should be made that the producers did not sign contracts on the OTC markets (brokerage platforms), the conclusion of these types of contracts being exclusively linked to the activity of the competitive suppliers.

Average prices of electricity traded by producers on the competitive market (which were made in comparable values by including only the component Tg of the transmission tariff) was 174 lei / MWh for the negotiated sale to competitive suppliers, 146 lei / MWh for export, an annual average price of 78 lei / MWh to other producers (due to the low sale price applied by OMV Petrom to Hidroelectrica for the electricity generated in unit in the trial period).

The resulting average prices for the electricity delivered by the producers on CBCM contracts were about 215 lei/MWh for sales to competitive suppliers and 230 lei/MWh for sales to Transelectrica; the producers' average selling price on DAM was about 229 lei/MWh, similar to that of 2011, while the average selling price on the export contracts was 146 lei/MWh, 8% higher than the previous year's export deliveries.

The competitive market sales structure seen from the suppliers' viewpoint is given in the table below:

Total sales of suppliers on the competitive market		100% (69612 GWh)
A.	Transactions closed upon bilateral negotiated contracts	70.7
	1. With other suppliers	36.6
	2. With external partners (export)	1.1
	3. With producers	2.3
	4. With distributors	0.0
	5. With final consumers	30.7
B.	Transactions on OTC platforms	23.0
C.	Transactions upon auctions on the centralized markets	0.4
	1. With other suppliers	0.2
	2. With producers	0.0
	3. With TSO	0.2
D.	Transactions on DAM	5.9

It is noted that 23% of electricity sold by suppliers on the market represents the brokerage transactions conducted on international platforms, with the average price of 212.98 lei/MWh.

The average selling prices of suppliers on the competitive market in 2012 (including the Tg component of the transmission tariff) were 214.97 lei/MWh for the negotiated sales to other suppliers, 228.17 lei/MWh on export, 227.54 lei/MWh on negotiated contracts to producers

and 225.74 lei/MWh to the final consumers (the latter does not include network costs: transmission, distribution, system services).

For DAM transactions, the suppliers' average price was 218.17 lei/MWh and for deliveries on the centralized markets contracts the average price was 192.38 lei/MWh with the producers, 231.14 lei/MWh with the suppliers and 214.6 lei/MWh with the TSO, respectively.

Evolution of concentration indicators on the wholesale electricity market

Generation

In 2012, the net power available in the national power system was **18756 MW**, approx. 8% higher than the previous year. **The increase was mainly due to the commissioning of a large number of wind generation capacities.** The value of the HHI indicator calculated based on the available net power was 1891. The HHI indicator calculation took into account more than 50% shares held by some operators in other operators' shareholding, namely: the producer SC Termoelectrica whole ownership of the producers SC Electrocentrale București SA, SC Electrocentrale Deva, SC Electrocentrale Paroșeni and SC Electrocentrale Galați SA (the principle of dominance).

The annual average values of the structure indicators C1 and HHI determined based on the electricity delivered by producers with dispatchable units within 2004-2012, without considering the dominance principle (based on the legal structure) is given in the table below.

Since most of the electricity producers are owned by the state or by local communities (through the Ministry of Economy, AVAS, Local Councils), the monitoring of the concentration indicators is customarily based on the legal structure of the sector (as companies with legal personality) as they are regarded as sufficiently relevant on the Romanian market.

Evolution of the C1 and HHI annual average value based on electricity delivered by dispatchable producers

Year	C1 (%)	HHI
2006	31	1562
2007	28	1404
2008	28	1523
2009	29	1632
2010	36	1947
2011	26	1469
2012	30	1914

Source: data provided by dispatchable producers, processed by ANRE

It is noted that the 1914 value of the HHI index for 2012, determined on electricity annually delivered by generators with dispatchable units, exceeded the threshold of 1800, which delimits markets with moderate concentration of market power from those with excessive concentration.

The high degree of concentration on the generation and supply of electricity is determined by the fact that in mid-2012, three of the largest generators of electricity from conventional sources merged, thus changing all the concentration indicators.

Thus, the share of first producer (the thermo producer CE Oltenia, the new market participant resulting from the merger) was 30.4% and the share of the first three generators (CE Oltenia to which it has been added the hydro and the nuclear generators) was 73.4%.

The Day-Ahead-Market – DAM

The HHI concentration indicator on DAM had values that generally indicate a lower market concentration in the first 6 months, with monthly values of HHI in the range of 444-889; after the merger of the three energy complexes operating on conventional fuel classic into one complex CE Oltenia SA, the HHI value of 1958 reached in July is the highest monthly level of sales recorded so far in this market in the last 5 years.

With the exception of October 2012, CE Oltenia was the sales leader in this market in the second half of 2012, with market shares ranged from 13.05 to 33.41%. The HHI values remained relatively high until the last two months of the year, when they slid back in a concentrated market range.

On the buying side, the monthly situation of the year differs from the selling side in that the HHI values recorded in the first part of the 2012 ranks the market in a moderate concentration range, while in the last four months of the year, this concentration is reduced significantly. The highest values of the principal buyer market share occurred in the first 2 months (over 30%, with a maximum in January 2013-34%), its values hovering then on a downward trend towards the year end, when it reached the minimum value of the year (11% in December).

The Centralised Market of Bilateral Contracts – CMBC

The concentration indicators calculated on the electricity volumes in delivery that were previously contracted in accordance with contracts awarded through public bids in previous sessions shows an excessive market concentration for both ways of trading on the centralized market of contracts.

The table below shows the concentration indicators on the centralised market of bilateral contracts organised at SC Opcom SA level in the period 2005-2012:

CMBM concentration indicators based on the volumes in the yearly 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

Source: data provided and processed by SC OPCOM SA

As shown above, the largest share sale on the market is held by the participant resulting from the merger of the three energy complexes, CE Oltenia, whose market share was calculated by taking into account the quantities delivered on the contracts won by the energy complexes before the merger, as well.

The Balancing Market - BM

The table below shows the comparative annual values for the period 2006-2012 of the concentration indicators determined on the electricity actually delivered by the generators on BM, by type of regulation and direction.

Year	Regulation type	Direction	2006	2007	2008	2009	2010	2011	2012
C1 (%)	Secondary	upward	80	60	71	64	68	59	60
		downward	80	56	71	64	67	56	57
	Fast tertiary	upward	69	51	70	55	53	75	78
		downward	53	30	38	47	62	46	53
	Slow tertiary	upward	29	29	27	39	45	30	46
		downward	31	19	27	32	34	42	95
HHI	Secondary	upward	6510	3915	5438	4526	5067	3986	4815
		downward	6612	3538	5367	4501	4943	3703	4665
	Fast tertiary	upward	5061	2979	5065	3543	3320	5729	6250
		downward	3452	1590	2319	2843	4204	2868	3926
	Slow tertiary	upward	2203	1769	2021	2478	2749	1679	2375
		downward	2582	1276	1838	2017	2089	2563	3446

Source: data provided by CN Transelectrica SA. processed by ANRE

The values of the concentration indicators for 2012 show a dominant participant and an excessive concentration of the balancing market for all types of regulation. Given the high concentration recorded constantly on the balancing market, ANRE maintained in 2012 the upper limit of the offering prices on this market, while as of September 15 2012 the maximum value was revised and increased from 400 lei / MWh to 450 lei / MWh. Mention should be made that the concentration indicators on the balancing market were calculated by including the electricity actually delivered in the first 5 months by CE Craiova, CE Rovinari and CE Turceni, respectively the values recorded in the first 10 months by Electrocentrale Deva and Electrocentrale Paroşeni in the electricity actually delivered by CE Electrocentrale Hunedoara.

The Ancillary Services Market

This market operates on types of reserves secondary, fast tertiary and slow tertiary that the TSO is contracting on regulated or competitive (based on auctions) from generators that are qualified for this type of services. As the concentration on the ancillary services market is constantly high (the hydro producer is able to provide most of these services at a higher quality), the reserve is primarily ensured through regulated contracts concluded between producers and the TSO. In 2012, the TSO purchased through auctions approx. 4% of the total amount contracted for the secondary reserves, 10% of the fast tertiary reserve, while for the slow tertiary reserve the TSO contracted through auctions approx. 38% of the total amount required.

The following table presents the annual concentration indicators for the Ancillary Services Market in the period 2008-2012.

Year/Component		Secondary Reserve Regulation	Fast Tertiary Reserve Regulation	Low Tertiary reserve Regulation
2008				
Regulated component	C1 (%)	82.6	82.6	78.2
	C3 (%)	98.6	91.2	100
Competitive component	C1 (%)	77.5	92.5	64.3
	C3 (%)	100	100	97.8
	HHI	6516	8605	4765
2009				
Regulated component	C1 (%)	62.2	80.2	71.7
	C3 (%)	88.7	90.4	100
Competitive component	C1 (%)	-	-	42.1
	C3 (%)	-	-	82.7
	HHI	-	-	2869
2010				
Regulated component	C1 (%)	71.3	83.0	44.2
	C3 (%)	92.5	90.0	90.2
Competitive component	C1 (%)	-	-	-
	C3 (%)	-	-	-
	HHI	-	-	-
2011				
Regulated component	C1 (%)	56.1	80.2	40.2
	C3 (%)	83.5	88.3	84.7
Competitive component	C1 (%)	-	77.0	63.4
	C3 (%)	-	93.3	96.5
	HHI	-	6089	4815
2012				
Regulated component	C1 (%)	53.0	82.5	46.5
	C3 (%)	98.9	93.2	89.3
Competitive component	C1 (%)	93.9	98.4	51.6
	C3 (%)	100	100	88.0
	HHI	8858	9679	3500

Source: data provided by CN Transelectrica SA. processed by ANRE

2.2. Electricity Retail Market

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

The number of electricity suppliers operating on the retail market in 2012 was 62, of which 12 electricity generation license holders and 5 incumbent suppliers. The number of suppliers operating on the regulated market was 5 incumbent suppliers – 1 state-owned and 4 with majority private ownership.

The total number of consumers supplied on the regulated market at December 31, 2012 was 8,991,838 of which 8,437,104 households and 554,734 non-households. Nationally, 1097 of all households became eligible consumers, yet their annual consumption was extremely low.

The provided energy was about 20,880 GWh, representing an increase of 3% from 2011, while maintaining total final consumption approximately to the one registered in 2011.

In December 2012, on the competitive market were 13,467 eligible consumers, electricity supplied to these consumers in 2012 being 25,105 GWh, a 2% decrease compared to the same period of the previous year.

The number of consumers who have exercised their right to choose the electricity supplier registered a slight increase in 2012. The quantity of supplied electricity has fallen in the first quarter, respectively in the last two months of the year and increased in May, July and October, recording in December lower values than in January 2012. Since January 2011, the supplied electricity includes also the quantity of electricity self-supplied from other consumption locations by dispatchable producers with self-supplied quantities which exceeded 200 GWh a year earlier.

The values of competitive retail market concentration indicators during 2004-2012, showed in the following table highlights a positive evolution (downward concentration).

Values of competitive retail market concentration indicators

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

Year 2012 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.

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

Year 2012	Customers							Total competitive retail market
	IA	IB	IC	ID	IE	IF	Others	
C1 (%)	50	27	26	15	13	20	28	12
C3 (%)	77	54	45	35	33	41	44	30
HHI	2972	1314	1091	702	740	1204	1161	530
Consumption (GWh)	56.3	1307	2081	5797	2859	2459	10547	25105
Number of suppliers:	27	48	50	49	25	13	22	62
Number of default suppliers	5	5	5	5	4	3	2	5
Number of competitive suppliers	15	35	35	36	17	9	11	45
Number of producers	7	8	10	8	4	1	9	12

The rate of switching the energy supplier for 2012, shown below, is determined for each type of consumer in two ways: by the number of consumer sites that have switched supplier in 2012 and according to the electricity supplied to the consumer places. It is noted that self-consumption of the largest industrial consumers who also own a supply license and decided to purchase power on the wholesale market, as competing providers, 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)	0.013	0.409
2.	Large non-households (contracted power between 100 kW and 1000 kW)	7.241	8.986
3.	Very large non-households (contracted power higher or equal to 1000 kW)	7.346	14.302
4.	TOTAL Retail market	0.033	7.649

Source: supplier's 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 doubling value of indicator for large non-households category, correlated with a 43% decrease of the value of the indicator for small non-households and households consumers, i.e. 30% for very large non-households consumers.

The rate value of switching electricity supplier for the retail market determined based on the supplied volumes increased by 70% as compared with the last year results. It is noted a migration from one provider to another of consumers with large amounts of electricity.

Number of suppliers with market shares above 5% and market concentration indicators for each category of final consumers registered in 2012 is presented in the following table.

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	38	84	2851
2.	Large non-households (contracted power between 100 kW and 1000 kW)	5	29	50	1607
3.	Very large non-households (contracted power higher or equal to 1000 kW)	7	14	35	718
4.	TOTAL Retail market	4	26	59	1472

Source: suppliers' data, processed by ANRE

We mention that the dominance principle was taken into account in the calculation to determine the value of market indicators 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 suppliers.

Values of market structure indicators calculated for 2012 indicate:

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

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

Evolution of electricity average return prices determined for 2005-2012 is presented below:

Customers	Average return electricity price (Euro/MWh)							
	2005	2006	2007	2008	2009	2010	2011	2012
Customers in the regulated market	79	90	102	96	87	91	90	90
Customers in the competitive market	40	48	56	61	57	58	60	67

One may notice the increase of average return prices recorded on the competitive market in 2012 as a result of prolonged drought in the year 2011-2012, the insolvency of Hidroelectrica on June 2012, commissioning and entry into commercial operation of electricity production from renewable sources, etc.

Following the analyses of the evolution of distribution tariffs, the purchase price of the default suppliers, green certificates costs, etc. it resulted the need to increase national regulated tariffs for electricity provided by default suppliers to final consumers that haven't used their eligibility right with 5% added to the values approved by ANRE Orders no. 102/2009 and 103/2009, as of July 1, 2012.

Memorandum of Understanding signed with the European Commission and Letters of Intent signed with the International Monetary Fund, part of the Preventive Agreement of Understanding signed with the IMF and the European Commission include the requirement **for removal of regulated prices for non-households and households in the electricity sector.**

The gradual phasing out of regulated tariffs / prices was taken over by the Electricity and Natural Gas Law no. 123/2012. The road-map of phasing out regulated tariffs for electricity supply for final consumers was approved by a Memorandum by the Government in March 2012.

The tariffs phase out began on September 1, 2012 for non-household customers, that will start on July 1, 2013 for households and ends on 31 December 2013 for non-household customers respectively 31 December 2017 for households.

The first two stages of the tariffs phase out schedule for electricity supply to final consumers have been completed in 2012. Thus, between 1 September -31 December 2012 the amount of electricity from non-household consumer contracts covered was reduced by 15%, the default suppliers having to ultimately complete their electricity needs by buying power on the competitive market. Also with effect from 1 January 2013, a second tranche of 15% was applied.

In this context, at the level of market operator, took place actions to improve existing trading environment by developing trading platforms dedicated to large industrial customers and conclusion of bilateral long-term contracts.

For non-households customers who have not used their eligibility right, the tariffs for competitive market component – CPC were distinctly underlined in the invoice, these tariffs previously being approved by ANRE. CPC tariffs applicable for the period 1 September to 31 December 2012 have been published on ANRE's official website.

CPC tariff represents the cost of purchasing electricity on the competitive market, plus the cost of transmission service, system service, services provided by the centralized market operator, distribution service costs, costs of service supply, not including the cost for purchasing green certificates.

By applying the CPC tariffs for the period 01.09.2012-31.12.2012, correlated with the increase of regulated tariffs for electricity supplied to non-households consumers who have not exercised their eligibility right by default suppliers, an increase of the average price of electricity billed to this class of consumers resulted.

With the entry into force on 26 July 2012 of Law no. 134/2012 which amended and supplemented the law establishing the system for promoting electricity production from renewable sources, the green certificates value is billed separately from tariffs / prices for electricity and is highlighted separately on electricity bill.

The value of green certificates from the bill is the result of multiplication of: the value of annual mandatory quota for certificate acquisition (GC/MWh), share estimated by ANRE, the billed quantity of electricity (MWh) and the weighted average price of green certificates traded on the centralized market.

According to the data registered for customers who changed the supplier and those who have not opted for switching the supplier resulted the selling price for consumer categories listed in the following table.

Consumer type	Euro/MWh				
	Network Tariffs	Fees applied to network tariffs	Electricity purchase price	Fees	Total price
Households with annual consumption between 1000 and 2500 kWh/year	47.52	-	31.53	30.23	109.28
Non-households with annual consumption between 2000 and 20000 MWh/year	20.16	-	53.08	19.07	92.32
Average industrial with annual consumption between 20000 and 70000 MWh/year	17.66	-	49.72	17.00	84.38
Large industrial with annual consumption between 70000 and 150000 MWh/year	12.31	-	49.75	15.63	77.68

Annual exchange rate for Euro 2012: 4.4560 RON

In order to reduce the negative impact of phasing out regulated tariffs and prices on final customers in the memorandum approved by the Government there have been proposed a number of measures to protect customers, including: identification of vulnerable customers, providing them direct subsidies, increased activity of the suppliers to inform customers about the process of market liberalization, reviewing provisions on supplier switch.

Electricity and Natural Gas Law no.123/2012 defines the *vulnerable customers* as the end customer belonging to a category of households which, for reasons of age, health or low income are at risk of social exclusion and to prevent this risk, benefit from social protection measures, including financial ones. Social protection measures and eligibility criteria are established by further regulations. Vulnerable customers will be the main beneficiaries of social benefits envisaged in the phasing out regulated prices/tariffs process.

Setting categories of vulnerable customers and ways of protecting them at national level as well as implementing legislation and the promoting financial safeguards measures for vulnerable customers is yet to be established, being one of the topics of negotiations with the IMF, EC and World Bank.

Until such programs are introduced, as a tool for social protection to ensure a minimum level of power consumption there will be used a social tariff. Thus, in accordance with the "*Procedure regarding terms and conditions for granting social tariff of electricity households*", approved by ANRE Order no. 38/2005 with subsequent amendments, vulnerable customers with average monthly income per family member less than or equal to the minimum wage set by government decision have the right to opt for the social tariff. The social tariff was established on blocks of consumption with differentiated and gradually increasing prices, so that, up to 90 kWh/month, the average return price is below the price resulting from the application of any other tariff to household customers with low voltage supply. Of this social tariff benefit about 1,118,809 consumers (4.8% less than in 2011) of the total of 8,437,104 households.

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

3.3. 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.

February 2012 was characterized by a difficult energy situation, leading to the situation of lack of energy reserve at peak loads due to lack of fuel in hydrocarbons power units, shutdown of wind farms and lack of water supply due to the frost in some hydropower plants.

Difficult weather conditions in the area and lack of fuel have led both ESO-EAD (Bulgarian TSO) and EMS (Serbian TSO) inform Transelectrica the force majeure event is triggered in Bulgaria (from 8 February 2012) respectively Serbia (11 February 2012), resulting in the

suspension of all imports from Bulgaria and suspension of interconnection capacities allocation market in the direction to Serbia.

Thus, on 13.02.2012, Transelectrica had to apply reduced export graphs according to the operational procedure on "*Defining emergency situations in which Transelectrica may restrict the right of participants to use the interconnection capacity won in tenders and operative change of exchange graphs*" with ANRE approval no. 7/09.02.2012.

According to the *Government Decision no. 83/2012 on adopting some safety measures on the electricity market*, during 16.02-15.03.2012, Transelectrica had the right to take urgent safety measures in a certain order: restriction/ cessation of export delivery (except for transit exports), then applying the *Norms of limiting energy consumption in critical situations of National Power System (NPS)*. Thus, during 14-23.02.2013 Transelectrica reduced in some time slots the allocated capacity at daily auctions on export directions to Hungary and Bulgaria, in order to achieve a safe operation of the NPS.

Dated 24.02.2012, Transelectrica stopped allocated capacity reductions in export direction, with improving weather conditions and increased fuel reserves in thermal power plants and flows on the main tributaries of the Danube and inland rivers.

3.1 Monitoring balance between supply and demand

In 2012, electricity production amounted to 59.04 TWh, about 5% lower than in 2011. Domestic consumption amounted to 59.3 TWh, with about 1.2% lower than in 2011 but which was covered both from domestic and imported production. For the first time in five years the import-export balance was positive (0.25 TWh).

In 2012, along with increased contribution of wind power plants from 2% of total production in 2011 to about 5% of total production in 2012, there is a decrease in thermal energy production (coal: from 42% in 2011 to 40% in 2012) and hydro energy (water: from 24% in 2011 to 21% in 2012, due to the activation by S.C. Hidroelectrica S.A. of the *force majeure clause* with immediate effect on reducing contracts to suppliers). It is noted however a slight increase in the share of power plants based on hydrocarbons (1%), largely due to the market entry of Petrom SA CCPP (860 MW).

Maximum net generation capacity of individual plants was 18.756 GW on 31.12.2012. Net available power and consumption values on the third Wednesday of the month at 11am CET (net values) are shown below.

2012 (MW)	Jan	Feb	March	Apr	May	Jun	July	Aug	Sept	Oct	Nov	Dec
Net available power	17355	18580	18544	18803	18693	18828	18828	18589	18652	18655	18739	18871
Consumption	7649	7928	6501	7263	6522	7032	6732	5309	6127	6507	7253	7728

Source: CN Transelectrica SA

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	2012		2015		2016		2020	
	January 19:00 pm	July 11:00 am						
Net generation capacity (GW)	18.30	18.10	19.70	19.90	20.20	20.20	22.30	22.30
Consumption (GW)	8.33	7.43	9.24	7.60	9.48	7.80	10.51	8.62

Scenario B	2012		2015		2016		2020	
	January 19:00 pm	July 11:00 am						
Net generation capacity (GW)	18.30	18.10	19.80	20	20.40	20.60	24.40	24.40
Consumption (GW)	8.33	7.43	9.24	7.60	9.48	7.80	10.51	8.62

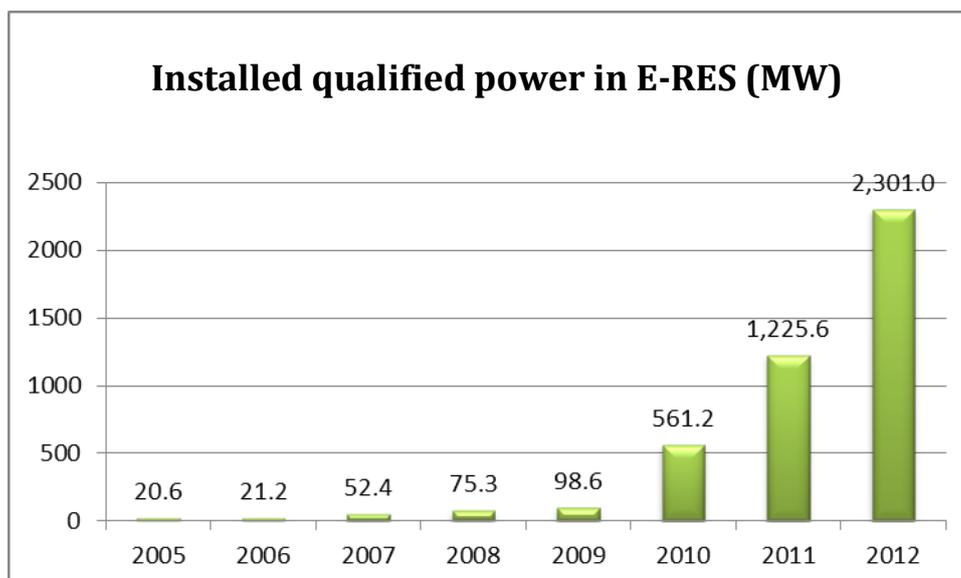
Scenario EU 2020	2012		2015		2016		2020	
	January 19:00 pm	July 11:00 am						
Net generation capacity (GW)	18.30	18.10	20.40	20.80	21	21.20	25.70	25.70
Consumption (GW)	7.89	7.74	8.23	8.07	8.42	8.27	9.28	9.11

3.2. Monitoring investments in generation capacities in relation with security of supply

In 2012, 151 establishment authorisations were granted (photovoltaic plants – 54, wind farms – 42, hydrocarbons power plants – 12, hydro power plants – 29, power plants using biogas – 3, power plants using biomass – 9, power plants using waste – 1, power plants using coal - 1).

Installed power in authorized capacities using renewable sources was 1738 MW (photovoltaic plants - 253 MW, wind farms – 1339 MW, hydro power plants – 108 MW and biomass power plants - 39 MW).

Therefore, at the end of 2012, installed power in power plants using renewable energy sources amounted to **2301 MW** as to the **1225.6 MW** installed in 2011, of which: 1794 MW in wind farms, 427 MW in hydro power plants with an installed capacity of up to 10 MW, 26.5 MW in power plants using biomass, 2.4 MW in power plants using landfill gas, 51 MW in photovoltaic power plants. The following chart shows the evolution of the installed power during 2005-2012.



Also in 2012, the Petrom S.A. power plant at Brazi began operating with a net power of 860 MW.

Concerning the development of electricity networks, the main investments proposed to be made under the Development Plan of the Electricity Transmission Grid - 2010-2014 and indicative for 2019, the last plan endorsed by ANRE, are:

- LEA 400 kV d.c. Reșița - Pancevo (interconnection line with Serbia)
- LEA 400 kV s.c. Suceava - Bălți (interconnection line with Moldova)
- Connection LEA 400 kV Isaccea – Varna and LEA Isaccea - Dobrudja in the Medgidia Sud station (interconnection with Bulgaria)
- LEA 400 kV Porțile de Fier - Reșița - Timișoara - Săcălaz - Calea Aradului - Arad axis
- LEA 400 kV s.c. Gădălin - Suceava
- LEA 400 kV Cernavodă – Stâlpu.

These investments aim to ensure the evacuation of energy from the Dobrogea area and to increase the interconnection capacity.

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

B. Natural gas market

1. Network regulation

1.1. Unbundling of activities

Given the fact that the natural gas transmission system of Romania is public property, the chosen unbundling model was that of **independent system operator**.

For certification, in order to fully implement the provisions regarding the independence of the transmission system operator, through Government normative act drafted at the ministry's proposal, it is established the public entity representing the State as majority shareholder at the operators engaged in production and supply, on the one hand, and the public entity

representing the State as majority shareholder at the transmission system operator, on the other hand.

Whereas the unbundling measures required by law have been adopted only in 2013 by Government Emergency Ordinance no. 18/2013, which entered into force on 27 March 2013, the certification decision could not be issued in 2012.

Natural gas undertakings carrying out regulated activities (transmission, storage, distribution, supply) are required to ensure accounting unbundling, as well as their legal, functional and organizational unbundling. Distribution companies that serve a maximum of 100,000 customers are exempt from the provisions on legal unbundling.

Natural gas operators are required to transmit the regulated accounting records until 1 July (for the distribution and supply activities) and 31 August (for the storage and transmission activities), for the regulatory year following that for which the report is made.

Regarding the requirement of legal unbundling of the underground storage activity, it was accomplished by the storage operator S.C. DEPOMUREȘ S.A. The legal unbundling process of the last storage operator – S.N.G.N. Romgaz S.A. is still in on-going.

Other distribution system operators, who serve less than 100,000 consumers connected to the network, which according to legal norms have been exempted from the legal unbundling requirement, have accomplished the accounting unbundling for their regulated activities even since 2007.

1.2. Technical functioning

The Network Code, approved by ANRE Order no. 54/2007, with the subsequent amendments and additions, settles the conditions and rules for using the natural gas National Transmission System in Romania, as well as transparent and non-discriminatory access of third parties. The Network Code entered into force starting with gas year 2009-2010.

The network code of the natural gas National Transmission System establishes rules and procedures regarding the access to NTS, among them the most important are:

- procedures for balancing the natural gas system, nominations and communication;
- mechanisms for capacity allocation;
- procedures for system congestion management.

For 2012, for the natural gas market in Romania, no imbalance charges were applied, imbalance charges were included in the cost elements of the transmission tariff.

The Network Code of the National Transmission System has provisions for physical and commercial balancing of the NTS.

Therefore, the TSO is required to calculate and communicate to each network user the following:

- Daily – the daily provisional imbalance;
- Weekly – the provisional accumulated imbalance for that gas week;
- Monthly – the final daily and weekly accumulated imbalances.

According to the provisions of the Network Code, the capacity of the NTS could be request by users:

- before 15 May, every year, for a natural gas year or a multiple of a natural gas years;
- after 15 May, every year, for periods less than a natural gas year and only until the end of the current natural gas year.

The network users request the booking of NTS capacity by filling in and transmitting to the NTS Operator (TSO) the „Capacity request” form together with the proposal of the transmission schedule, attached.

TSO is required, within maximum 30 days period, to answer the network user regarding the access to NTS or to communicate the reasons for refusal (total or partial), as well as some observations on the proposed transmission schedule.

TSO grants the available capacity from NTS to the network users based on the principle „first come, first served”. Priority shall be granted for the capacities requested in order to fulfil the public service obligations.

In order to settle congestions, approved but unused capacity may make up the object of:

- Voluntary return to the TSO;
- Capacity transfer facility (CTF);
- Mandatory transfer from one network user to another by the TSO.

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

1.3. Network tariffs for connection and access

Mechanisms for calculating regulated tariffs and prices are "revenue cap" type for the underground storage and transmission regulated activities and "price-cap" for the distribution and supply regulated activities.

Transmission and distribution tariffs for the most relevant final consumer categories were kept unchanged during 2012 compared to 2011 and 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	0.53	0.53	0.53	0.53
Distribution Tariff	1.37	1.67	1.68	1.68

1.4. Cross-border issues

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

After analysing the legal situation of the Convention with Bulgaria, a conclusion has been reached, also confirmed by the bilateral technical meeting at expert level, between the European Commission and the Romanian Government, held in May 2011 in Brussels, that this agreement ceases to have legal effects and therefore there is no need to take the necessary steps to amend its provisions.

Regarding the commercial contract between the Romanian transmission system operator - Transgaz and the Bulgarian operator - Bulgargaz. into force until the end of 2016, was considered that, in order to comply with EU legislation, its renegotiation is required.

Following the meeting with the Commission, the Minister of Economy, Trade and Business Environment of Romania launched the invitation to his Bulgarian counterpart to renegotiate the commercial contract of natural gas transit between Transgaz and the Bulgarian partner, invitation accepted by the Bulgarian partner.

Regarding the issue of network access tariffs, in order to comply with the EU provisions, ANRE issued Order no. 29/2012 approving the *Methodology on capacity allocation for the Isaccea I – Negru Voda I pipeline*.

Methodology on capacity allocation contains provisions regarding:

- capacity booking period;
- technical parameters and available capacity in Isaccea I and Negru Vodă I points;
- minimum content of tenders;
- mandatory requirements for tenders;
- capacity allocation mechanism and algorithm for capacity auction;
- mechanisms for stimulating the determination of the closing tariff for the capacity auction.

The methodology was sent to the Bulgarian counterpart in July 2012.

Also during 2012 was approved ANRE decision no. 1732/09.07.2012 *on tariff setting for the natural gas transit service provided by the National Gas Transmission Company TRANSGAZ S.A. Medias for the DN1000 mm Isaccea I - Negru Voda I pipeline*.

Romanian-Russian relations

On 26.06.2009 the European Commission triggered against Romania the infringement action for the breach of EC Regulation no. 1775/2005 on conditions for access to the natural gas transmission networks - cause 2009/2193.

One of the remaining unresolved issues of the case 2009/2193 covers failure by Romania of the obligations of making available the maximum available capacity, establishing mechanisms for capacity allocation and approval of relevant points on pipelines subject to agreements concluded by Romania with the Russian Federation in 1986 and respectively 1996.

Romanian authorities have taken the steps at national level to prepare the negotiation process, identifying the clauses subject to renegotiation and obtaining Romanian Government's mandate in compliance with specific procedures set by national legislation in the field of negotiating international agreements with other states. Accordingly, the Government approved the initiation of negotiations with Russia to amend two existing conventions.

As a result, Romania took the necessary steps to begin the renegotiation of the agreements, to which reference was made, with the Russian Federation and to create the conditions for renegotiation of the commercial contracts:

- *External Contract from 03.06.1987 for the transit of Russian natural gas over Romanian territory to Turkey, Greece and other countries*, concluded for the period 1987-2011 according to the 1986 Convention and
- *External Contract from 24.09.1997 for the transit of Russian natural gas over Romanian territory to third countries*, which establishes the transit volumes by the year 2023 according to the 1996 Convention.

By Government Decision no. 1278/27.12.2011 Romania denounced the two conventions. Negotiations for new conventions continued in 2012, the draft of the new agreement was sent to the Russian side.

Monitoring of 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 and the first reports will be made in 2013.

1.5. Compliance with European legislation

Compliance with the decisions of ACER and the European Commission

For 2012 there are no such situations to report.

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

Since the certification process of the transmission system operator was not completed in 2012, the monitoring of the fulfilment of obligations of an independent system operator could not be accomplished.

2. Promoting competition

2.1. Natural gas wholesale market

Natural gas consumption has remained constant in recent years, at the level of 13-14 billion cubic meters, a decrease of about 4% in 2012 compared to 2011, due to a slight reduction of the final consumer's consumption. Distribution of consumption for the two categories, household and non-household, and that for subdivided non-household consumers remained also constant in recent years.

Natural gas market in Romania is made up of the **competitive segment** which includes natural gas trade between suppliers and between suppliers and consumers and the **regulated segment** which includes natural monopoly activities conducted based on framework contracts and the regulated supply.

In accordance with the provisions of Electricity and Natural Gas Law no. 123/2012:

- competitive wholesale natural gas market operates on the basis of: a) bilateral contracts between undertakings of natural gas sector; b) trading on centralized markets, managed by the natural gas market operator or the balancing market operator, as appropriate; c) other transactions or contracts.

In 2012, total natural gas consumption was 144,650,532.208 MWh, with approximately 4% lower than the 2011 consumption, of which non-households consumption was 114,780,176.953 MWh (79.35%) and 29,870,355.255 MWh households consumption (20.65%).

In 2012, the total number of natural gas final consumers increased compared to 2011 to 3,200,887 of which 180,819 non-households (5.65%) and 3,020,068 households (94.35%).

Consumption is covered both from domestic production as well as from imports. Consumption from domestic production was 109,468,071.300 MWh and consumption from import was 35,182,460.908 MWh.

The number of participants on the natural gas market in Romania has increased steadily as the market was liberalized, especially regarding the distribution and supply of natural gas, including by the end of 2012:

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

Domestic production of natural gas in 2012 which came into consumption represented 75.68% of total sources. The top two producers (Romgaz and OMV Petrom) covered 97.46% of this source.

Imports entering consumption in 2012, current import and extracted from storage, represented the difference, respectively 24.32%. The top three importers - internal suppliers - achieved together 44.71%.

The market share of the main three suppliers based on the volume of transactions on the wholesale market is 78.39% and on the retail market is 60.02%.

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

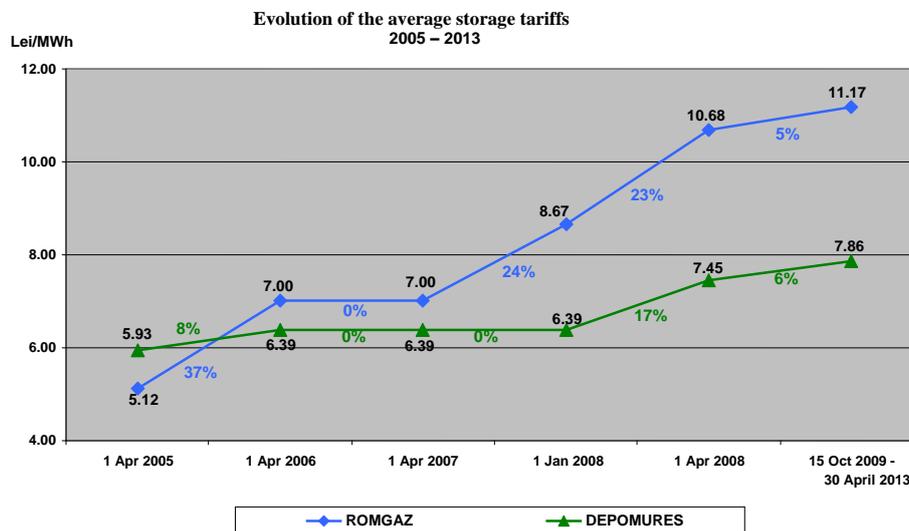
Suppliers Consumers	Number of companies with over 5% share	Share of top three suppliers (%)
Electricity and/or heat producers	5	88.06
Industrial consumers	5	82.68
Commercial consumers	2	82.03
Household consumers	2	91.77

From 1 July 2011, in accordance with Article 1(3)(a) of the *Joint Order MECMA/ ANRE/ ANRM no. 1.284/27/160 of 22 June 2011 concerning the exploitation of natural gas quantities domestically and measures for strengthening contractual discipline*, gas mixture structure for households and producers of heat, only for the amount of natural gas used for heat production in cogeneration power plants (CHP) and thermal power plants intended for household consumption, is determined by ANRE.

The access to underground storages is regulated (ANRGN decision no. 824/2004).

The structure of the regulated tariffs for gas underground storage service comprises two elements: 1 - a fixed component for capacity booking [Lei/ MWh/ full storage cycle] and 2 - a volume-related component for injection/ withdrawal of gas [Lei/MWh].

The average underground storage tariff in 2012 was 11.17 lei/MWh.



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.

Gas storage is regulated on the basis of *The 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.

Storage operators publish on their own Internet websites the relevant public information needed, including:

- Initial list of available capacities for 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.

2.2. Natural gas retail market

In 2012, gas consumption in Romania, structured on types of consumers was:

Final customers	Connection	No. of customers	Consumption (MWh)	Percentage from total consumption
Households	National Transmission System	4	384467.000	0
	To the distribution system	3020064	29869970.789	22.71
	Total	3020068	29870655.256	22.71
Other non-households	National Transmission System	24	24932.610	0.02
	To the distribution system	40235	5661320.603	4.3
	Total	40259	5686253.213	4.32
Commercial customers	National Transmission System	66	393432.773	0.3
	To the distribution system	115471	8332821.316	6.33
	Total	115537	8726254.089	6.63
Other industrial customers	National Transmission System	121	11469364.130	8.72
	To the distribution system	24165	11831052.028	8.99
	Total	24286	23300416.158	17.71
Chimical industry	National Transmission System	14	26049782.898	19.8
	To the distribution system	15	2423357.320	1.84
	Total	29	28473140.218	21.65
Electricity and heat producers	National Transmission System	15	24336001.367	18.5
	To the distribution system	693	11152406.839	8.48
	Total	708	35488408.206	26.98
Total		3200887	131544827.14*	100

* Final consumption delivered to final customers - does not include the technological consumption, the consumption for the own use and deviations due to the metering instruments

In 2012, the share of consumed quantities by household customers out of the final total consumption is **22.71%** and the number of these consumers represents **94.35%** of all clients connected to natural gas networks. Thus, **5.65%** of all clients connected to gas networks (NTS + distribution systems) consume **77.29%** of the total consumption of final consumers for 2012.

Customers category	Group of consumers	Share in total consumption
TOTAL. out of which:		100 %
NON-HOUSEHOLDS	Customers who did not choose to change their supplier	17.26 %
	Customers who choose to change their supplier	60.03 %
HOUSEHOLDS	Customers who did not choose to change their supplier	22.70 %
	Customers who choose to change their supplier	0.01 %

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

Romgaz intern	37.94%
OMV Petrom	35.82%
GDF Suez Energy Romania	3.97%
Romgaz import	3.76%
Wice Romania SRL	3.15%
E.ON Energie Romania	2.95%
Interagro	1.87%
Azomures	1.69%
Amromco Ploiesti	1.68%
OMV Petrom Gas	1.61%
Intergaz	1.59%
Arelco Power	1.54%
Elcen Buc.	0.98%
Conef Gaz	0.73%
Axpo Energy	0.30%
Mol Energy Trade	0.19%
Raffles Energy	0.18%
Foraj Sonde	0.06%

6 companies perform production and supply activities: Romgaz, OMV Petrom, Amromco Energy, Raffles Energy, Lotus Petrol and Foraj Sonde.

On the **regulated market**, in 2012, the consumers on the regulated supply market segment were served by 41 suppliers; the total number of these consumers was **3,198,686** and the quantity of gas supplied to them amounted to **52,562.52 GWh**. The market shares of the three main suppliers are listed below:

Suppliers	Market share (%)
GDF SUEZ Energy Romania	50.09
E.On Energie Romania	40.32
Congaz	1.80

On the **competitive market** 43 suppliers were active. In the table below are presented the suppliers which supply customers from the competitive market, whose market shares are more than 5%; one of them is also a gas producer (S.N.T.G.N. Romgaz S.A.). The total consumption was **78,982.3 GWh**.

Suppliers	Market share (%)
Petrom Gas	22.66
Interagro	20.54
Romgaz	20.07
GDF SUEZ Energy Romania	7.55
E.On Energie Romania	6.66
OMV Petrom	5.03

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 2012, there were **2201** customers who change their supplier on the natural gas free market, with a consumption amount to an effective rate of **54.61%** market opening.

In 2012, from the customer group directly connected to the national transmission system about 91.99% of customers (in terms of the amount of energy consumed) have chosen to be part of a negotiated supply contract.

In 2012, 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 45.98% 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.

Developments in prices for household and non-household customers

According to the provisions of the *Joint Order MECMA/ ANRE/ ANRM no. 1284/27/160/2011*, in accordance with Article 1 of *Government Emergency Ordinance no. 53/2011 on establishing measures for natural gas during July 2011 - March 2012*, for household customers and heat producers, only for the amount of natural gas used for heat production in cogeneration power plants (CHP) and thermal power plants intended for household consumption, the gas mixture structure was established by ANRE in order to maintain unchanged the final regulated prices for these types of consumers until 31 March 2012 in comparison with the final regulated prices at 30 June 2011.

For the **April 2012 - 31 March 2013** period, *Joint Order MECMA/ ANRE/ ANRM no. 1370/9/122/2012* approved the establishment by ANRE of the import - domestic natural gas mixture structure for these types of clients, so that from April 2012 up to 31 March 2013 it would maintain unchanged the fixed amount per unit for covering the acquisition costs for the regulated natural gas supplied to these categories of customers, considered for the approval of the final regulated prices in force.

Also 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.

The roadmap takes into account the need for a phased recovery of the losses suffered by the suppliers during the fourth quarter 2011 - June 2012. A first step in this recovery process was performed on 15 September 2012, when the gas price was increased by 10% for non-household customers except for thermal producers, for the amount of natural gas used for heat production in CHP plants and thermal power plants intended for household consumption and by 5% for households and thermal producers, only for the amount of natural gas used for heat production in CHP plants and thermal power plants intended for household consumption.

On 1 December 2012, in accordance with the provisions of the roadmap for phasing out regulated tariffs, a 5% increase in the price of natural gas was scheduled for non-household customers, if the gas domestic price should have been approved by Government Decision (Article 181(5) of Law 123/2012) to 49 Euro/ MWh. Due to the approval of this government decision in January 2013, the 5% increase was made on 1 February 2013.

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

Electricity and Natural Gas Law no. 123/2012 defines the *vulnerable customer* as the final consumer belonging to a category of households which, for reasons of age, health or low income are at risk of social exclusion and to prevent this risk, benefit from social protection measures, including financial ones. Social protection measures and eligibility criteria are established by further regulations.

The roadmap for phasing out regulated prices provides a series of social measures to protect this category of customers.

According to the provisions of **Government Emergency Ordinance no. 70/2011** regarding some measures of social protection in the cold season, approved by Law no. 92/2012, and Government Decision no. 920/2011 approving the *Methodological norms for the application of Government Emergency Ordinance no. 70/2011*, vulnerable customers who use natural gas for heating or solid fuel or oil receive aid for heating while the average monthly net income per family member/ single person is less than the average monthly net income specified in the law.

Also Electricity and Natural Gas Law no. 123/2012, Article 201(3) states: *The Government, with the approval of the Competition Council, may decide to set up a solidarity fund for the financial support of the vulnerable customer out of the contribution and/ or additional taxes on windfall profits of producers and suppliers of electricity and natural gas, earned as a result of favourable market conditions and/ or incidental transactions. The set up and operation of the Fund is established by Government Decision.*

Electricity and Natural Gas Law no. 123/2012 introduced new terms and definitions such as the notion of final customer, household customer, non-household customer and industrial customer as well as some changes in the relationship between supplier and final customer of natural gas, forcing the adaptation of the regulatory framework according to the new requirements. Consequently, *Regulation on gas supply to final customers*, approved by ANRE Order no. 74/2009 was revised and approved by ANRE Order no. 42/2012. The new regulation establishes a minimum set of rules for the supply activity, both for final customers as well as for the natural gas suppliers. The main changes introduced by this normative act are the following:

a) final customers are entitled to request and receive from the supplier all relevant data on their consumption for the last 5 years without being charged additional costs for this service;

-
- b) final customers are entitled to be duly notified of any intended change to the contract and to be informed, at the time of notification, on their right to terminate the contract if they do not accept the new conditions;
- c) final customers have the right to be provided with at least two payment methods, which enable them to fulfil their bill payment obligations under the contract;
- d) final customers are entitled to change their supplier freely, while respecting contractual conditions, within three weeks of the request, according to procedures approved by ANRE;
- e) suppliers have the obligation to establish single points of contact to inform final customers of their rights, the legislation in force and the means of settling disputes in case of dispute;
- f) according to the legal provisions in force, where it is found of certain actions meant to distort in any way the indications of measuring equipments or to steal gas bypassing the measuring equipment, the final customer is required to provide a financial guarantee for a maximum consumption equivalent for one year;
- g) final customers have no right to return to regulated supply if the right to eligibility has been exercised;
- h) natural gas market participants are required to take financial responsibility for the payment of imbalances they generated on the natural gas market, in accordance with regulations approved by ANRE.

According to the provisions of Electricity and Natural Gas Law no. 123/2012, ANRE has the right to conduct investigations on its own initiative or in response to a complaint lodged with the regulator, made by a natural or legal person actually and directly affected by a potential breach of the law.

Also, in accordance with Law 160/2012 on the organization and functioning of ANRE, the regulator:

- conducts investigations on the functioning of the natural gas market, decides and imposes any necessary proportionate measures to promote effective competition and to ensure the proper functioning of the market; in this respect it can cooperate with the Competition Council and regulatory authorities in the financial market or the European Commission in conducting an investigation relating to competition law;
- notifies the Competition Council regarding the abuse of dominant market position and the violation of legal provisions on competition whenever there is suspicion of non-compliance with the regulation on competition and transparency;
- monitors the occurrence of restrictive contractual practices, including clauses on exclusivity which may prevent large non-household consumers from contracting simultaneously with several suppliers or restrict their ability to make this choice, informing, where appropriate, the Competition Council on such practices.

3. Security of natural gas 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.

C. Consumer protection and dispute settlement in the electricity and gas sector

1. Consumer protection

Electricity

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 invoice 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 CO₂ emissions and radioactive waste for electricity they provide,
- comparison of the above data with national averages.

Electricity 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 term 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 cashier supplier, 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 provider of "rescue", 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 withdraw 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 that 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 21 days. 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.

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 feasibility of implementing smart meters for electricity customers.

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 license's 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.

Natural gas

The main provisions of national law relating to consumer protection can be found in Appendix 1 of the national report.

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.

2. Dispute settlement

Consumer complaints

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*. Supply license holders must ensure the recording, investigating and solving

complaints made against them by consumers about the quality of services, calculation and/or billing of electricity consumption. A *Customer Service* has to be established and provided to take any complaint made against the licensee by customers who considers themselves wronged by the practices of the license holder. The register of applications, notifications and complaints raised by consumers shall be kept by the *Customer Service*, who will record and the proposed solutions to solve 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.

During 2012, 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 **2157** complaints received by ANRE in 2012, **1556** 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	The main problems reported	Total	[%]
1	Electricity billing	411	26.41
2	Electricity quality	246	15.81
3	Technical connection approval	140	9
4	Suspected theft of electricity	131	8.42
5	Installation of measuring group	66	4.24

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 2012, **298** inspections were made in the electricity sector. After the inspections there were drawn minutes of finding and punishing offenses, the fines worth 1.878 million lei.

Natural gas

Of the **2157** complaints received in 2012, **601** 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	The main problems reported	Total	[%]
1	Access Agreement	157	26.12
2	Use of installations	71	11.8
3	Gas Billing Contracts	61	10.15
4	Contracting connection works	59	9.81
5	Failure technical rules	33	5.5

ANRE conducted **290** inspections in the natural gas sector in 2012. After the inspections there were drawn minutes of finding and punishing offenses, the fines worth 1.844 million lei.

Dispute settlement

In the electricity sector, according to the *procedure for the settlement of disputes relating to the conclusion of contracts between operators in the electricity sector, supply contracts and electricity grid connection contracts*, approved by ANRE Order no. 38/2007, ANRE analyses and solves:

- pre-contractual disputes arising from the conclusion of contracts between operators in the electricity and heat in cogeneration sectors;
- disputes on connecting users to public electricity networks and issuing location permits.

During 2012 there were two requests for settlement of disputes in the electricity sector according to the procedure mentioned above. One of these met the conditions for the application of the procedure and the request was settled after following the preliminary stage.

In natural gas sector, ANRE:

- settles disputes concerning denial of access to NTS / natural gas distribution systems, according to Decision ANRGN no. 1345/2004;
- mediates pre-contractual disputes in natural gas in the regulated segment (according to Decision ANRGN no. 400/2005), respectively, in the competitive segment (according to Decision ANRGN no. 461/2006).

In 2012 there were no requests for mediation.

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.

Classification of the disputes handled by ANRE in the courts, in 2012, in electricity and natural gas sectors is presented below:

- Legal Administrative - 92 cases;
- Law Offences - 137 cases;
- Insolvency - 43 cases;
- Employment - 73 cases;
- Civil law - 2 cases;
- Claims - 37 cases;

- Obligation to make - 11 cases;
- Purchase – 4 cases;
- Public Information Communication - 5 causes.

Of the total number of cases finalized in 2012, respectively 275, 94% of these were resolved favourably for ANRE. Mention should be made that all ANRE's orders and decisions that were challenged in court by undertakings in the electricity and natural gas sectors, which have been subject to legal administrative court, were solved 100% favourably ANRE .

3. Electricity market

3.1. Network regulation

3.1.1. Unbundling of activities

Given the fact that the electricity transmission system in Romania is public property, the chosen unbundling model was **independent system operator**. This model allows the certification of the transmission system operator in compliance with European provisions, and at the same time maintaining the existing ownership and providing also an effective unbundling of transmission activities from production and supply.

To this regard, the Electricity and Gas Law -123/2012- approved on June 2012, establishes clear independence requirements for both TSO and owner of the transmission system. The final certification decision for the TSO belongs to ANRE, upon approval of the European Commission.

For certification, for the complete transposition of TSO independence provisions, through Government normative act, drafted at line Ministry's proposal, it is established the public entity that represents the state as majority shareholder in operators engaged in production and supply activities, on the one hand, and public entity representing the state as shareholder in the transmission system operator, on the other hand. Whereas the unbundling requirements of the law were adopted in 2013, through Government Emergency Ordinance no.18/2013, which entered into force on 27 March 2013, the certification decision could not be issued in 2012.

Legal separation of the activities of generation, transmission, distribution/ supply of electricity in Romania has been done since the year 2000, by GD. 627/2000, after which CN Transelectrica SA took fully the transport/system services activity, becoming the only operator in Romania for these activities. As an OTS, the company is the concessionaire of the transmission service and public property goods for the transmission grid (> 110 kV) and ensures NPS functioning with maximum safety and stability, meeting quality standards and ensuring, at the same time, regulated access to the electricity transmission network in terms of transparency, non-discrimination and fairness to all market participants.

CN Transelectrica SA manages and operates the electricity transmission system and provides electricity exchanges between the countries of Central and Eastern Europe as a member of ENTSO-E (European Network of Transmission and System Operators for Electricity). The transmission length is approx. 9850 km (ENTSO-E statistics for 2012).

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, 27.8% of the share capital - other shareholders. The company has been listed on the Stock Exchange since August 2006.

In 2012, a total of 44 electricity distribution licensed operators have operated in the Romanian electricity market, of which 8 with more than 100,000 customers each. All 8 companies have completed the legal process of unbundling electricity distribution and supply activities. Electricity distribution operators with less than 100,000 customers don't have the mandatory legal requirement for unbundling the distribution from other activities of the company in accordance with Directive 72/2009/CE concerning common rules on the internal market in electricity.

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

- 1. SC CEZ Distribuție SA:** CEZ - 100% share capital;
- 2. SC Enel Distribuție Banat SA:** Enel Investment Holding B.V., owner of 51.003 % of shares, S.C. Electrica S.A., owner of 24.869 % of shares, Fondul Proprietatea S.A., owner 24.128 % of shares;
- 3. SC Enel Distribuție Dobrogea SA:** Enel Investment Holding B.V.- owner of 51.003 % of shares, S.C. Electrica S.A.- owner of 24.903 % of shares, Fondul Proprietatea S.A. - owner of 24,094 % of shares;
- 4. SC E.ON MOLDOVA DISTRIBUȚIE SA:** 51% - E.ON Romania S.R.L.; 27 % - S.C. Electrica S.A.; 22 % - Fondul Proprietatea S.A.;
- 5. SC FDEE Electrica Distribuție Transilvania Sud SA, SC FDEE Electrica Distribuție Transilvania Nord SA, and SC FDEE Electrica Distribuție Muntenia Nord SA,** have the following shareholding structure: 78 % S.C. Electrica S.A.; 22 % Fondul Proprietatea S.A.;
- 6. SC Enel Distribuție Muntenia SA:** Enel Investment Holding B.V - 64.43 %, SC Electrica SA - 23.57%, Fondul Proprietatea SA - 12 % .

The transmission operator and distribution operators have offices, logo and web pages.

Financial statements of TSO and distribution operators are published separately.

The regulator sets out detailed rules on costs separation. These rules are included in the license conditions granted for transmission and distribution activities and in the specific methodologies for calculating grid tariffs. Regulations in force stipulate sanctions for the breaches of unbundling requirements.

3.1.2. Technical functioning

Balancing Market

The balance between electricity supply 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 Commercial Code for wholesale market, as amended and supplemented. New legislation adopted in June 2012 does not alter the powers of the regulator in setting the rules on this market.

To ensure availability of enough energy 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 TSO a certain amount of reserves, of a particular type, the suitable 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 required to bid on this market all available electricity. The balancing energy appropriate to secondary, fast tertiary and slow tertiary regulation is traded on BM.

The balancing energy is assured by:

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

BM participants must submit daily bids for the amount of balancing energy they can make available in each dispatch 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 energy balancing quantities are paid on BM. Payment for balancing energy corresponding to secondary regulation is based on the marginal price of the selected bids, and for the tertiary regulation, payment is at the price of the selected bid.

Each license holder must assume financial responsibilities towards the TSO for physical balance between measured production, scheduled purchases and *imports* of electricity, on the one hand and measured consumption, scheduled sales and electricity *exports*, on the other hand, to 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 licensee can register as BRP or can transfer responsibility for balancing to an existing BRP.

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

Surplus energy price is determined for each dispatch 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 dispatch interval as the ratio of payments to balance the system and the amount of balancing energy supplied to provide increase of power in the respectively dispatch interval.

Imbalance settlement is made after determining the measured values for all measurement points of the participants, challenge/ 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 at about 2 months after the end of the month of delivery. The market model leads to incomes/ net costs for the TSO after the system balancing, and their calculation and their 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 mutual cooperation exchanges between TSOs, and not by accepting the offers that are integrated into a common merit order.

Performance standards and issues regarding connection to the network

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

The main performance indicator for continuity of electricity transmission is the **average interruption time** - AIT (Average Interruption Time), which is equivalent to the average time,

in minutes, in which the power supply was interrupted. The evolution of this indicator is shown below:

Year	2005	2006	2007	2008	2009	2010	2011	2012
Average Interruption Time (AIT), min/year	4.434	1.187	0.857	1.792	0.817	2.639	1.059	1.19

Starting with 1 January 2008 the **Performance Standard for Electricity Distribution Service** is in force, approved by ANRE Order no. 28/2007. The standard requires distribution operators to monitor the continuity of electricity supply, which implies registration of all longtime interruptions (any interruption longer than 3 minutes).

Monitoring power supply continuity is achieved by SAIFI and SAIDI indicators calculation for each voltage level, separately for rural and urban areas.

SAIFI (System Average Interruption Frequency Index) – System Average Interruption Frequency Index for a consumer is the average interruption number suffered by consumers supplied by DO. 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) – System Average Interruption Duration Index for a consumer is the average interruption time of consumers at DO level (weighted average). It is calculated by dividing the cumulative long interruptions to the total number of consumers supplied (served) by DO.

According to the interruption type, SAIFI and SAIDI indicators are divided into the following categories:

- a. planned interruption,
- b. unplanned interruptions caused by major force,
- c. unplanned interruptions caused by users,
- d. unplanned interruptions, excluding those caused by major force and users (due to DO)

The most important are the indicators values 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 DO, are very low.

The average values of SAIFI and SAIDI indicators for Romania for 2012 are listed below.

Place	SAIFI Planned interruptions	SAIFI Unplanned interruptions due to DO	SAIFI Total interruptions
Urban	0.4	3.9	4.3
Rural	1.6	7.5	9.2
Average country values	0.9	5.5	6.5

Place	SAIDI Planned interruptions	SAIDI Unplanned interruptions due to DO	SAIDI Total interruptions
Urban	101.0	271.0	372.0
Rural	422.0	1063.0	1485.0
Average country values	246.0	630.0	876.0

Procedures and steps of the connection process and 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 to issue technical connection permits** or **the average time for issuing connection contracts** are also monitored through the performance standard of distribution service.

The average time to issue technical connection permits in 2012 was 13.5 days. The maximum period of 30 days was respected by every DO.

The average time to issue connection contracts was 4 (precisely 3.8) days, ranging from 1 day for Enel Banat to 10 days for Enel Dobrogea and Enel Muntenia. It is noted that the standard term for issuing a connection contract offer is 10 calendar days from filling the application (with full documentation), the average time fitting within the statutory period for all DOs.

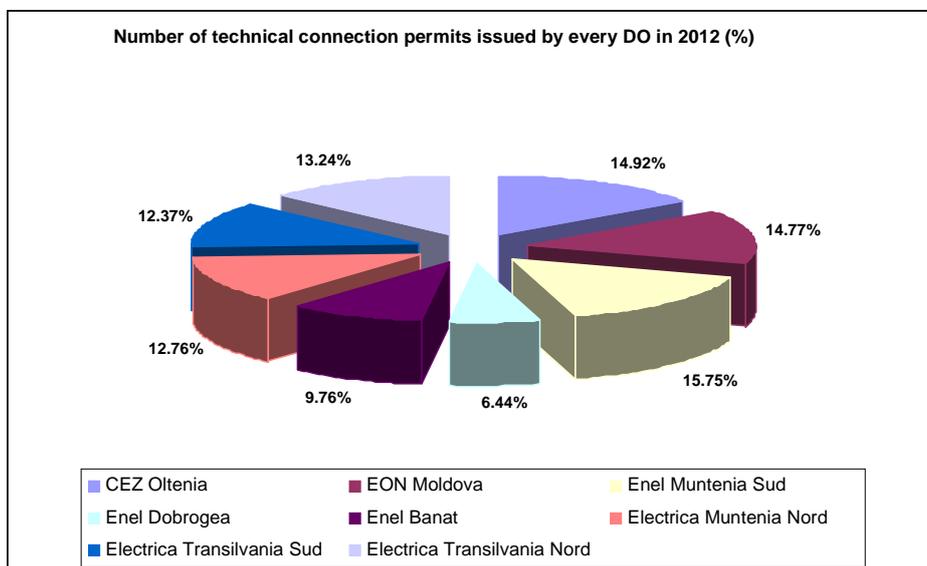


Figure 1.

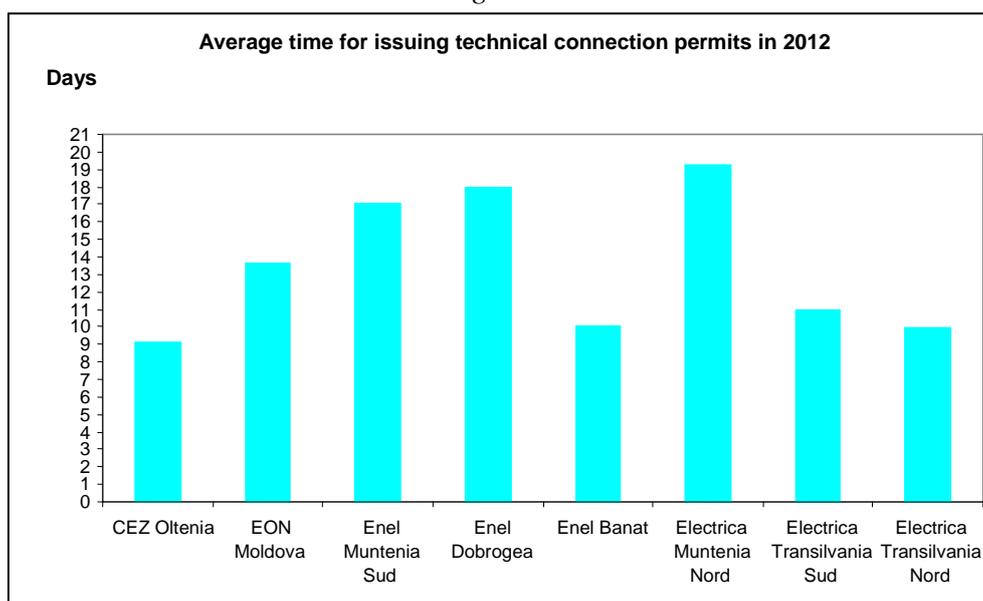


Figure 2

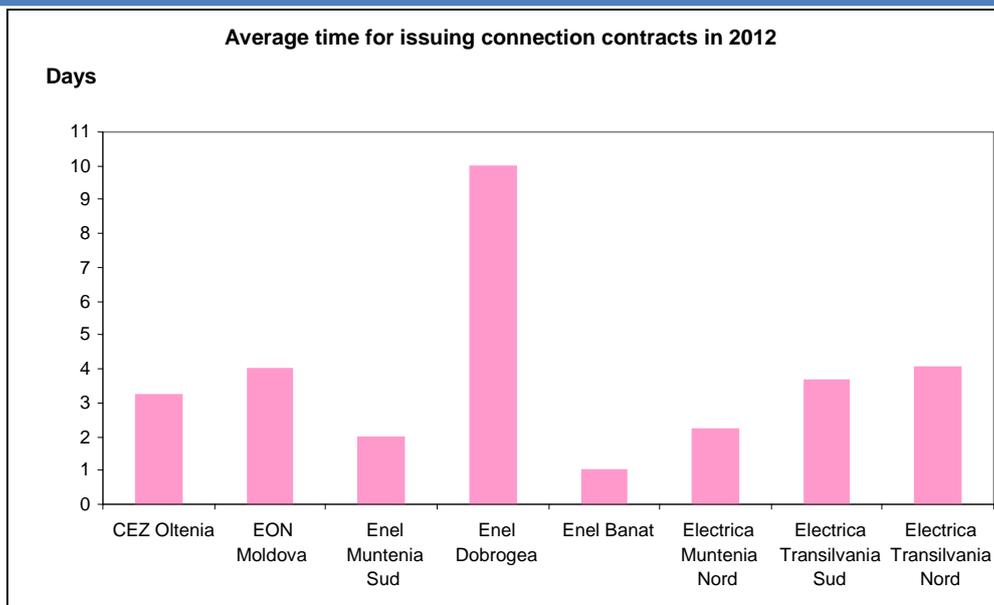


Figure 3

According to a World Bank study (*Doing Business in Romania, 2012*) in Romania the average time for network connection is of about 7 months, from the moment of the connection request to its completion. According to Article 9(q) of Law no. 160/2012 on the organization and functioning of ANRE, the regulator approves the regulation on connecting users to public networks. In these circumstances, the regulator has begun the process of reviewing existing regulation provisions in order to adapt and approve them as required by law.

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.

February 2012 was characterized by a difficult energy situation, leading to the situation of lack of energy reserve at peak loads due to lack of fuel in hydrocarbons power units, shutdown of wind farms and lack of water supply due to the frost in some power plants. Measures taken by the competent authorities are shown in chapter 3.3.

Connection and dispatching of electricity from renewable sources. Imbalances payment

In 2012, 65 applications for network connection were registered with the transmission system operator, one for power production units using conventional fuel (450 MW) and 64 for units using renewable energy (5903 MW).

Network connection requests for units using renewable energy sources have increased significantly since the implementation of Law 220/2008 on establishing the promotion system of energy production from renewable energy sources, republished, with subsequent amendments and additions.

The total number of connections actually made for the transmission network in 2012 was 26, of which 5 for units using conventional fuel (890 MW) and 21 for units using renewable energy sources (620 MW).

Transmission system operator and/ or distribution operators provide transmission, distribution as well as priority dispatching of electricity produced from renewable sources for all

renewable energy producers, regardless of capacity, on the basis of transparent and non-discriminatory criteria, with the possibility of changing the notifications during the operational day, according to the methodology approved by ANRE, so that the limitation or interruption of energy from renewable sources be applied only in exceptional cases where this is necessary for the stability and security of the National Power System.

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

Dispatching method of electricity produced from renewable sources is regulated by ANRE *Order no. 33/2012 on the establishment of rules on the balancing market for electricity producers benefiting from the promotion system*, which sets its **priority dispatching**.

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

3.1.3. Network tariffs for connection and access

The methodology for setting tariffs for the electricity transmission service, approved by ANRE *Order no. 60/2007*, establishes the determination of income and calculation of tariffs for electricity transmission. Transmission service tariff is determined using the **revenue cap** methodology. Application of this type of incentive regulation is intended to ensure:

- fair allocation, between the TSO and the transmission service beneficiaries, of the proceeds obtained from the increase in efficiency beyond the targets set by the competent authority;
- efficient operation 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 grid;
- promotion of efficient maintenance and operation practices;
- efficient use of the existing infrastructure, continuous improvement of the quality of the transmission service;
- financial viability of the transmission company;
- public and transparent information on the regulatory process.

The regulated income for the transmission service is ex-ante determined by ANRE for a regulatory period of 5 years, with the exception of the first regulatory period of 3 years. The impact of inflation over costs is covered through the annual growth rate of the retail price index applied to the tariffs determined in real terms.

Transmission tariffs differ by nodes (zones) depending on the impact of the injection or extraction of electricity into/ from the nodes of the transmission grid. This impact is expressed as the transmission nodal marginal cost. Transmission tariffs are approved annually by ANRE and come into force at the beginning of each fiscal year.

The following data are requested by the regulator to justify the TSO costs:

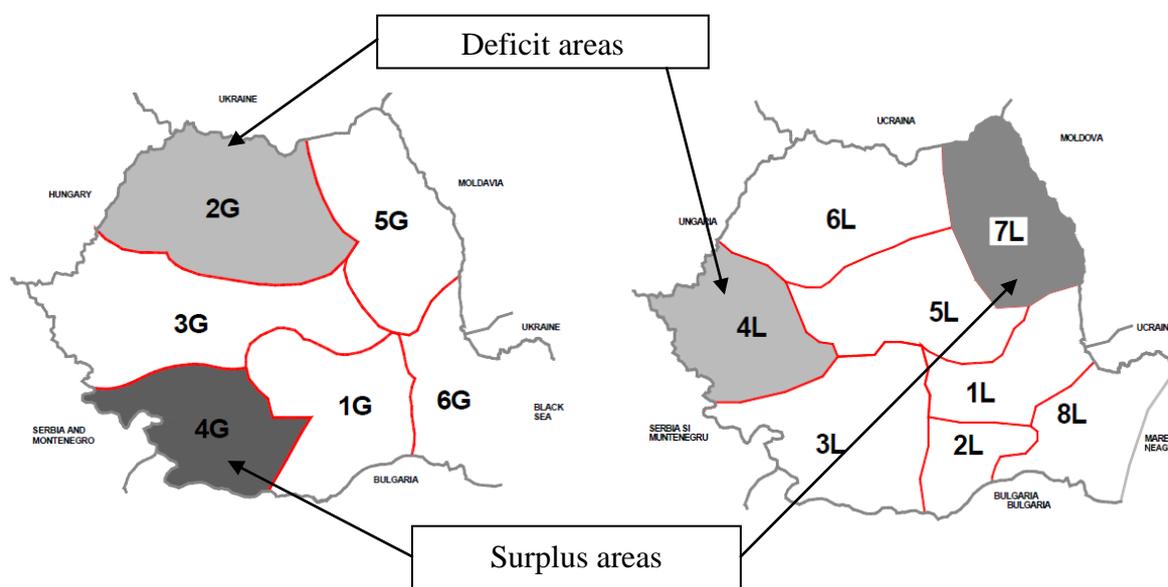
- regulated assets base;
- controllable and uncontrollable operation and maintenance costs;
- depreciation of existing assets and of investments commissioned annually;
- acquisition costs to cover electricity losses;

- electricity acquisition costs associated to congestion elimination through re-dispatching;
- costs with the electricity cross-border exchanges.

Regulated revenue cap for the transmission service is ensured by taking into consideration the:

- provisions stipulated in the performance and quality standards imposed to the TSO through the *Transmission Grid Code*, the Romanian legislation or the contracts signed with the transmission service beneficiaries;
- evolution of the transmitted electricity quantity, estimated by the TSO;
- modification of losses level in the transmission grid;
- regulated rate of return applied to the regulated asset base of the transmission network;
- tariffs evolution, expressed linearly, within a regulatory period;
- all the transmission service fees paid by the TSO;
- financial viability of the TSO.

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

Figure 4 Areas of injection and extraction of electricity in the transmission grid

Average transmission tariff has not been modified in 2012. In 2012, this tariff was maintained at 18.77 lei/MWh, as approved by ANRE Order no. 45/2012.

The average transmission tariff development in the second regulatory period (2008-2012) is shown below. According to the provisions of ANRE Order no. 45/2010, during 2012, the average injection tariff (TG) was maintained at 8.6 lei/MWh, and the average extraction tariff (TL) was 10.18 lei/MWh.

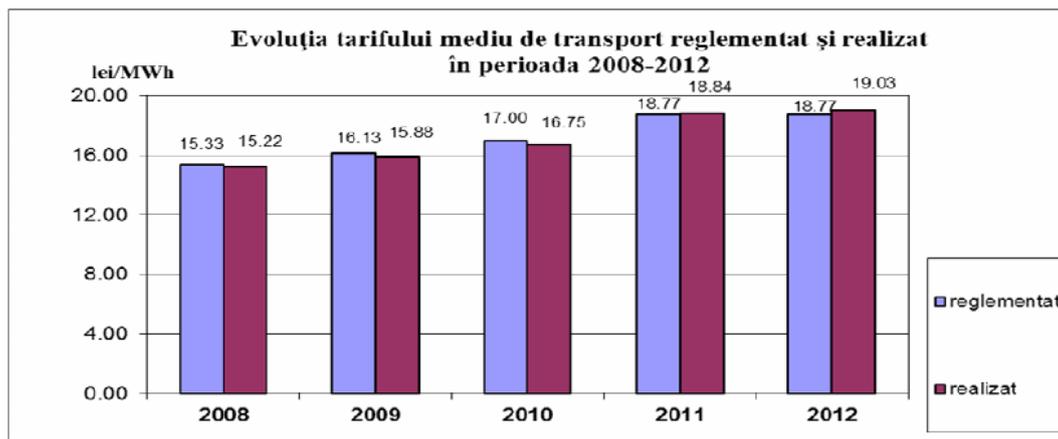


Figure 5

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 sets distribution tariffs for each distribution operator. Distribution tariffs are calculated according to a “tariff cap basket” methodology. Based on this regulation method, regulation periods are set for 5 years, except the first period which was of only 3 years (2005-2007). Considering that since 2008 the second regulation period has started, by **ANRE Order no. 24/2010** it was accomplished the completion of tariff setting methodology for the electricity distribution system / Revision 1, approved by ANRE Order no. 39/2007.

The following justified costs are considered when setting distribution tariffs:

- Operation and maintenance of the distribution network,
- Purchase of electricity for its own technological consumption,
- Depreciation of assets that are part of the regulated asset base (RAB),
- Return on assets,
- Necessary working capital.

The tariff cap for the second regulatory period is at 12%. Additionally, distribution tariff caps may be imposed by the regulator for each voltage level. This type of incentive regulation was implemented in order to:

- a) Ensure an efficient regulatory environment;
- b) Ensure fair allocation of revenues obtained from the increase of efficiency beyond the targets set by the competent authority between the distribution operator and the beneficiaries of the distribution service;
- c) Ensure financial viability of the distribution companies;
- d) Ensure effective and efficient operation of the distribution companies;
- e) Prevent the distribution operator’s abuse of dominant position;
- f) Promote efficient investments in the electricity distribution network;
- g) Promote efficient practices for the operation and maintenance of the electricity distribution network;
- h) Ensure the efficient use of the existing infrastructure;
- i) Ensure the safe operation of the distribution network;
- j) Improve the quality of the distribution service;
- k) Ensure a transparent approach on the regulatory process.

For the second regulatory period, the value of the efficiency factor X, initially applicable to the controllable operation and maintenance costs, was set by the regulator at 1%.

The regulated rate of return (RRR) is calculated in real terms based on the average weighted cost of capital before tax. For the distribution operators with majority private capital, in accordance with the privatization commitments, the RRR value in real terms, before tax is of 10% for each year of the second regulatory period (2008-2012). For distribution operators with full state-owned capital, the RRR value may be decreased by the country risk component and by the private investor's risk.

An annual investments forecast is taken into consideration when calculating the distribution tariffs, a reconciliation of the forecasted and the real investments is being made at the end of the regulatory period. For the second regulatory period, the main electricity distribution operators undertook a programme to cut their own technological consumption (losses in the network), broken down on voltage levels, so that by the year 2012 the level of losses may be lowered to up to 9.5% of the electricity injected into the network. Only power purchasing costs required to balance the network losses associated to the reduction programme are covered through the distribution tariffs.

During 1 January 2012 – 1 July 2012 specific distribution tariffs were maintained at the level of those approved by ANRE Order no. 44/2010, Order ANRE nr. 24/2012 allowing an increase, starting with 1 July 2012, of an average 2.93%, compared to 2011.

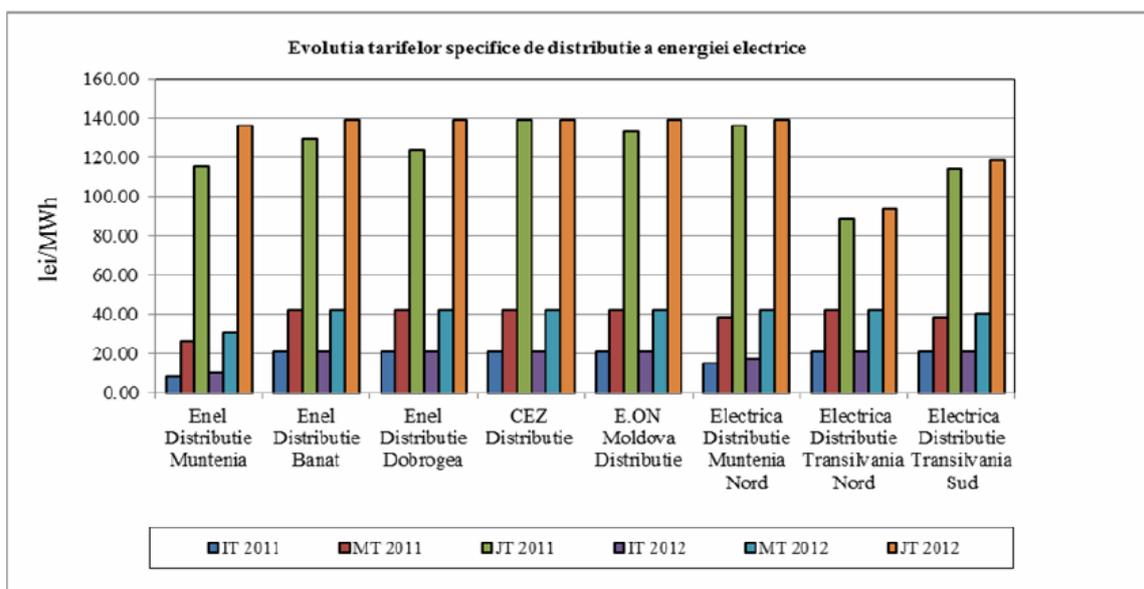


Figure 6

In 2012, an amount of 41584 GWh of electricity was distributed, down about 1.7% since 2011, the year in which a quantity of 42318 GWh was distributed.

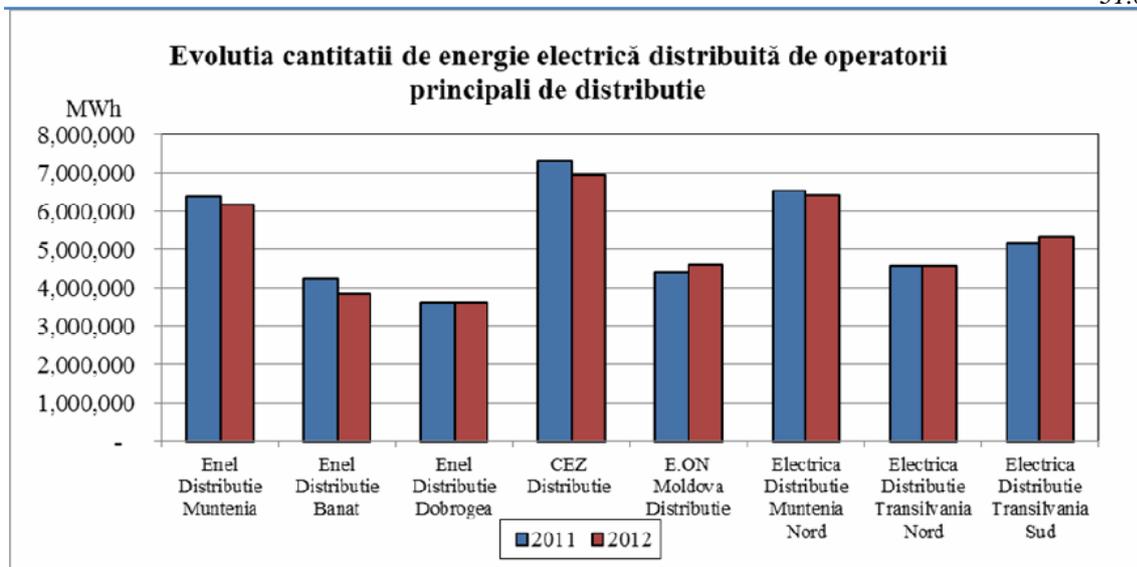


Figure 7

Share of electricity distributed in 2012 by main distribution operators is shown below:

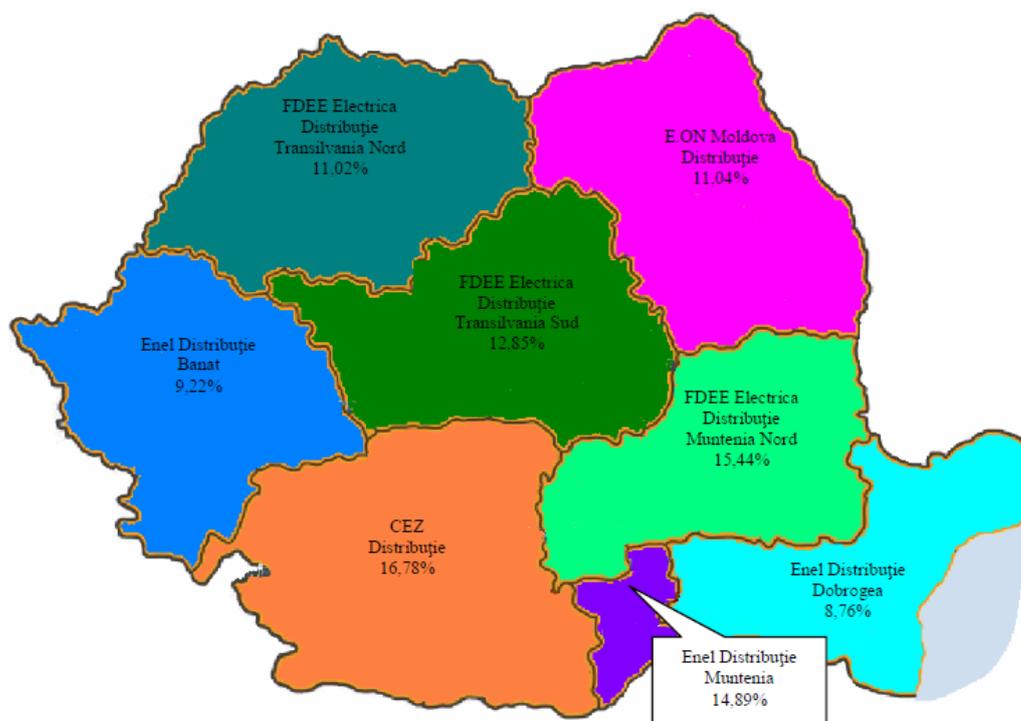


Figure 8

For the distribution operators with less than 100,000 customers, the tariffs for the service of electricity distribution is 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* (ANRE Order 3/2007). The adopted type of regulation is the “cost plus” method; a maximum rate of return of 5% is considered upon the total justified costs. In 2012, ANRE approved distribution service tariffs for 27 providers.

Connection tariffs

Procedures and steps in the connection process, as well as the connection tariff are set in the *Regulation for the connection of users to public electricity networks*, approved by GD no. 90/2008, and secondary legislation issued by ANRE. According to the provisions of Law no 160/2012 on the organization and functioning of ANRE, the regulation will be revised and approved by an ANRE Order.

3.1.4 Cross-border issues

On the borders with **Hungary and Bulgaria**, the interconnection capacity allocation on the National Power System interconnection lines with neighbouring systems, for electricity import/export and transit activities, has continued to be coordinated and done through explicit auctions on long-term (annual and monthly) and short-term (daily and intra-day).

According to the Memorandums signed by Transelectrica with neighboring countries for 2012, on the borders with Hungary and Bulgaria, explicit allocation is organized, bilaterally coordinated, for 100% of the allocation capacity on the interconnection lines. So this year, long-term auctions were organized by TSOs of the two neighboring countries and those for daily and intra-day allocation were organized by Transelectrica. Trading currency is the Euro, and the principle of netting applies for daily and intra-day allocation. The results for the long-term auctions on the borders with Hungary and Bulgaria are provided by MAVIR and ESO-EAD.

On the border with **Serbia**, Transelectrica held long-term auctions for 50% of the capacity, the remainder being allocated by the Serbian TSO. In **December 2012** an agreement was signed between Transelectrica and EMS-JP Elektromreza (Serbia) to organize the procedures of coordinated and transparent bilateral allocation for 100% of the interconnection capacity between the two countries, starting with January 2013. Thus, under the new agreement and the annual rotation principle, in 2013 long-term and intra-day auctions are organized by Transelectrica while EMS holds 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 developed. Setting the available ATC value for daily and intra-day auctions applies the principle of netting and participants are required to comply to the principle of exclusive partnership (1:1). Capacity gained as a result of this type of auctions cannot be transferred to another participant.

Following the **annual auction**, values of C1 which show the existence of dominant participants were registered on the border with Bulgaria on export (C1=58% and C3=90%), on the border with Serbia on export (C1 = 49% and C3 = 93 %) and on the border with Serbia on import (C1 = 45% and C3=78%).

During **monthly auctions**, values above the 40% market share occurred in some months on the border with Bulgaria (for both directions) and on import in Ukraine and Serbia, and following the **daily auctions**, the market share exceeded that limit on the borders with Bulgaria and Hungary, in both directions.

After conducting the **annual auction** on each border and direction for 2012 there were high prices registered on the border with Bulgaria, on import direction, with values ranging from 13.81 to 31.58 euro/MW/h (the annual auction was held for three different periods because

ATC was different for the April-September period compared to the rest of the year). On the other borders the prices were below 5 euro/MW/h and lower than the same type of prices obtained in the annual auction for 2011. On export direction, the highest price was recorded on the border with Serbia, from September to December 2012, when it reached 14 euro/MW/h.

During **monthly auctions**, the highest prices were also recorded on the import direction, on the border with Bulgaria, peaking in January 2012 when the price of 61.82 euro/MW/h was recorded.

Monthly prices on the border and direction mentioned, in January and May 2012, were even higher than the annual auction ones. The evolution of long-term auctions prices shows that participants seized the opportunity of bringing electricity into the country, under the shortage caused by the energy situation in the region.

Following **daily auctions**, in most slots, on the borders with Bulgaria and Hungary there were nonzero prices; on the Hungarian border, maximum import prices were recorded of 35 euro/MW/h and 25 euro/MW/h, while on the Bulgarian border, peaks did not exceed 15 euros/MW/h on import, on export these values were insignificant

The **highest degree of average annual utilization of the total allocated capacity** following the auctions was on the border with Serbia on the export direction and Bulgaria on the import direction. The interest for the use of allocated capacity on the border with Hungary decreased from 2011, both on import and export. Every month there were participants who transferred to other participants the capacity gained at annual and monthly auctions.

Over 90% of CN Transelectrica SA revenues from the interconnection capacity allocation process resulted from long-term (annual and monthly) auctions, especially from the capacity allocation on the Bulgarian border on import, Serbian border on export and the Hungarian, also on export direction. Revenues from daily auctions were mainly from the Hungarian border allocations towards import and export. Although on some intervals there were capacity requests in intra-day auctions, there were no revenues from such allocated capacities, as participants' interest for this type of auctions is still low.

Many participants have simultaneously booked exchange capacity in both directions of a border in order to create opportunities to transfer energy in any direction, depending on the price level on the corresponding markets.

As a result of non-compliance with the contractual obligations, there were two competing suppliers who lost their rights on the allocated capacity gained following the annual auction, capabilities that have become available in the monthly auctions.

Considering all types of auctions, the highest number of winners from each month was about 30 participants on the border with Hungary, varying only the direction by month.

Total physical flows on the borders of Romania in 2012, separately for the import/export direction, considering transits, are shown schematically for the entire year in the figure below, and the breakdown of monthly data in the following table.

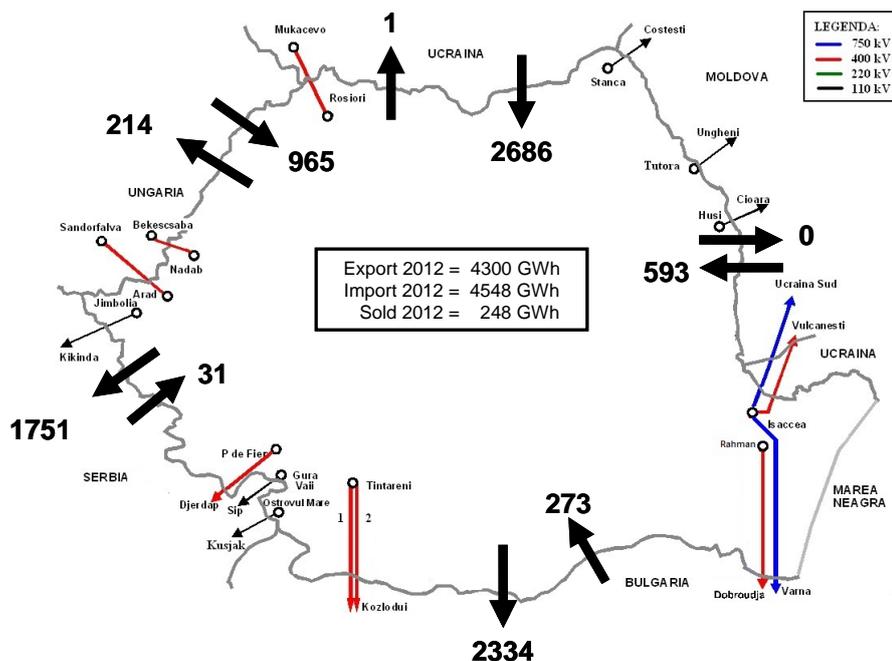


Figure 9

2012		ian	feb	mar	apr	mai	iun	iul	aug	sep	oct	noi	dec	total	
EXPORT in [GWh]	HU	0	6	5	60	65	22	20	7	8	4	5	12	214	4300
	UA_W	0	0	0	0	0	0	0	0	0	0	0	1	1	
	BG	335	257	162	97	101	112	143	201	138	233	255	300	2334	
	MD	0	0	0	0	0	0	0	0	0	0	0	0	0	
	SR	177	256	145	137	132	137	188	99	146	89	120	125	1751	
EXPORT TOTAL [GWh]		512	519	312	294	298	271	351	307	292	326	380	438	4300	
IMPORT din [GWh]	HU	157	111	71	26	10	46	41	107	59	138	111	88	965	4548
	UA_W	320	279	226	161	163	172	187	219	225	210	259	265	2686	
	BG	2	3	14	33	118	22	20	6	31	11	9	4	273	
	MD	75	65	71	44	48	30	33	36	48	55	39	49	593	
	SR	0	0	0	1	1	0	6	19	0	3	0	1	31	
IMPORT TOTAL [GWh]		554	458	382	265	340	270	287	387	363	417	418	407	4548	
Sold [GWh]		42	-61	70	-29	42	-1	-64	80	71	91	38	-31	248	

Monitoring technical co-operation between TSO and third-country TSOs

Regional cooperation on infrastructure projects is a significant dimension of the TSO's activity – CN Transelectrica SA - in terms of working with power systems of neighboring countries. In this regard, a number of infrastructure projects are designed to increase interconnection capacity and to improve mutual exchanges of energy between neighboring systems and eliminate potential congestions:

- On the south-west border, CN Transelectrica SA and EMS-JP Elektromreza (Serbia) cooperate on the basis of a Joint Position Paper (signed in 2011) on a project of common interest regarding the development of LEA 400 kV double circuit of interconnection Resita (RO) - Pancevo (Serbia). Total length of LEA 400 kV Resita-Pancevo line is 131 km, of which 63 km in Romania and 68 km in Serbia;
- On the north-east border, CN Transelectrica SA and IS Moldelectrica (Moldova) collaborate to develop the LEA 400 kV Suceava-Balti line;

-
- On the cooperation with TEIAS (Turkey) to develop a 400 kV undersea cable between Romania and Turkey, the feasibility study contracted by CN Transelectrica SA with the Swedish company VPC-Vattenfal was completed, the project being in the stage of determining strategic investors and developing the project company for the construction and operation.

In **April 2012**, negotiations were completed establishing Coordinated Auction Office Ltd. – CAO - in southeastern Europe, and CN Transelectrica SA was from the beginning, one of the main supporters of the project. CAO is a regional project initiated by the EC, currently coordinated by the EC and the Energy Community of Southeast Europe aimed at a coordinated allocation of transmission capacity on the interconnection lines between power systems in the region.

By participating in this project, CN Transelectrica SA made an important step in the implementation of European energy regulations on regional integration as a first step in the reorganization of the single European electricity market. In the regional cooperation within the ENTSO-E, Transelectrica participated in the coordination of removal from service of interconnection lines and domestic lines that influence interconnection. Also, it participated at the agreeing and signing session of the annual programme for removal from service in interconnection. Agreement on this programme aims to create the conditions for removal of domestic and interconnection lines for carrying out maintenance and/ or investments in terms of compliance with security and border capacity bidding.

Monitoring TSO investment plans

The planning of the transmission grid development is based on the provisions of the *Transmission Grid Code*. The Code details the tasks, competencies and responsibilities of the TSO and stipulates the principles, the criteria and the obligations regarding the planning activity.

The planning of transmission grid development seeks to:

- Ensure the appropriate sizing of the transmission grid for the transmission of the generated, imported, exported or transited electricity and determine the prospective development plan;
- Ensure the safe operation of the NPS and the transmission of electricity at a quality that is in compliance with the requirements of the Grid Code and of the Performance Standard for transmission and ancillary services;
- Ensure the development planning activities by: initiating the procedures required for the promotion of new and efficient investments in the transmission networks, estimating the marginal costs on the long term for each node of the transmission network, providing the database for the determination of the transmission and system tariffs.

In accordance with Article 35 of Law no. 123/2012 on Electricity and Natural Gas, the transmission system operator is required to develop **10 year investment and development plans for the transmission network**, according to 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 approved by the regulatory authority and by the Line Ministry, currently development plans shall only be approved by the regulatory authority.

The prospective plan of the transmission grid development for the next 10 years must ensure the following:

- System adequacy provided that the activity is safely and efficiently performed, in compliance with the national energy policy.
- Correlation of the activities between the TSO and the electricity market participants with respect to any requested service that may affect the safe operation of the NPS.
- Zonal opportunities for the users connection to the electricity transmission network, depending on the consumption forecast and on the need for new installed capacities required for an efficient and safe operation.
- Setting up the reserve level in the NPS for electricity generation and transmission according to the sizing requirements.

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 grid. For the transmission grid (400, 220 kV), the N-1 criterion is applied to the sizing of the NPS sections for a time interval corresponding to the most difficult operating conditions, by taking into consideration: the unplanned outage of the largest generating unit in an area with power deficit and the maximum power generated in an excess area. The N-2 criterion is used upon the sizing of the NPP power eviction.

Among other sizing criteria are the technical criterion for the verification of the size of the network in terms of NPS stability, as well as verification and determination of the short-circuit ceiling and nominal flow of equipment.

System or zone studies, pre-feasibility, feasibility studies and technical projects are carried out for each identified objective.

In determining the technical and organisational solutions for investment in new transmission capacities one must take into consideration the system restrictions that may occur in order to be avoided.

Taking into account:

- the entry into force of Law no. 123/2012 in July 2012,
- the delay recorded in the nomination of TSO owner, that has to agree on how to finance investments in the transmission grid,

ANRE's last opinion on the Perspective Plan was no. 31/12.08.2011.

Other relevant issues regarding cross-border cooperation

ANRE continued to cooperate with national regulatory authorities from neighboring countries to the uniform application of the provisions of the Regulations 715/2009/EC and 714/2009/EC. In this context, particular attention was paid to cooperation with Hungary and Bulgaria in order to promote the **implicit allocation of interconnection capacities and energy market coupling**. Bilateral meetings with the Hungarian and Bulgarian peer representatives were held. Meetings of the Romania-Bulgaria Working Group on project preparation and implementation of electricity market coupling took place in February and October 2012.

On 14 December 2011, following a process of analysis and assessment in the national Working Group (comprising MECMA, ANRE, SC Opcom SA and CN Transelectrica SA), Romanian entities involved have formally expressed interest to join the Czech-Slovakian-Hungarian market coupling project through a Letter of Intent. The Steering Committee of the Czech-Slovakian-Hungarian regional project approved Romania's request. In December 2012, Poland has also expressed its intention to join the trilateral project.

During 2012, the activity of the Working Group, organized at national level, composed of representatives of ANRE, ME, CN Transelectrica SA and OPCOM SA continued, meetings being organized with regional coupling Czech-Slovakian-Hungarian project partners to identify the following steps. On 22 October 2012, the Romanian Prime Minister approved the *Memorandum on Accession to the market coupling project of electricity markets in the Czech Republic, Slovakia and Hungary*, document approving the accession of Romania to the Czech Republic, Slovakia and Hungary electricity markets coupling project and calling for the preliminary assessment of costs induced by the implementation of the new solutions and their recognition within the tariffs approved by the regulator for the transmission system operator - CNTEE Transelectrica SA - and electricity market operator -SC OPCOM SA, if their amount is acceptable.

3.1.5. Compliance with the provisions of the European legislation

Compliance with decisions of ACER and the European Commission

According to the provisions of Law no. 160/2012 on the organization and functioning of ANRE, Article 9(1)(w), ANRE complies with and applies all relevant, legally binding decisions of the Agency for the Cooperation of Energy Regulators – ACER – and the European Commission; European Commission decisions 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 of the entry into force.

For 2012 there are no such cases to report.

Compliance by transmission system operators, distribution operators, system owners and operators in the sector

Since the certification process of the transmission system operator was not completed in 2012, monitoring the fulfillment of the obligations of an independent system operator could not be achieved.

The transparency of transactions on interconnections is provided 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 Transelectrica fulfilled the obligations set out in the EC Regulation 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. ANRE requested from the transmission system operator details of steps taken per every requirement from EC regulation, together with a presentation of the actions stage. There has also been subjected to the action of control the way in which are observed the provisions on transparency and providing information, including the publication in terms of content, timing and duration of availability of information.

3.2. Promoting competition

3.2.1. Wholesale electricity market

Wholesale electricity market structure of Romania

The wholesale electricity market includes all transactions conducted between participants, except the ones for selling electricity to final customers, which run on the retail electricity market (REM).

The **wholesale electricity market** is divided into the following components:

- **bilateral contracts** (regulated, negotiated or concluded through auctions on centralized markets).
- transactions concluded **on the Day Ahead Market (DAM)** or **Intra-Day Market (ID)**, in which participants adjust their contractual position or profit from the difference between the contract price and the spot price.
- **balancing market (BM)**, which covers differences between notified production and forecasted consumption. For imbalances participants assume financial responsibility.

For a greater transparency on the competitive market, **Centralized Market for Bilateral Contracts** was organized, which includes two ways of trading, the trading method that contracts are awarded through public auction (**CMBC**) and the trading method that contracts are awarded through a combined process of auctions and negotiation (**CMBC-CN**). Centralized Market for Bilateral Contracts was completed at the end of 2012 with **an organized market for high industrial customers (CMHC)**.

The transactions on the **ancillary services market** and on the **interconnection capacities market** are also included in the wholesale market.

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 be subject to settlement on the BM.

According with the provisions of the *Electricity and Natural Gas Law* no. 123/2012, on the competitive market, commercial transactions of electricity are performed in a transparent, public, centralized and non-discriminatory manner. This involves eliminating the possibility to conclude negotiated bilateral contracts on the wholesale electricity market.

Law no. 123/2012 establishes similar principles for ancillary services transactions, which the transmission system operator must perform on the basis of transparent, non-discriminatory and competitive mechanisms.

Also, network operators (transmission and distribution) must provide the technological consumption of the networks they operate on the basis of transparent, non-discriminatory and competitive mechanisms.

The structure of the power 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.

Thus, in June 2012 Oltenia Energy Complex (CE Oltenia) entered the electricity market - a new company administered in a dual system following the merger of the National Company of Lignite Oltenia Tg. Jiu, Turceni (CE Turceni), Rovinari Energy Complex (CE Rovinari) and Craiova Energy Complex (CE Craiova), and from November 2012 the Energy Complex Hunedoara (Hunedoara CE) began operating on the market, established through the merger of Electrocentrale Deva with Electrocentrale Paroseni.

The total amount of electricity supplied to the network in 2012 by producers was 53.793 TWh, of which delivered on networks by the producers holding dispatchable units - 52.107 TWh.

The year 2012 was characterized by the maintaining one of the largest producers of energy, Hidroelectrica, in the state of force majeure applied to all commercial contracts for the sale of electricity. Applying force majeure clause began in the fall of 2011 and continued during the first 4 months of the year because of the severe hydrological deficit, affecting main inland rivers and the Danube. After a period of 3 months, when Hidroelectrica was active on the electricity market under normal conditions, due to the sharp drop in the flows of the Danube and inland rivers and taking into account the unfavourable weather until the end of the year, Hidroelectrica has taken steps to activate the second force majeure clause in all commercial contracts for the sale of electricity. According to the Hidroelectrica press release of 7 August 2012, by applying the force majeure clause, the hydro producer has restricted supplies to the energy produced in its units, allocated in proportion to sales obligations on each contract in progress, using a "single hourly mathematical key". Hidroelectrica came out from the second force majeure period at the end of November 2012.

Another exceptional situation, with major impact on the activity on the electricity market of the same producer, was entering the general procedure of insolvency aiming to reorganize the activity according to a reorganization plan, starting end of June 2012. The insolvency application was explained by Hidroelectrica by the prolonged drought in late 2011 and early 2012, causing reduced turnover, financial losses within a year and a half and reduced cash flows.

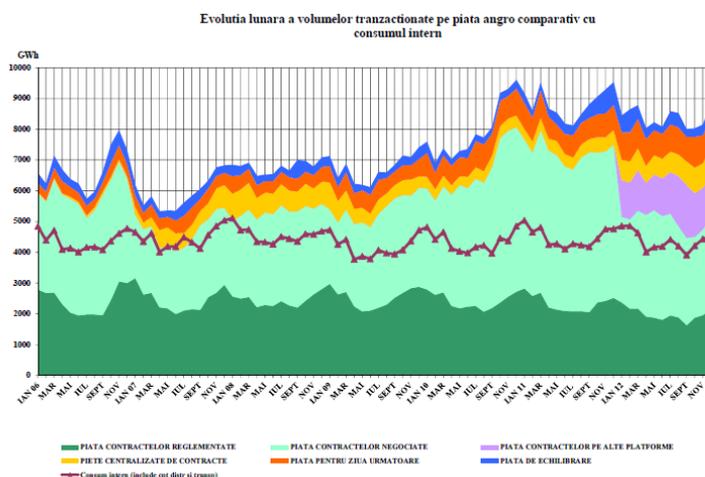
Compared to 2011, in 2012 there were decreases in electricity delivered for almost all types of conventional fuel, except gas. Largest decrease was recorded in the electricity produced on liquid fossil fuel (18.5%) and hydro (with approx. 18.1% due to the year's two force majeure situations). The lowest decrease was recorded in electricity produced from nuclear fuel (2.4%), this amount of electricity remains at about the same level as in previous years. While all other sources, except gas, on which it was produced and delivered nearly 3% more than in 2011 (largely due to the entry into production of Petrom CCPP) had determined decreases in delivered electricity to the networks, the electricity from wind (produced by dispatchable generators only) was almost two times higher than last year, reaching a total of over 1.8 TWh annually. In addition to that quantity, approx. 1 TWh was produced by non-dispatchable wind energy producers or by those on trial period. Overall, 2012 saw **a decrease of more than 6% of electricity delivered into the network**, produced from both conventional and unconventional sources from dispatchable units.

In 2012, in Romania, a quantity of about 1402 GWh was imported and 1149 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 2011, imports increased by about 35%, while exports fell by more than 61%, both that accomplished by competitive suppliers and that of Hidroelectrica, because of the electricity deficit. For the first time in the last five years Romania was a importer of energy.

Domestic consumption calculated based on electricity delivered on networks and import-export balance was about 52.36 TWh, 2.6% lower than in 2011, with the exception of February, June and July 2012, when domestic consumption levels calculated as described above were greater than the corresponding months of 2011, domestic consumption recorded a monthly percentage decrease of one digit, the lowest reduction of the domestic consumption was in August (0.7%) and the highest one was in November (6.7%).

Developments of the wholesale electricity market in 2012

The following graph presents the monthly evolution of volumes traded on the main wholesale electricity market components during 2006-2011 as compared to domestic consumption.



As in 2011, there are over 8 TWh of total volumes monthly traded on the market, for double the value of monthly domestic consumption values (calculated as the sum of energy delivered on networks and the import-export balance). Across the wholesale market, trading on bilateral contracts (negotiated and regulated) was predominant, with a volume that was about 146% of the domestic consumption and by 16 percentage points less than the previous year.

Wholesale market components	Trade volumes in 2012 - GWh -	Evolution compared with 2011 - % -	Percentage from the domestic consumption in 2012 %
Regulated bilateral contracts market	23707	▼15.4	45.3
OTC market	16020	▼11.1	30.6
Negotiated bilateral contracts market	36536		69.8
Export	1149	▼61.0	2.2
Centralised bilateral contracts markets	8551	▲70.0	16.3
Day-ahead market (DAM)	10718	▲20.8	20.5

Intra-day market (PI)	7	▲ 62.0	0.2
Balancing market (BM)	4709	▼ 2.6	9

To maintain comparability in calculating progress to 2011, it was considered the sum of OTC and negotiated contracts for 2012.

As compared to 2011, there is a decrease in the quantities traded on each type of contracts: regulated, directly negotiated contracts or OTC. The largest decrease was recorded for exports, which declined significantly, especially in the case of Hidroelectrica. The two force majeure states and the insolvency declared in mid year had contributed to this situation. Instead, significant increases of traded electricity volumes were recorded by both centralised markets administrated by the market operator, especially due to changes caused by Law no. 123/2012 that have occurred since August 2012.

The volumes traded successively represented 79.5% of the domestic consumption in 2012, but they were about 1.6% lower than the volumes handled among suppliers in the previous year. Given the fact that 99% of the handled quantities (traded on contracts dating before the emergence of Law no. 123/2012) are on directly concluded contracts or on OTC, the above mentioned evolution remains a reason of concern regarding the level of transparency and efficiency on the electricity market and in terms of how it is reflected in the price charged to the final consumer.

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

Average prices on the wholesale market components	2012 - lei/MWh -	2011 - lei/MWh -	Evolution in 2012 compared to 2011 (%)
Regulated bilateral contracts market	189.75	164.29	▲ 15.5
OTC market	212.97	-	-
Negotiated bilateral contracts market	204.15	177.88	▲ 14.8
Export	223.15	192.78	▲ 15.8
Centralized bilateral contracts market	215.25	171.78	▲ 44.2
Day-ahead market*	217.47	221.2	▼ 1.7
Intra-day market**	297.57	281.71	▲ 22
Balancing market***	291.68	283.13	▲ 3.0

* the annual average price published by SC Opcom SA and calculated as simple arithmetic mean

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

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

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

i. average prices do not include VAT, excise or other taxes and are determined by weighting the prices with the quantities corresponding to sales transactions reported monthly by market participants;

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

Comparative analysis of annual average prices resulting from the transactions completed on different components of the wholesale market in 2012, compared to 2011, indicates the following:

- an increase of annual average prices on all types of contracts, except average price on DAM, which fell, however, with a small percentage;
- large increase of the average price of the CMBC (including CMBC-CN) on delivery compared with 2011, the maximum monthly average was recorded during October - December, over 220 lei/MWh, period during which were traded the quantities to be delivered in 2013;
- the average annual price for OTC contracts (concluded on brokerage platforms) was slightly lower than those obtained on the OPCOM organized platforms;
- annual average export price recorded on competitive supplier's contracts was around 257 lei/MWh, while the price of the contracts concluded by Hidroelectrica, the only exporting producer, was 146 lei/MWh.

Regulated bilateral contracts market

The regulated component of the wholesale market also operated in 2012, to supply at regulated tariffs household and non-household consumers who did not use the right to choose their electricity supplier, as well as for covering the distribution network losses and, just for the first 3 months of the year, to cover losses of the transmission network.

Of the total sales of the producers on the regulated market, 98.7% are covered by electricity quantities from regulated contracts approved by ANRE decisions for default suppliers and distribution operators. These quantities were covered aprox. 50.8% by the producers using conventional fuel, aprox. 30.9% by the producer using nuclear fuel and approx. 16.9% by the hydro producer. The difference up to 100% is covered by sales on regulated contracts with TSO, by the mutual-aid between producers or by the sales on the retail market.

Of the total sales of the producers, the electricity quantities sold on the regulated market represented about 46% of the total (24233 GWh), the difference was recorded on the competitive market, including direct bilateral contracts (27958 GWh). These volumes do not include transactions concluded on the balancing market/ imbalances.

In the first three months of 2012, CN Transelectrica SA bought electricity on regulated contracts from producers to cover the losses in RET, at 250lei/MWh, and 350 lei/MWh, thus the total amount purchased in the first quarter of 2012 was approx. 175 GWh. The difference needed to cover losses was purchased on the DAM on all 3 months.

Since March 2012, Transelectrica started buying this electricity from CMBC, through buying bids, so that in April, the entire electricity purchased to cover losses took place exclusively through competitive market mechanisms (DAM and CMBC), at much lower prices.

In 2012, the default suppliers had purchased on the wholesale market an electricity quantity of 72,259 TJ (20,072 GWh) to cover electricity needs of the customers which choose not to change supplier, of which about 91% was acquired on the regulated market and the remaining on the competitive market. The average purchase price of electricity was 161.54 lei / MWh.

For distribution operators, regulated market purchases represented in 2012 about 91% of the total electricity needed. The necessary electricity to cover the networks' own consumption

was acquired from the competitive market. In total, distribution operators have purchased on the wholesale market - 23,810 TJ (6,614 GWh). The average purchase price was 162.18 lei/MWh.

The competitive market

In the competitive market are included all transactions completed through bilateral negotiated contracts between the various participants (including successive resales) and the transactions on centralized markets (CMBC, CMBC-CN, DAM, IDM, BM) operating on the auction type mechanisms.

Competitive market transactions volume decreased compared to 2011, but with only 1.6%, mainly due to 2012's difficult energy situation. Compared to the previous year, there were changes in the contracts' structure, thus there was an increase of volumes traded on centralized markets organized by SC OPCOM SA (with more than 38%), export decreased with about 60%, determined both by Hidroelectrica's reduced supplies, as well as by the quantity discounts applied by competitive suppliers that sold energy. Also, following a consulting process with market participants, it was identified the need to collect data on electricity supplied separately for OTC contracts, of which the most important are ICAP, TFS, GFI Brokers and Tullett Prebon. It was found in this way that one third of direct bilateral contracts, totaling 52.6 TWh per year, was represented by the contracts concluded by competitive suppliers on these platforms, about 16 TWh, which meant 30.6% of 2012 domestic consumption.

In addition, there were further conducted negotiated contracts concluded directly by market participants, which totaled about 36.5 TWh, amount traded at an average annual price of 204.15 lei/MWh, lower than the prices from the OPCOM centralized market and brokerage platforms.

The table below shows the competitive market sales structure (without taking into account the volumes on the BM) seen from the producers' viewpoint:

Total sales of producers on the competitive market			100% (27958 GWh)
A.	<i>Transactions made upon bilateral negotiated contracts</i>		48.6%
	1.	With suppliers	33.0%
	2.	With external partners (export)	1.3%
	3.	With other producers	0.9%
	4.	With distributors	0.0%
	5.	With final consumers	13.4%
B.	<i>Transactions upon auctions on the centralized markets</i>		29.6%
	1.	With suppliers	28.0%
	2.	With distributors	0.0%
	3.	With other producers	0.0%
	4.	With TSO	1.6%
	5.	With final consumers	0.0%
C.	<i>Transactions on DAM</i>		21.9%

Mention should be made that the producers did not sign contracts on the OTC markets (brokerage platforms), these types of contracts being exclusively linked to the activity of the competitive suppliers.

Producers sold on the CMBC on contracts with competitive suppliers and the transmission system operator and on the directly negotiated contracts both with other producers (contracts dated before the entry into force of Law no. 123/2012 and stopped immediately after the application of its provisions) as well as with competitive suppliers and for export (Hidroelectrica, but with greatly reduced amounts after the insolvency).

Average prices of electricity traded by producers on the competitive market (which were determined in comparable values by including only the Tg component of the transmission tariff) were of 174 lei/ MWh for the negotiated sale to competitive suppliers, 146 lei/ MWh for export, and an annual average price of 78 lei/ MWh to other producers (due to the low sale price applied by OMV Petrom to Hidroelectrica for the electricity generated in the unit in the trial period).

The resulting average prices for the electricity delivered by the producers on CBCM contracts were about 215 lei/MWh for sales to competitive suppliers and 230 lei/MWh for sales to Transelectrica; the producers' average sale price on DAM was about 229 lei/MWh, similar to that of 2011, while the average sale price on the export contracts was 146 lei/MWh, 8% higher than the previous year's export deliveries.

The competitive market sales structure seen from the suppliers' viewpoint is given in the table below:

Total sales of suppliers on the competitive market			100% (69612 GWh)
A.	Transactions made upon bilateral negotiated contracts		70.7%
	1.	With other suppliers	36.6%
	2.	With external partners (export)	1.1%
	3.	With producers	2.3%
	4.	With distributors	0.0%
	5.	With final consumers	30.7%
B.	Transactions on OTC platforms		23.0%
C.	Transactions upon auctions on the centralized markets		0.4%
	1.	With other suppliers	0.2%
	2.	With producers	0.0%
	3.	With TSO	0.2%
D.	Transactions on DAM		5.9%

23% of electricity sold by suppliers on the market is represented by the brokerage transactions conducted on international platforms, with the average price of 212.98 lei/MWh.

The average sale prices of suppliers on the competitive market in 2012 (including the Tg component of the transmission tariff) were 214.97 lei/MWh for the negotiated sales to other suppliers, 228.17 lei/MWh on export, 227.54 lei/MWh on negotiated contracts to producers and 225.74 lei/MWh to the final consumers (the latter does not include network costs: transmission, distribution, system services).

For DAM transactions, the suppliers' average price was 218.17 lei/MWh and for deliveries on the centralized markets contracts the average price was 192.38 lei/MWh with the producers, 231.14 lei/MWh with the suppliers and 214.46 lei/MWh with the TSO, respectively.

The Centralised Market of Bilateral Contracts, with the two ways of trading (CMBC and CMBC-CT)

The year 2012 was characterized by an increase of initiating and completing offers many of them by concluding transactions, mainly by way of public auction trading (CNBC), especially after the entry into force of Law no. 123/2012 on Electricity and Natural Gas.

The volume of transactions delivered as a result of trading on the centralized market of bilateral contracts for electricity increased by 70% compared to that recorded in 2011, representing 16.3% of domestic consumption, an unprecedented market value on the centralized market of electricity contracts.

This was due to the restrictions introduced by Law no. 123/2012 on trading on direct bilateral contracts, participants were required to conclude new transactions only in a transparent, public, centralized and non-discriminatory manner. The considered delivered volumes are the ones monthly reported to ANRE by wholesale market participants.

Although a difficult year in terms of ensuring electricity due to the difficult hydrological situation, interest of participants towards this type of transactions greatly increased in the second half of the year, as a result of recent legislative changes. Thus, at the end of 2012, the number of registered participants on the centralized market was of 130 license holders, 37 more than in the same period of 2011. Besides the major producers and competitive suppliers who were active on CMBC and CMBC-CT in the previous year, in 2012 a series of non-dispatchable producers, renewable-based producers and the transmission system operator have registered, their activity being more intense towards the end of the year.

On the CMBC various energy products were traded, which varied depending on the time of delivery, delivery daily profile and other characteristics, such as the introduction of precautionary clauses (for the nuclear producer). Initiating offers made, for sale or purchase, exceeded the number of 600, a record for the operation of this market since its establishment until now, about half of them being traded late in the year, for quantities with delivery during 2013. Opening prices varied between 155-298 lei/MWh. Starting with July 2012, Hidroelectrica was among the most active producers in terms of the initiating offers and quantities entered for sale. Unlike the previous year, in 2012, the industrial consumer SC ArcelorMittal Galati SA made two initiating purchase offers, with a formula-based monthly supply price, but these offers were cancelled due to lack of response. As previously mentioned, in 2012, Transelectrica marked its debut on the CMBC.

As for minimum price sale offers, made and won, with delivery periods of 2012-2013, the most active participants during the entire year were the three energy producers, up to June 2012, when they merged, and later SC CE Oltenia SA, SN Nuclearelectrica SA and SC Hidroelectrica SA.

Although participants' interest was not as high as for the CMBC, short and medium term delivery transactions (by continuous trading – CMBC-CT) intensified in 2012, standard contracts with one week, month or quarter delivery terms, that represented a volume of about 240 GWh, were traded.

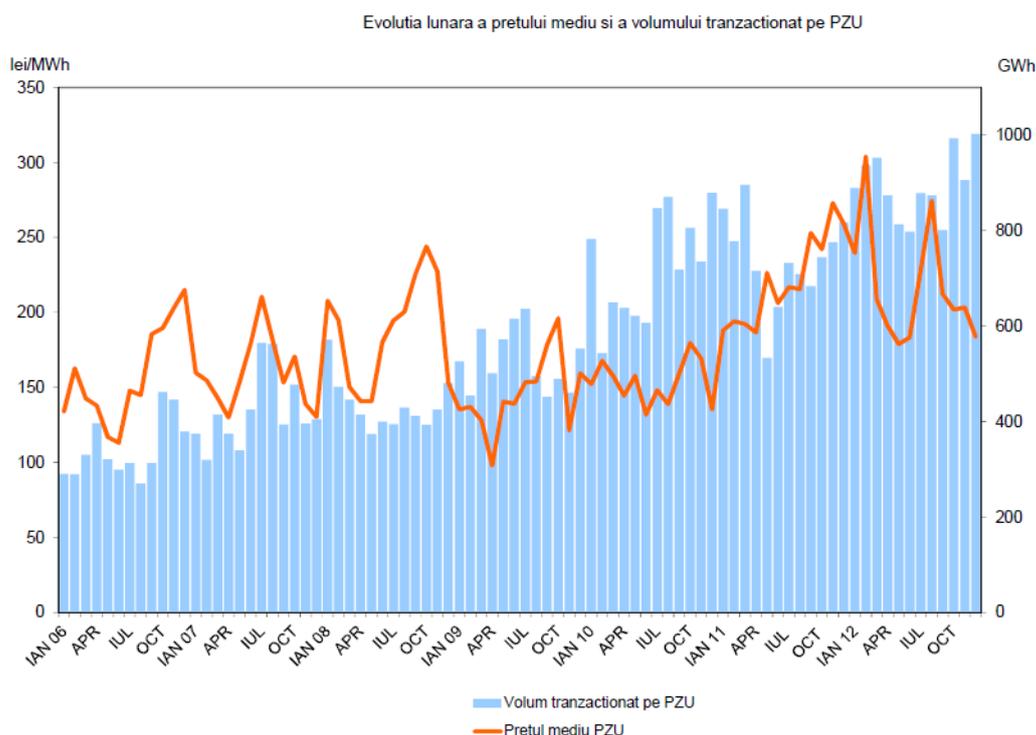
The total volume of quantities delivered in 2012 (from contracts traded during 2011-2012 on the CMBC and CMBC-CT) was of 8551 GWh, 70% higher than in 2011, representing 16.3% of the domestic consumption, compared with the 9.4% in 2011.

The weighted average price of supplies in 2012 on contracts on the centralized market of bilateral contracts (CMBC and CMBC-CT) was about 215.25 lei/MWh, increasing by about 25% from the 2011 similar average, close to the average annual DAM price of 2012 (217.47 lei / MWh).

Trading price increased by the end of the year, when quantities of energy for 2013 went on sale, producers demanding higher prices for initiating sale offers, based on unfavorable forecasts at the time of 2013. Thus, in December 2012, prices for baseload delivery reached 242 lei/MWh, and those for peakload delivery, 280 lei/MWh, some of them being actually traded.

Day Ahead Market - DAM

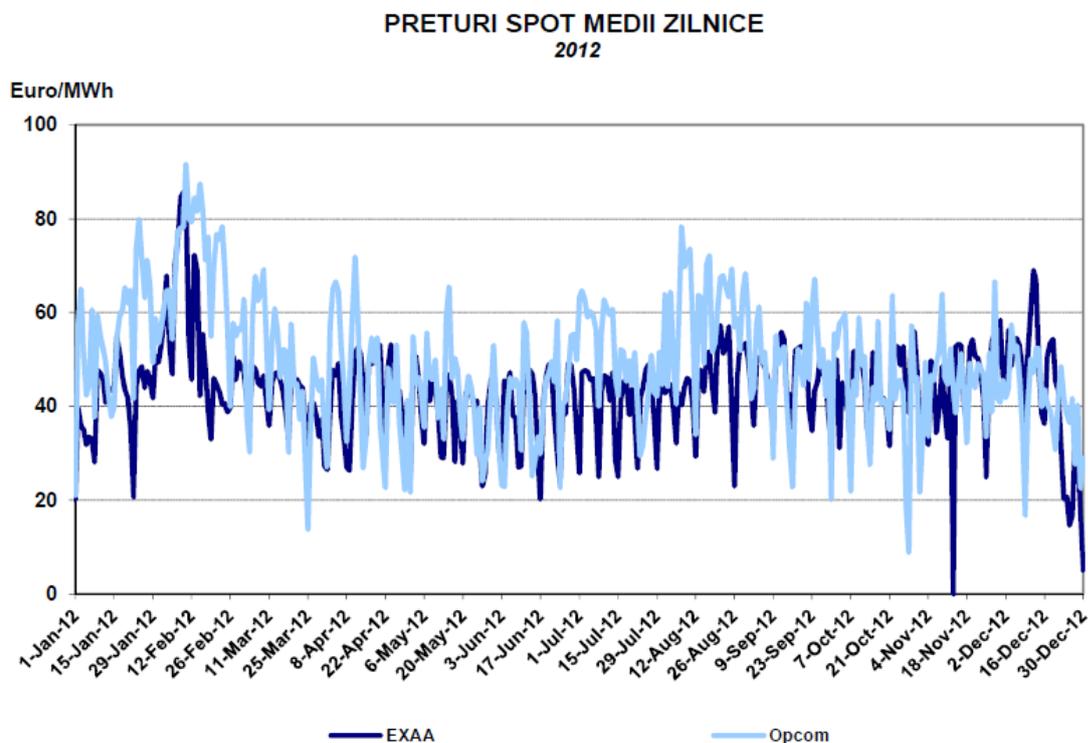
The volume of electricity traded on DAM in 2012 increased by about 21% compared to the trading volume in 2011. The 20.5% share of domestic consumption, recorded on the DAM in 2012, increased compared to the average value in 2011, when it represented 16.5%. In 2012, the average closing price for DAM (determined as the arithmetic average of the monthly market closing prices) decreased by about 1.17% compared to the 2011 average. The following graph shows the monthly evolution of the average price and of the volume traded on DAM between 2006 and 2012.



Variations from month to month of the monthly average price of DAM were registered in both directions, but with an upward trend and higher values than the 2011 monthly values. Minimum for the period was reached in May 2012 (about 178.86 lei/ MWh), while the maximum - in February 2012 (about 303.97 lei/ MWh). The average annual price, determined as an arithmetic average of average monthly prices recorded, was 217.47 lei/MWh in 2012.

As in previous years it is estimated that the price set on the DAM in 2012 embedded with sufficient accuracy the available information on the resources' level 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 2012, it is noted that the prices recorded by OPCOM were below the EXAA prices in the first half of the year and significantly higher in the second half of the year.



Intra-Day Market - ID

The Intra-Day market is part of the wholesale market, where firm hourly transactions with active electricity are made, after the DAM, but delivering the day after trading. Although, unlike the previous year, it operated throughout 2012, the Intra-Day Market recorded lower monthly traded volumes, the peak was recorded in February (2358 MWh) and the minimum in June (30 MWh).

Enhanced activity was recorded during February-March 2012, when more than 1,100 MWh were traded monthly, the rest of the year the volumes not exceeding 800 MWh. Comparison with the previous year is not relevant, given the fact that the Intra-Day Market began functioning in September 2011.

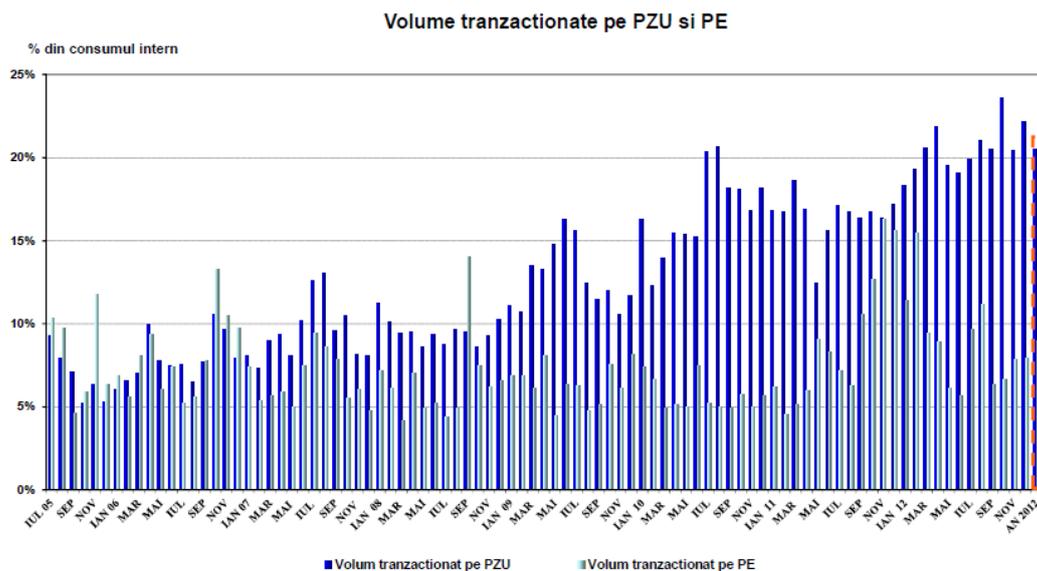
Out of the 53 participants registered on the Intra-Day Market at the end of December 2012, the most active participants numbered 12 in February, and the total value of transactions on this market in 2012 was about 2.3 million lei.

Balancing market – BM

In December 2012, there were 22 producers on this market, with a total of 139 dispatchable units, 108 BRPs were registered.

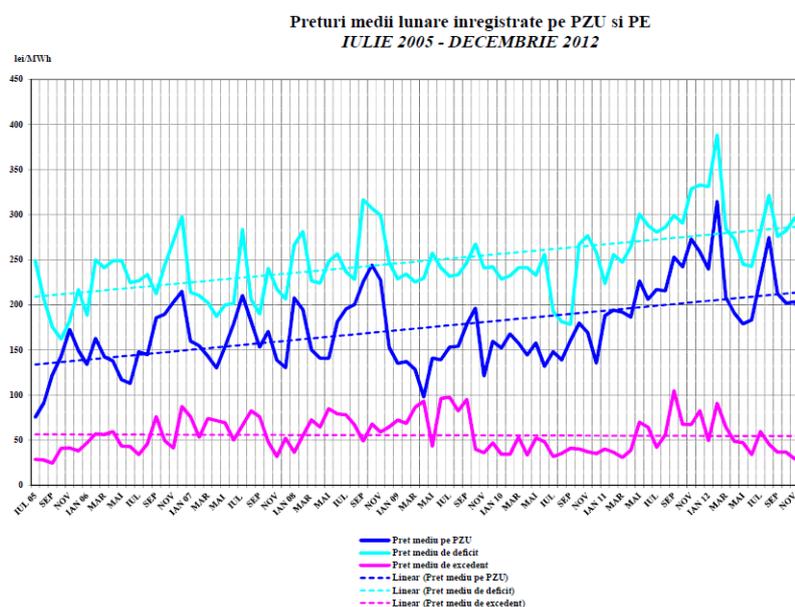
Total volume traded on the BM in 2012 decreased by 21% since 2011, but is 25% higher than the total volume traded in 2010. Monthly amount has consistently been below the one traded on the DAM, as shown in the chart below; in 2012, the linking of the two markets (DAM and BM) is generally correct, given that Hidroelectrica extended until the end of April 2012 "force majeure" declared in October 2011 and reactivated it for August-November 2012.

Among the reasons for the increase in volumes traded on BM, submitted by the TSO in the monitoring reports, we mention: the high electricity deficit recorded in the NPS, sending imbalance notifications by some important operators or BRPs, increasing the difference between consumption and production in peak demand, operation at full capacity for January-February 2012 etc.



The graph below shows the monthly average prices for imbalance settlement recorded by BRP's (surplus price and deficit price) for July 2005 - December 2012.

Average values of settlement prices for 2012 were 291.68 lei/MWh deficit price (about 3% higher than the one registered in 2011) and 48.55% lei/MWh surplus price (about 17% lower compared to 2011). These values are determined as an arithmetic average of hourly prices recorded.



Starting with January 2012, uncontrolled priority production (produced from renewable sources) bears the imbalances costs recorded in the BM.

A feature of 2012 is that monthly additional value resulting from the Balancing Market and BRP imbalances settlement represented a cost, except for April, May, June, October and November, the overall value for the entire period was of 18.45 million lei. The monitoring reports submitted by the TSO show that this was due to the increase in volumes traded on the BM, which required the participation of cogeneration power producers, with high starting/operating costs, in balancing the NPS.

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 hydro producer is able to provide most of these services at high quality), the reserve is primarily ensured through regulated contracts concluded between producers qualified for this type of service and the TSO for a part of the necessary amount, the rest being provided through contracts on the competitive market, following auctions conducted by the TSO.

The following table presents the 2012 concentration indicators for the Ancillary Services Market, regardless of the type of system reserves contracting, obtained during the monitoring activity of ANRE, based on templates for related data collection, both from producers qualified for this type of service, as well as from Transelectrica.

Anul 2012		Rezerva secundară	Rezervă terțiară rapidă	Rezervă terțiară lentă
Componenta reglementată	Cantitate contractată (h*MW)	3 156 750	6 324 480	3 022 800
	C1 (%)	53,0	82,5	46,5
	C3 (%)	98,9	93,2	89,3
Componenta concurențială	Cantitate contractată (h*MW)	147 365	694 707	1 823 517
	C1 (%)	93,9	98,4	51,6
	C3 (%)	100	100	88,0
	HHI	8858	9679	3500

Ancillary services were mainly provided by regulated contracts, both for the secondary reserve, as well as for the tertiary reserve. Nevertheless, Transelectrica organized monthly transactions in order to purchase additional quantities to cover as much of the necessary declared by UNO-DEN. Therefore, during January-July 2012, monthly auctions were held for all 3 types of reserves, while during August-November 2012 these auctions were held only for additional purchase of slow tertiary reserve. In December 2012, there were no auctions held, the purchase was regulated only.

In auctions for secondary and fast tertiary, Hidroelectrica stands out, as the hydro energy producer won the largest quantity in each of the months in which the auctions were held. In auctions for slow tertiary, among the participants Termoelectrica, Electrocentrale Galați, Dalkia and Electrocentrale Deva (the months in which it operated) stand out. While in auctions for secondary and fast tertiary the proportion of the quantities purchased by auction was low, not the same thing happened in the auctions for slow tertiary, where, at least in the first half of 2012, the quantities competitively purchased were close to those regulated acquired.

The regulated purchase tariffs for ancillary services in 2012 remained at the level of 2011, staying the same for all qualified suppliers of ancillary services, while prices resulting from auctions were higher, varying from month to month between 60-80 lei/MWh for secondary, 30-50 lei/MWh for fast tertiary and 1-23 lei/MWh for slow tertiary.

During 2012, some contractual concessions regarding fast and slow tertiary reserves occurred between suppliers of ancillary services, in order to meet the contracted quantities.

Electricity market monitoring was conducted in accordance with the provisions of the Methodologies approved by ANRE Orders no. 35/2006 and no. 60/2008, as amended and supplemented. The purpose of electricity market operation and performances supervision is increasing market transparency and consumer protection through a better understanding of electricity markets and of their regulation, and it led to the following results:

- publishing monthly reports on the functioning of surveyed markets; reports contain information on the rules of the market, aggregated data on power system and market operation (price and quantities evolution, concentration indicators, market rules evolution), enabling competition assessment and stakeholder specific analysis. In making these reports, ANRE considers principles generally accepted in the European Union on data publication and balance necessary to avoid collusion;
- conducting periodic assessments contained in internal reports or through notifications sent directly to the institution's management on the wholesale and retail electricity markets efficiency, on the regulatory framework efficiency, on market participants conduct and reporting of breaches found.

The monitoring is based on the transmission of data and information on a monthly basis by market participants, including the market operator (SC Opcom SA) and transmission system operator (CN Transelectrica SA), under the two monitoring methodologies developed by ANRE.

Market surveillance activity is also based on the collaboration between the regulator and market surveillance departments placed under the management of the energy market operator or transmission system operator. In addition to the data sent regularly or at the request of the regulator, OPCOM and Transelectrica monthly publish on their own websites - www.opcom.ro and www.transelectrica.ro – monitoring reports based on own procedures, developed according to a model developed by the Nordic states.

Evolution of concentration indicators on the wholesale electricity market

Generation

Based on collected data it was possible to make assessments regarding concentration indicators in the Romanian electricity production market, both in terms of power available in the system, and energy produced, and delivered to the transmission networks.

In 2012, the net power available in the national power system was 18756 MW, approx. 8% higher than the previous year. The increase was mainly due to the commissioning of a large number of wind generation capacities. The value of the HHI indicator calculated based on the available net power was 1891. The HHI indicator calculation took into account more than 50% shares held by some operators in other operators' shareholding, namely: the producer SC Termoelectrica SA whole ownership of the producers SC Electrocentrale București SA, SC Electrocentrale Deva, SC Electrocentrale Paroșeni and SC Electrocentrale Galați SA (the principle of dominance).

In the table below are presented the annual average values of the C1 and HHI structure indicators determined based on the electricity delivered by producers with dispatchable units within 2004-2012, without considering the dominance principle (based on the legal structure). Since most of the electricity producers are owned by the state or by local communities (through the Ministry of Economy, AVAS, Local Councils), the monitoring of the concentration indicators is customarily based on the legal structure of the sector (as companies with legal personality) as they are regarded as sufficiently relevant on the Romanian market.

Table 1

Evolution of average annual values of C1 and HHI
based on electricity delivered to the networks by dispatchable producers

Year	C1	HHI
2006	31%	1562
2007	28%	1404
2008	28%	1523
2009	29%	1632
2010	36%	1947
2011	26%	1469
2012	30%	1914

Source: data provided by dispatchable producers, processed by ANRE

It is noted that the 1914 value of the HHI index for 2012, determined on electricity annually delivered by producers with dispatchable units, exceeded the threshold of 1800, which marks off markets with moderate concentration of market power from those with excessive concentration. The high degree of concentration on the generation and supply of electricity is determined by the fact that in mid-2012, three of the largest producers of electricity from conventional sources merged, thus changing all the concentration indicators. Thus, the share of first producer (the thermo producer CE Oltenia, the new market participant resulting from the merger) was 30.4% and the share of the first three producers (CE Oltenia to which it has been added the hydro and the nuclear producers) was 73.4%.

The Day-Ahead-Market – DAM

The HHI concentration indicator on DAM had values that generally indicate a lower market concentration in the first 6 months, with monthly values of HHI in the range of 444-889; after the merger of the three energy producers operating on conventional fuel into a single producer - CE Oltenia SA -, the HHI value reached 1958 in July, the highest monthly level upon sales recorded so far in this market in the last 5 years. With the exception of October 2012, CE Oltenia was the sales leader in this market in the second half of 2012, with market shares ranging from 13.05 to 33.41%. The HHI values remained relatively high until the last two months of the year, when they slid back in a not concentrated market range.

On the buying side, the monthly situation of the year differs from the selling side in that the HHI values recorded in the first part of the 2012 place the market in a moderate concentration range, while in the last four months of the year, this concentration is reduced significantly. The highest values of the main buyer's market share occurred in the first 2 months (over 30%, with a maximum in January 2013 - 34%), its values then going on a downward trend towards the end of the year, when it reached the year's minimum value (11% in December).

Figures 10 and 11 show the monthly HHI evolution upon sale and purchase for 2012. The indicator is determined based on monthly traded volumes and compared with the average monthly DAM closing price for the purpose of highlighting potential correlations between them.

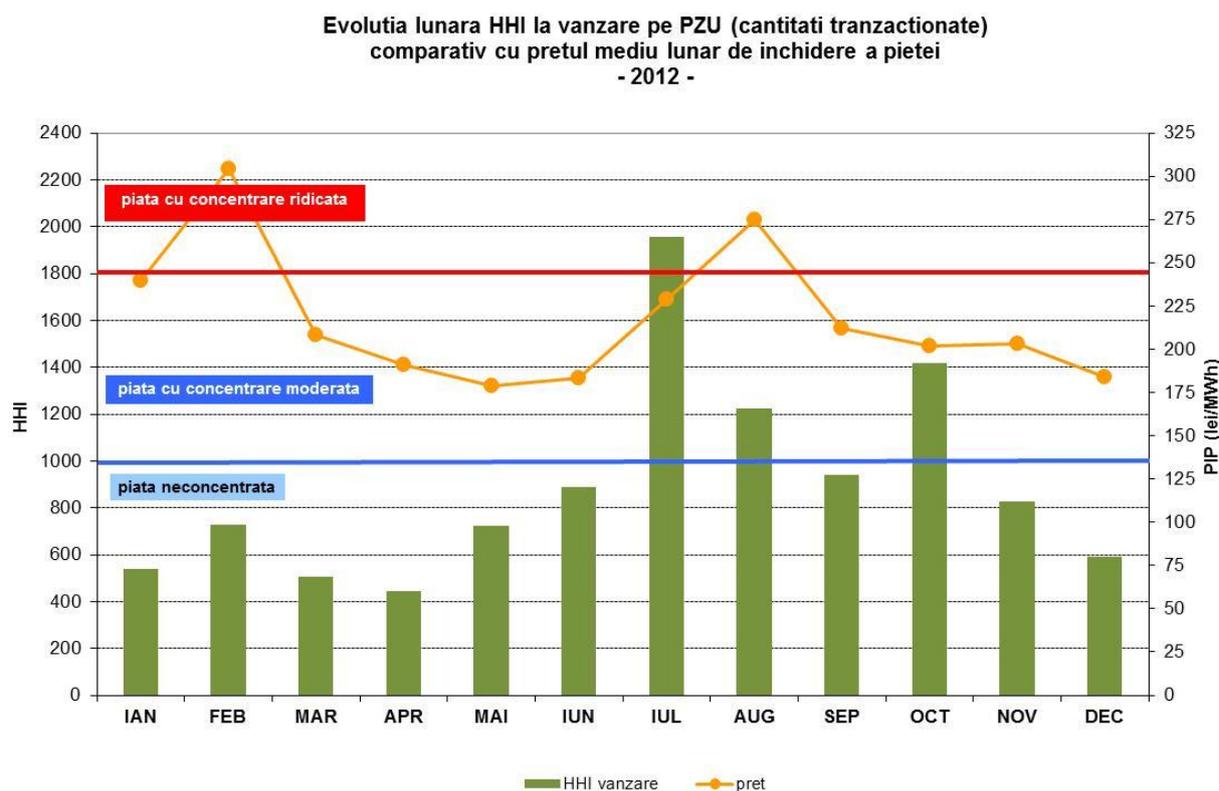


Figure 10

Source: SC OPCOM SA data, processed by ANRE

Evolutia lunara HHI la cumparare pe PZU (cantitati tranzactionate)
comparativ cu pretul mediu lunar de inchidere a pietei
- 2012 -

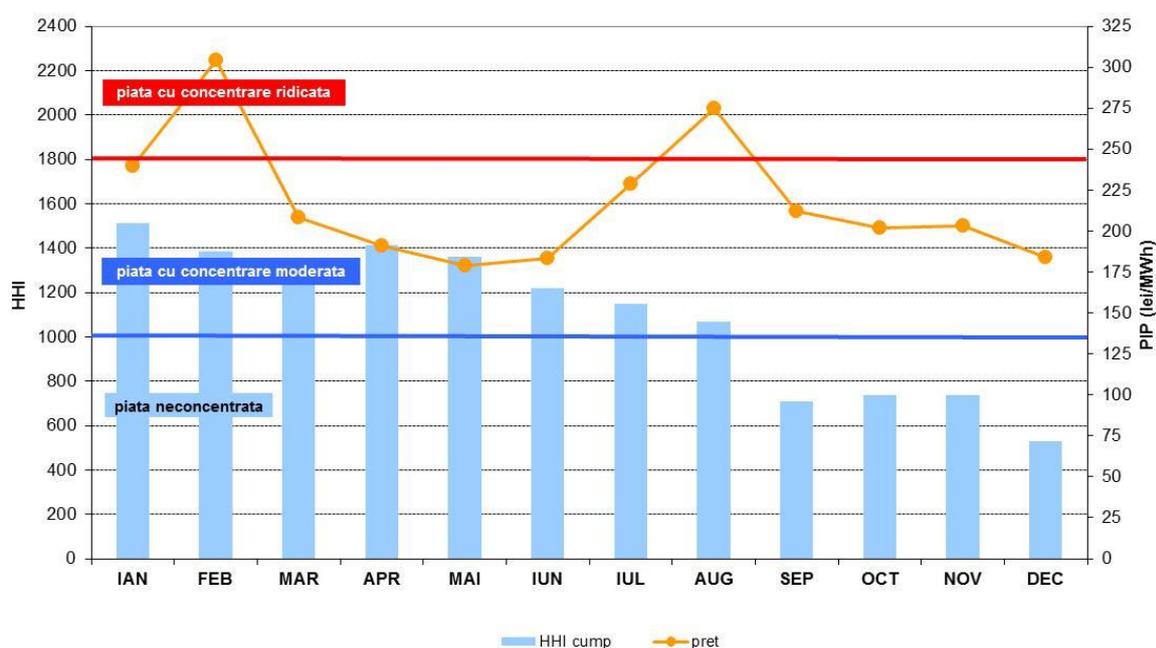


Figure 11

Source: SC OPCOM SA data, processed by ANRE

Centralised Market for Bilateral Contracts

Concentration indicators calculated based on energy volumes in delivery, previously contracted, under contracts awarded 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 by the market operator SC Opcom SA, during 2005-2012.

Table 2

Concentration indicators on CMBC, based on the volumes in the annually concluded transactions

Year	Sale		Purchase	
	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

Source: SC OPCOM SA data and interpretation

As shown above, the largest sale share on the market is held by the participant resulting from the merger of the three energy producers, CE Oltenia, whose market share was determined by also taking into account the quantities delivered on the contracts won by the merging energy producers before the respective merger.

Balancing Market - BM

The next table presents comparative annual values of the concentration indicators for the 2006-2011 period determined on the energy actually delivered by producers on the BM for each type of regulation and direction.

Table 3

Balancing Market concentration indicators values

Year	Regulation type	Direction	2006	2007	2008	2009	2010	2011	2012
C1 (%)	Secondary	upward	80	60	71	64	68	59	60
		downward	80	56	71	64	67	56	57
	Fast tertiary	upward	69	51	70	55	53	75	78
		downward	53	30	38	47	62	46	53
	Slow tertiary	upward	29	29	27	39	45	30	46
		downward	31	19	27	32	34	42	95
HHI	Secondary	upward	6510	3915	5438	4526	5067	3986	4815
		downward	6612	3538	5367	4501	4943	3703	4665
	Fast tertiary	upward	5061	2979	5065	3543	3320	5729	6250
		downward	3452	1590	2319	2843	4204	2868	3926
	Slow tertiary	upward	2203	1769	2021	2478	2749	1679	2375
		downward	2582	1276	1838	2017	2089	2563	3446

Source: data provided by CN Transelectrica SA, processed by ANRE

The values of the concentration indicators for 2012 show a prevailing 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 maintained in 2012 the upper limit of tender prices on this market, while as of 15 September 2012 the maximum value was revised and increased from 400 lei/ MWh to 450 lei/ MWh. It should be mentioned that the concentration indicators on the balancing market were calculated by including the electricity actually delivered in the first 5 months by CE Craiova, CE Rovinari and CE Turceni, respectively the values recorded in the first 10 months by Electrocentrale Deva and Electrocentrale Paroşeni in the electricity actually delivered by CE Electrocentrale Hunedoara.

The Ancillary Services Market

This market operates on types of reserves - secondary, fast tertiary and slow tertiary, that the TSO is contracting through regulated or competitive contracts (based on auctions) from producers that are qualified for this type of services. As the concentration on the Ancillary Services Market is constantly high (the hydro producer is able to provide most of these services at a higher quality), the reserve is primarily ensured through regulated contracts concluded between producers and the TSO. In 2012, the TSO purchased through auctions about 4% of the total amount contracted for the secondary reserves, 10% of the fast tertiary reserve, while for the slow tertiary reserve the TSO contracted through auctions about 38% of the total amount required.

The following table presents the annual concentration indicators for the Ancillary Services Market during 2008-2012.

Table 4

Year/ component		Secondary reserve	Fast tertiary reserve	Slow tertiary reserve
2008				
Regulated component	C1 (%)	82.6	82.6	78.2
	C3 (%)	98.6	91.2	100
Competitive component	C1 (%)	77.5	92.5	64.3
	C3 (%)	100	100	97.8
	HHI	6516	8605	4765
2009				
Regulated component	C1 (%)	62.2	80.2	71.7
	C3 (%)	88.7	90.4	100
Competitive component	C1 (%)	-	-	42.1
	C3 (%)	-	-	82.7
	HHI	-	-	2869
2010				
Regulated component	C1 (%)	71.3	83.0	44.2
	C3 (%)	92.5	90.0	90.2
Competitive component	C1 (%)	-	-	-
	C3 (%)	-	-	-
	HHI	-	-	-
2011				
Regulated component	C1 (%)	56.1	80.2	40.2
	C3 (%)	83.5	88.3	84.7
Competitive component	C1 (%)	-	77.0	63.4
	C3 (%)	-	93.3	96.5
	HHI	-	6089	4815
2012				
Regulated component	C1 (%)	53.0	82.5	46.5
	C3 (%)	98.9	93.2	89.3
Competitive component	C1 (%)	93.9	98.4	51.6
	C3 (%)	100	100	88.0
	HHI	8858	9679	3500

Source: data provided by CN Transelectrica SA, processed by ANRE

3.2.2. Electricity retail market

3.2.2.1 Monitoring prices, the level of transparency, market openness and competition

In 2012 the retail market has enabled 62 suppliers, including 12 licensed producers, and 5 are the default providers. On the regulated market operated 5 providers concerned - one owned by the state and 4 private majority ownership.

Total number of consumers supplied at regulated prices at 31 December 2012 was 8,991,838, of which 8,437,104 households and non domestic consumers 554.734. Note that of all households, 1097 became eligible consumers, their annual consumption is extremely low, however.

The energy provided was about 20,880 GWh, an increase of 3% from 2011, while maintaining total final consumption approximately at the level of the one recorded in 2011.

Regarding the analysis of changes in the structure of electricity consumption to final consumers, based on data processed by ANRE for 2012, the data presented in the following table shows the following:

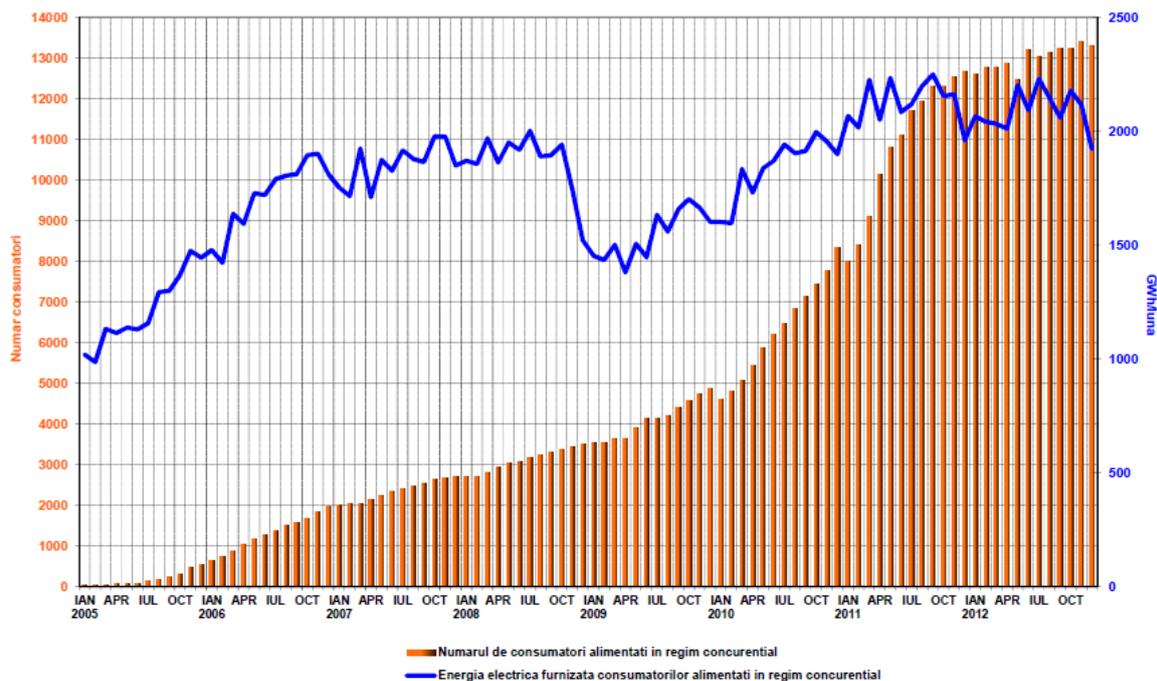
	2008		2009		2010		2011		2012		Evoluție 2012 fata de 2008	Evoluție 2012 fata de 2009	Evoluție 2012 fata de 2010	Evoluție 2012 fata de 2011	Evoluție 2011 fata de 2008	Evoluție 2011 fata 2009	Evoluție 2011 fata 2010	Evoluție 2010 față de 2008	Evoluție 2010 față de 2009
	GWh	%																	
Consumatori alimentati in regim reglementat	23416	51%	23046	55%	21365	49%	20289	44%	20880	46%	89%	91%	98%	103%	87%	88%	95%	91%	93%
Casnici	10376	23%	10990	26%	11246	26%	11590	25%	12029	28%	116%	109%	107%	104%	112%	105%	103%	108%	102%
Necasnici	13040	28%	12057	29%	10119	23%	8699	19%	8852	19%	68%	73%	67%	102%	67%	72%	66%	78%	84%
Consumatori alimentati in regim concurential	22414	49%	18536	45%	22075	51%	25525	56%	25105	55%	112%	135%	114%	98%	114%	138%	116%	98%	119%
Casnici		0%		0%		0%		0%		0%									
Necasnici	22414	49%	18536	45%	22075	51%	25525	56%	25105	55%	112%	135%	114%	98%	114%	138%	116%	98%	119%
Consum final total	45830	100%	41583	100%	43440	100%	45814	100%	45985	100%	100%	111%	106%	100%	100%	110%	105%	95%	104%

- final electricity consumption recorded in 2012 remained at the same level as recorded in 2011 increased by approx. 6% compared to that recorded in 2010 by 11% compared to 2009 and slightly exceeded the value recorded in 2008;
- increase the amount and share of household consumption in final consumption by approx. 4% in 2012 compared to 2011, by 7% compared to 2010, up 9% compared to 2009 by 16% compared to 2008;
- non-household consumption decrease consumers who have switched supplier and its share in final consumption by about 2% in 2012 compared to 2011, increasing by 14% compared to 2010, increasing by 35% compared to 2009 and increased by 12% since 2008;
- non-residential consumer's food consumption growth regulated by approx. 2% in 2012 compared to 2011, as well as maintaining its share in final consumption.

In December 2012, on the present competitive market were 13,467 eligible consumers, electricity supplied to these consumers in 2012 being 25,105 GWh, a decrease compared to the same period of the previous year by about 2%.

The number of consumers who are on the competitive energy supplies is presented graphically as cumulative value since the beginning of the process of market opening. As will be noted, the number of consumers who have exercised their right to choose electricity supplier registered a slight increase in 2012. Electricity suppliers has fallen in the first 4 months, the last two months of the year and increased in May, July and October, recording in December lower values than in January 2012. Beginning with January 2011 data, electricity suppliers include the amount of self-supplied electricity consumption in other places dispatchable producers whose amounts exceeded 200 GWh a year earlier.

Evolutia numarului consumatorilor alimentati in regim concurential si a energiei electrice furnizate acestora



Indicator values competitive retail market concentration during 2004-2012, shown in the following table highlights the positive development of its (downward concentration).

The year 2012 is characterized by an unconcentrated market, due to the large number of providers who compete in this market and the division of their market power.

Values of competitive retail market concentration indicators

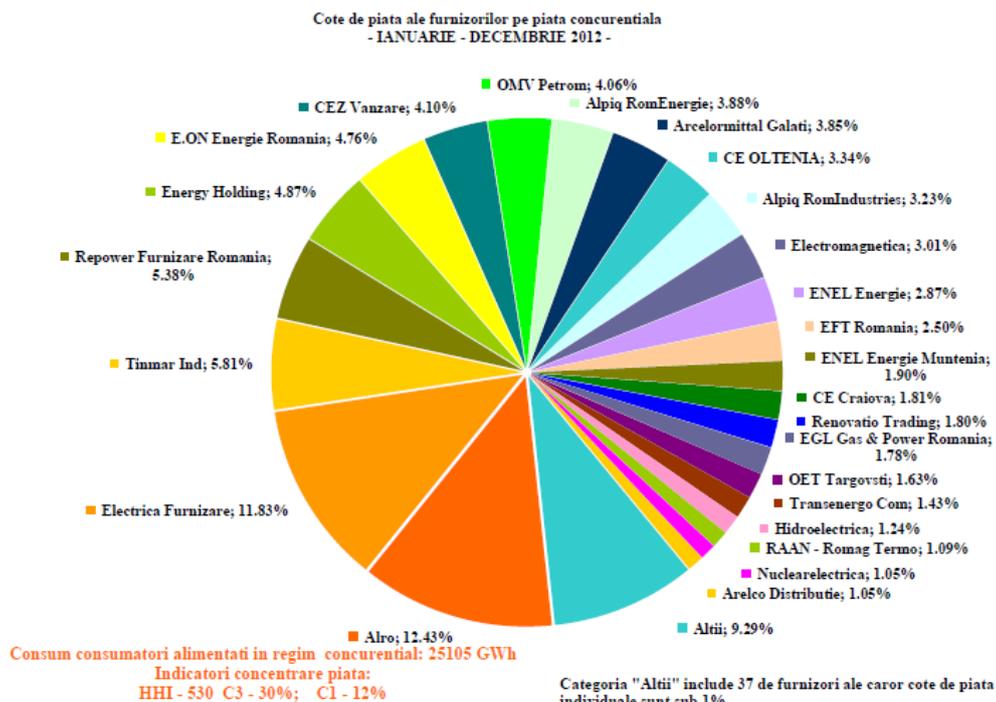
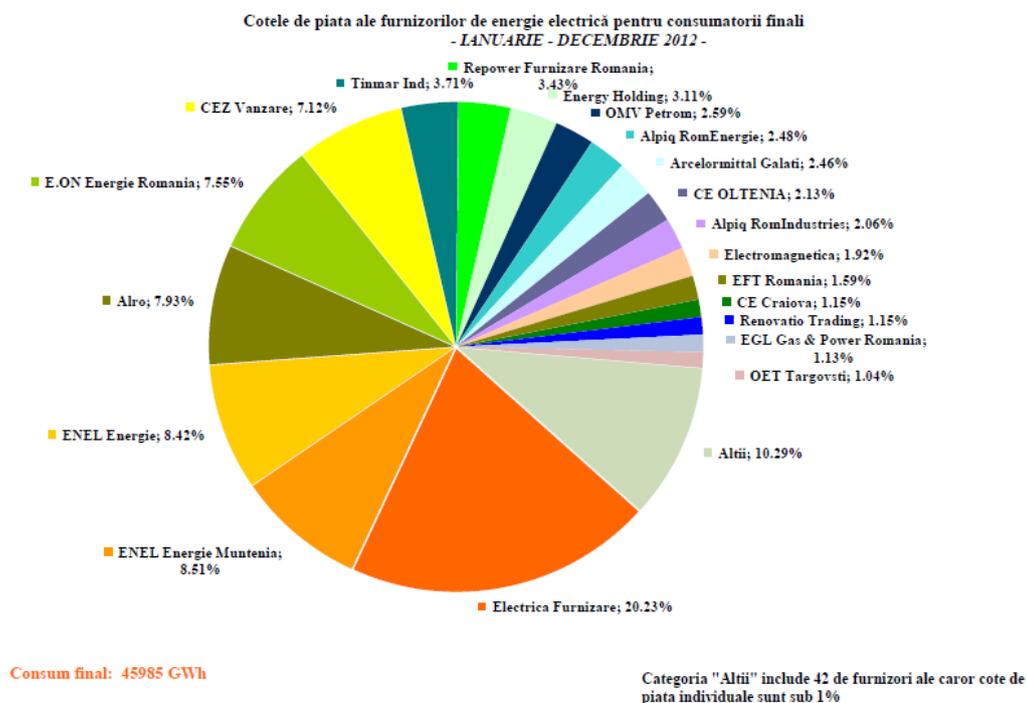
Year	C1(%)	HHI
2004	62	4323
2005	39	1930
2006	20	885
2007	19	904
2008	17	659
2009	16	669
2010	14	562
2011	13	467
2012	12	530

Although the whole PAM indicators show a concentrated market, the retail competitive market segments of consumer categories there is an unconcentrated market only for ID and IE categories, IB, IC, IF categories and others have a moderate level of concentration and IA category a high concentration.

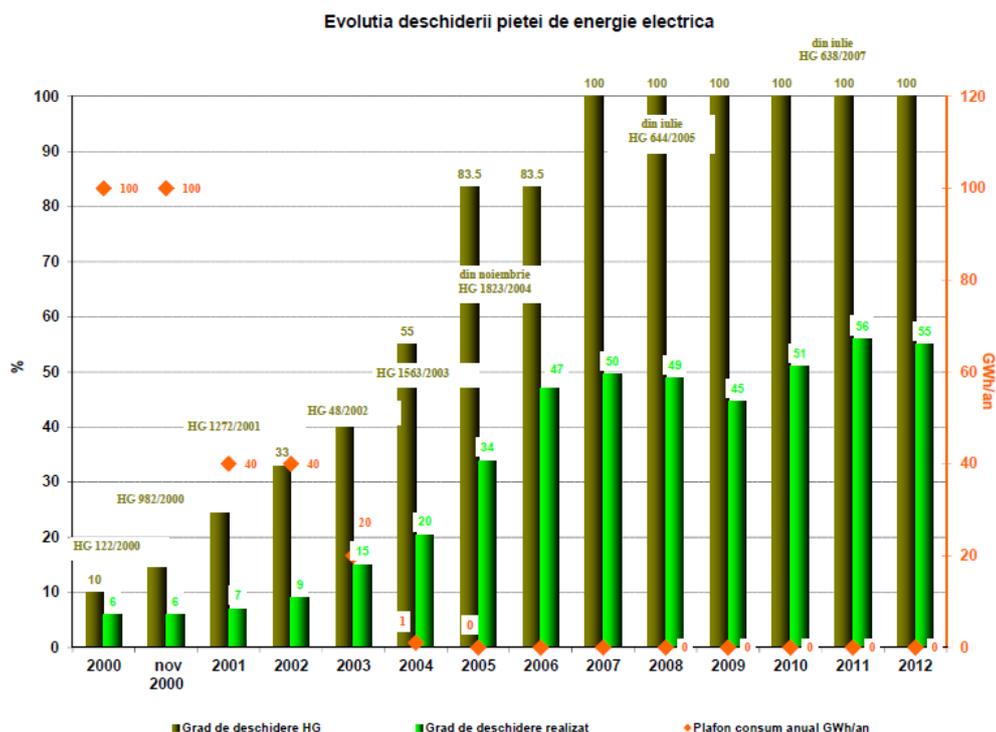
Year 2012	Customers							Total competitive retail market
	IA	IB	IC	ID	IE	IF	Others	
C1 (%)	50	27	26	15	13	20	28	12
C3 (%)	77	54	45	35	33	41	44	30
HHI	2972	1314	1091	702	740	1204	1161	530
Consumption (GWh)	56.3	1307	2081	5797	2859	2459	10547	25105

Number of suppliers:	27	48	50	49	25	13	22	62
Number of default suppliers	5	5	5	5	4	3	2	5
Number of competitive suppliers	15	35	35	36	17	9	11	45
Number of producers	7	8	10	8	4	1	9	12

The following graphs are the market shares of the total market retail suppliers of electricity (first graph) and the competitive retail market (the second graph), corresponding to 2012.



In 2012 there is a decrease of one percentage point of the actual degree of market opening of electricity compared with 2011, representing about 55% of total final consumption. Annual evolution of the degree of opening of the retail market is shown in the following chart:



Switching rate for 2012, presented in Table 5 is determined for each type of consumer in two ways: by the number of consumer sites that have switched supplier in 2012 and according to the energy supplied to places of consumption. It is noted that self-consumption of the largest industrial consumers who own also supply license and decided to purchase power on the wholesale market, as competing providers, is not included.

Table 5

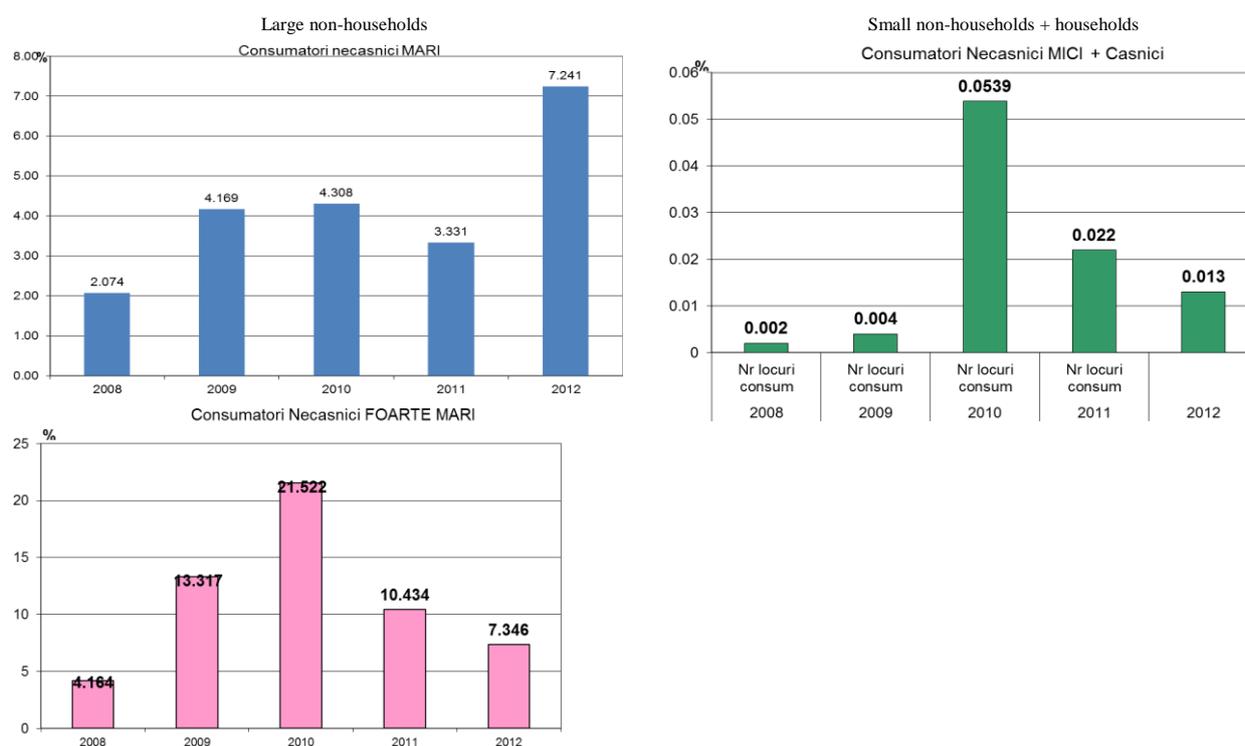
No. item	Consumer type	Rate of switching the supplier	
		No. consumer sites	Electricity supplied
1.	Small non-households + households (contracted power less or equal to 100 kVA)	0,013	0,409
2.	Large non-households (contracted power between 100 kV and 1000 kV)	7,241	8.986
3.	Very large non-households (contracted power higher or equal to 1000 kV)	7,346	14,302
4.	TOTAL REM	0,033	7,649

Source: Data reported by suppliers, data interpretation and analysis by ANRE

Switching rate value for the retail market determined on the basis of consumer places recorded a slight increase compared to last year resulting values, which indicates that the migration of the consumers from one provider to another was resumed, there is a doubling the amount of large non-residential category indicator correlated with a reduction of 43% of the value of the indicator for small non-domestic category households, respectively of 30% for large non-residential category.

Switching rate value for the retail market determined on the supplied volumes increased by 70% as compared with the results last year. It is noted the migration of consumers with large amounts of energy from one provider to another.

The evolution of the number of switching seats consumption in 2008-2012 is presented below:



Very large non-households

Table 6 provides information on the number of suppliers with market shares above 5%, and market concentration indicators for each category of final consumers in 2012.

We note that the dominance principle was taken into account in the calculation to determine the value of market indicators and delivered energy on which to establish the market share of each supplier does not include self-consumption and industrial consumers who have a delivery and decided to and buy energy on the wholesale market, as competing providers

Table 6

No. item	Consumer type	No. of suppliers with market shares higher than 5%	C1 (%)	C3 (%)	HHI
1.	Small non-households + households (contracted power less or equal to 100 kVA)	4	38	84	2851
2.	Large non-households (contracted power between 100 kV and 1000 kV)	5	29	50	1607
3.	Very large non-households (contracted power higher or equal to 1000 kV)	7	14	35	718
4.	TOTAL REM	4	26	59	1472

Source: Data reported by suppliers and processed by ANRE

Values of market structure indicators calculated for 2012 indicate:

- a moderate level of concentration on the whole retail market and retail segment corresponding to large non-residential customers;
- unconcentrated market retail segment corresponding to large non-residential customers;

- large concentrated market retail segment corresponding non-household consumers and small households.

3.2.2.2 Recommendations regarding the supply prices, investigations and actions to promote competition

Evolution of average price of return determined for 2005-2012 is presented below:

Customers	Average return electricity price (Euro/MWh)							
	2005	2006	2007	2008	2009	2010	2011	2012
Customers in the regulated market	79	90	102	96	87	91	90	90
Customers in the competitive market	40	48	56	61	57	58	60	67

We notice the increase in average prices recorded in the competitive market recovery in 2012 as a result of prolonged drought in the year 2011-2012, the insolvency of Hidroelectrica in June 2012, commissioning and entry into commercial operation of energy production facilities sources, etc..

The following table shows average prices achieved for each category of non-household consumers supplied in competition. It is found that the total average price rose to 2011, when he value of 257.11 lei / MWh.

Consumers	Consum (MWH)	Average price (lei/MWh)
IA	56,332	414,28
IB	1,306,519	395,34
IC	2,080,601	357,91
ID	5,796,732	325,96
IE	2,858,889	310,34
IF	2,459,036	289,81
Others	10,546,913	244,38
Total	25,105,022	292,82

The average selling price resulted from dividing the total value of sales revenues by providing a class of customer (including the services provided: transportation injection Tg, Tl extraction transport, system services, distribution, settlement market imbalances, fees aggregation BRP measurement), the total amount of electricity sold 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 amendments of Directive 2007/394/EC introduced through Decision 377/90/EC in June 2007. The table below details the consumption ranges for each category separately.

Categorii consumatori necasnici	Consum anual cuprins in intervalul (MWh):	
Banda - IA		<20
Banda - IB	20	<500
Banda - IC	500	<2000
Banda - ID	2000	<20000
Banda - IE	20000	<70000
Banda - IF	70000	<=150000
Altii	>150000	

In determining the costs covered for 2012 to calculate the tariffs have been considered:

- the average distribution variation at the country level, which from 1 July 2012 registered a growth of 5.47%;
- changing forecast the sale of electricity to consumers who have opted for regulated rates for 2012 to 2011 forecast;
- projected quantities to be sold in 2012 by the suppliers involved were similar to those projected for 2011 (reduction of 1.28%);
- the results of the supply carried in 2011 by the providers of last resort have shown the development of extra-profits for 4 providers default and losses for two vendors involved;
- costs of green certificates required to be purchased by electricity suppliers for 2012 were calculated based on the sale of electricity for the year 2011 and the price of green certificate trading;
- partially offset the effects caused by force majeure invoked by SC Hydropower S.A. during 4th October, 2011- 30th April, 2012. The average cost of acquisition of the providers of last resort has increased by about 10-11% compared to previous periods. The estimated effect of the growth of the cost of purchasing electricity for final consumers who have not spent entitlement on regulated tariffs, caused by the effects of force majeure, is about 3.2%.

As a result of analyzes performed as described above resulted the need to increase national regulated tariffs for the electricity supplied by providers of last resort and/or the providers of last resort to the final consumers who have not spent entitlement, with 5% from the values approved by ANRE Orders no. 102/2009 and no. 103/2009, as of 1st July, 2012.

Memorandum of Understanding signed with the European Commission and Letters of Intent signed with the International Monetary Fund, part of the Agreement of Precautionary Understanding signed with the IMF and European Commission include the **requirement for removal of regulated prices for industrial consumers and households in the electricity sector**.

Based on evaluation studies that measure the impact on end users who have not exercised their eligibility, the Romanian authorities have proposed a gradual approach to the process, which will take place in the period 2012/2013- 2017/2018.

The subject of the gradual removal of regulated tariffs/prices was taken over by the Electricity and Natural Gas Law no. 123/2012. The calendar of phasing out regulated tariffs for supply of electricity to the final consumers was approved by the Government Memorandum in March 2012. The proposed timetable for phasing out regulated tariffs is shown in the table below:

Data de implementare	Procentul de achiziție din piața concurențială (consumatori noncasnici) (%)	Procentul de achiziție din piața concurențială (consumatori casnici) (%)
01.09.2012	15	-
01.01.2013	30	0
01.04.2013	45	0
01.07.2013	65	10
01.09.2013	85	10
01.01.2014	100	20
01.07.2014	100	30
01.01.2015	100	40
01.07.2015	100	50
01.01.2016	100	60
01.07.2016	100	70
01.01.2017	100	80
01.07.2017		90
31.12.2017		100

The method to phase out gradually the regulated tariffs established by ANRE Order no. 30/2012 aimed to:

- reflect the performance of the electricity supplier in the competitive market;
- inform consumers about the existence and evolution of the competitive market and on the performance of the supplier that serves;
- reduce the financial risk of providing, given the tariff component can be updated quarterly and should reflect the cost of the electricity in a competitive system;
- allow the gradual implementation of competitive prices for every type of consumer, avoiding sudden and significant price increases to final consumers of electricity;
- mitigate price shocks caused by increasing wholesale electricity market.

The first two stages of the schedule to eliminate regulated tariffs for supply of electricity to final consumers have been taken in 2012. Thus, between 1 September -31 December 2012 the amount of electricity from non-household consumer contracts covered was reduced by 15%, the providers must finally complete electricity needs by buying power on the open market. Also, from January 1st, 2013 a second stage of 15% was applied.

In this context, the market operator took place actions to improve the existing trading environment by developing trading platform dedicated to large industrial customers and conclusion of bilateral long-term contracts.

For non-household customers who choose not to change supplier, tariffs for competitive market component - CPC were found separately in the invoice. CPC rates applicable for the period September 1st to December 31, 2012 have been published on the website of ANRE.

CPC price is the cost of purchasing electricity from the competitive market, plus the cost of transmission service, system services, services provided by the market operator centralized distribution service costs, costs of service delivery, not including the cost with the purchase of green certificates.

Once the entry into force on 26 July 2012, of Law no. 134/2012, published in Official Monitor of Romania, Part I, no. 505/23.07.2012, which amended and supplemented the law establishing the system for promoting energy from renewable sources, the green certificates are billed separately from charges/prices for electricity, and are highlighted separately on the electricity bill.

The value of green certificates found in the bill is the product of:

- the value of annual mandatory quota certificate acquisition (CV / MWh) share estimated by ANRE;

- invoiced amount of electricity (MWh);
- weighted average price of green certificates traded on the centralized market.

The selling prices for the consumer categories listed in *Table 7* resulted from the synthesis of data for the eligible consumers and for consumers who choose not to change the supplier.

Tabel 7

Consumer type	Euro/MWh				
	Network tariffs	Taxes on network tariffs	Prices of electricity acquisition	Taxes	Total price
Households with annual consumption between 1000 and 2500 kWh/year	47.52	-	31.53	30.23	109.28
Non-households with annual consumption between 2000 and 20000 MWh/year	20.16	-	53.08	19.07	92.32
Average industrial with annual consumption between 20000 and 70000 MWh/year	17.66	-	49.72	17.00	84.38
Large industrial with annual consumption between 70000 and 150000 MWh/year	12.31	-	49.75	15.63	77.68

Annual rate for euro for 2012: 4,4560 RON

3.3. 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.

February 2012 was characterized by a difficult energy situation, leading to the situation of lack of energy reserve at peak loads due to lack of fuel in hydrocarbons power units, shutdown of wind farms and lack of water supply due to the frost in some hydropower plants.

Difficult weather conditions in the area and lack of fuel have led both ESO-EAD (Bulgarian TSO) and EMS (Serbian TSO) inform Transelectrica the force majeure event is triggered in Bulgaria (from 8 February 2012) respectively Serbia (11 February 2012), resulting in the suspension of all imports from Bulgaria and suspension of interconnection capacities allocation market in the direction to Serbia.

Thus, on 13.02.2012, Transelectrica had to apply reduced export graphs according to the operational procedure on "*Defining emergency situations in which Transelectrica may restrict the right of participants to use the interconnection capacity won in tenders and operative change of exchange graphs*" with ANRE approval no. 7/09.02.2012.

According to the *Government Decision no. 83/2012 on adopting some safety measures on the electricity market*, during 16.02-15.03.2012, Transelectrica had the right to take urgent safety measures in a certain order: restriction/ cessation of export delivery (except for transit exports), then applying the *Norms of limiting energy consumption in critical situations of National Power System (NPS)*. Thus, during 14-23.02.2013 Transelectrica reduced in some time slots the allocated capacity at daily auctions on export directions to Hungary and Bulgaria, in order to achieve a safe operation of the NPS.

Dated 24.02.2012, Transelectrica stopped allocated capacity reductions in export direction, with improving weather conditions and increased fuel reserves in thermal power plants and flows on the main tributaries of the Danube and inland rivers.

3.3.1 Monitoring balance between supply and demand

In 2012, electricity production amounted to 59.04 TWh, about 5% lower than in 2011. Domestic consumption amounted to 59.3 TWh, with about 1.2% lower than in 2011 but which was covered both from domestic and imported production. For the first time in five years the import-export balance was positive (0.25 TWh).

In 2012, along with increased contribution of wind power plants from 2% of total production in 2011 to about 5% of total production in 2012, there is a decrease in thermal energy production (coal: from 42% in 2011 to 40% in 2012) and hydro energy (water: from 24% in 2011 to 21% in 2012, due to the activation by S.C. Hidroelectrica S.A. of the *force majeure clause* with immediate effect on reducing contracts to suppliers). It is noted however a slight increase in the share of power plants based on hydrocarbons (1%), largely due to the market entry of Petrom SA CCPP (860 MW).

The maximum value of consumption in 2012 was higher than the maximum values recorded in 2011 and 2010 respectively. The maximum gross consumption was 9520 MWh/h and was registered on February 1st, 2012 at 19.00, due to extremely low temperatures (monthly average temperature in the country was -6.3 °C, compared to the norm month of February: +1.1 °C).

Maximum net generation capacity of individual plants was 18.756 GW on 31.12.2012. Net available power and consumption values on the third Wednesday of the month at 11am CET (net values) are shown below.

2012 (MW)	Jan	Feb	March	Apr	May	Jun	July	Aug	Sept	Oct	Nov	Dec
Net available power	17355	18580	18544	18803	1869 3	1882 8	1882 8	1858 9	1865 2	1865 5	1873 9	1887 1
Consumption	7649	7928	6501	7263	6522	7032	6732	5309	6127	6507	7253	7728

Source: CN Transelectrica SA

The production park of a system is considered adequate if it can meet the demand of electricity in all the stationary states can learn the system in normal conditions. For evaluation perspective, check this time of year when capacity is reached in SEN the maximum peak for evening consumption in winter, using the ENTSO-E European methodology.

For the production park can provide available power installed capacity is required to be significantly higher because the groups are periodically removed from service for repairs and maintenance are affected by unplanned preservation or partial reduction of availability of different causes. It should also be kept permanently available to TSO operational reserve. Currently, it is sized to balance the continuing rapid variations in consumption balance and

unexpected onset largest group in the system. After rapid mobilization of reserves must be replaced by loading the reserve so that it can be used in the next 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	2012		2015		2016		2020	
	January 19:00 pm	July 11:00 am						
Net generation capacity (GW)	18.30	18.10	19.70	19.90	20.20	20.20	22.30	22.30
Consumption (GW)	8.33	7.43	9.24	7.60	9.48	7.80	10.51	8.62

Scenario B	2012		2015		2016		2020	
	January 19:00 pm	July 11:00 am						
Net generation capacity (GW)	18.30	18.10	19.80	20	20.40	20.60	24.40	24.40
Consumption (GW)	8.33	7.43	9.24	7.60	9.48	7.80	10.51	8.62

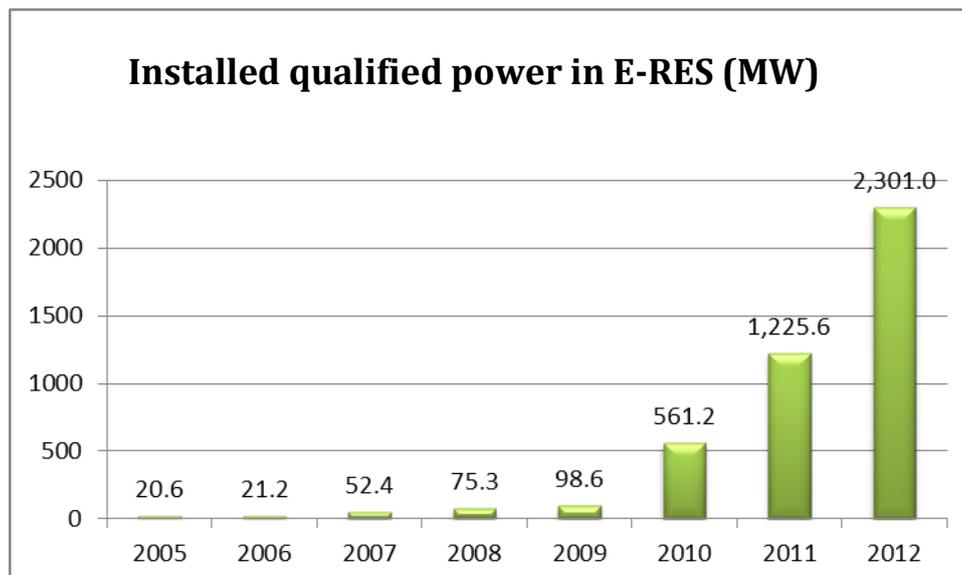
Scenario EU 2020	2012		2015		2016		2020	
	January 19:00 pm	July 11:00 am						
Net generation capacity (GW)	18.30	18.10	20.40	20.80	21	21.20	25.70	25.70
Consumption (GW)	7.89	7.74	8.23	8.07	8.42	8.27	9.28	9.11

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

The establishment of new generation capacities and rehabilitation of existing ones is done under the authorizations issued by ANRE. The licensing procedure and the conditions of their grant: criteria, power levels, approvals, differentiated by type of power and activities are specified by regulation for granting authorizations and licenses in the electricity sector regulation issued by the regulator and approved by the Government (Government Decision - GD no. 540/2004, amended by GD no. 1823/2004 and GD no. 553/2007). Refusal to grant approval, the absence of a response within terms or any decision of the authority considered illegal or tortious may be appealed to the Court of Appeal in accordance with the law.

In 2012, 151 establishment authorisations were granted (photovoltaic plants – 54, wind farms – 42, hydrocarbons power plants – 12, hydro power plants – 29, power plants using biogas – 3, power plants using biomass – 9, power plants using waste – 1, power plants using coal - 1).

Installed power in authorized capacities using renewable sources was 1738 MW (photovoltaic plants - 253 MW, wind farms – 1339 MW, hydro power plants – 108 MW and biomass power plants - 39 MW).



Therefore, at the end of 2012, installed power in power plants using renewable energy sources amounted to **2301 MW** as to the **1225.6 MW** installed in 2011, of which: 1794 MW in wind farms, 427 MW in hydro power plants with an installed capacity of up to 10 MW, 26.5 MW in power plants using biomass, 2.4 MW in power plants using landfill gas, 51 MW in photovoltaic power plants. The following chart shows the evolution of the installed power during 2005-2012.

Also in 2012, the Petrom S.A. power plant at Brazi began operating with a net power of 860 MW.

The support type bonus 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 in cogeneration, except those using renewable energy sources and cogeneration plants consumers who have low power micro-and delivers some of the electricity produced in power networks with the use of electricity and heat produced mainly for own consumption and measuring groups have legally compliant are eligible for the scheme to support.

There is no grant support scheme for the amount of electricity produced from high-efficiency cogeneration plants that is not delivered to the power grid.

For the 36 producers concerned, the total amount of electricity produced in high efficiency cogeneration bonus received during the period January to December 2012 was 6,000 GWh.

Concerning the development of electricity networks, the main investments proposed to be made under the Development Plan of the Electricity Transmission Grid - 2010-2014 and indicative for 2019, the last plan endorsed by ANRE, are:

- LEA 400 kV d.c. Reșița - Pancevo (interconnection line with Serbia)
- LEA 400 kV s.c. Suceava - Bălți (interconnection line with Moldova)
- Connection LEA 400 kV Isaccea – Varna and LEA Isaccea - Dobrudja in the Medgidia Sud station (interconnection with Bulgaria)

-
- LEA 400 kV Porțile de Fier - Reșița - Timișoara - Săcălaz - Calea Aradului - Arad axis
 - LEA 400 kV s.c. Gădălin - Suceava
 - LEA 400 kV Cernavodă – Stâlpu.

These investments aim to ensure the evacuation of energy from the Dobrogea area and to increase the interconnection capacity.

Investments in network development are recovered through the transmission tariff set 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

Since the gas transmission network in Romania is the public property of the State, especially the model of the separation chosen was the **independent system operator**. This model allows the transmission system operator certification in compliance with the Community legal system while preserving existing property, while ensuring an effective separation of interests related to the natural gas transmission and supply of related production.

To this end, the electricity and gas law no. 123/2012 - approved in June 2012 - establishes clear requirements of independence both in charge of the transmission system and the transmission system owner. The final decision on certification of the transmission system belongs to the regulator (ANRE), based on the approval of the European Commission.

In order to certificate, for full implementation of the provisions on the independence of the transmission system through the enactment of the Government drafted on the proposal of the ministry, it is named the public entity that represents the state as majority shareholder operators engaged in production and supply of one hand, and the public entity representing the State as shareholder transmission system operator, on the other hand.

Whereas the separation required by law have been adopted only in 2013 by the Government Emergency Ordinance no. 18/2013, which entered into force on 27 March 2013, the certification decision could not be issued in 2012.

By the Government Decision no. 334/2000, Transgaz - S.A. Medias was designated operator of the national transmission system and responsible for its operation in terms of quality, safety, economic efficiency and environmental protection.

In the case of the transmission system operator, SNTGN Transgaz, it is legal, functional and organizational unbundling between transport activity and the activity of natural gas supply in accordance with the legal provisions.

Distribution operators are distribution licensee that is specific to the natural gas distribution activity in one or more areas delineated. At the end of 2012, the natural gas market in Romania held a number of **39 distribution companies**.

Natural gas businesses, 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.

Operators of natural gas transmission are obliged to report regulated accounting records until July 1 (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 approval, reports separation activity 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, 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 unbundling obligation to work underground storage, it was performed by the storage operator SC Depomureş S.A. The legal separation of the latest storage operator - SNGN ROMGAZ S.A. is still ongoing.

Other distribution system operators, serving more than 100,000 consumers connected to the network, according to the legal requirements have been exempted from legal unbundling and have done since 2007 separate accounting records for regulated activities.

The licensed operators of natural gas annually submit to the authority the financial reports and regulated accounting for the regulated activities carried out by them in gas.

Prior to the regulatory authority, the circumstances required to be audited/inspected in accordance with the legal provisions in force, aiming particularly the observance of the obligation to avoid cross-subsidization between activities.

4.1.2. Technical functioning

The Network Code, approved by ANRE Order no. 54/2007, with the subsequent amendments, settles the conditions and rules for using the natural gas National Transmission System in Romania, as well as transparent and non-discriminatory access of third parties. The Network Code entered into force starting with gas year 2009-2010.

The network code of the natural gas National Transmission System establishes rules and procedures regarding the access to NTS, among them the most important are:

- Procedures for balancing the natural gas system, nominalizations and communication;
- Mechanisms for allocate capacities;
- Procedures for congestion management.

For 2011, for the natural gas market in Romania, no imbalance charges are applied, imbalance charges are comprised in the cost elements of the transmission tariff.

The Network Code has provisions for physical and commercial balancing of the NTS. The TSO has the obligation to calculate and communicate to each network user the followings:

- Daily – the daily provisional imbalance,
- Weekly – the provisional accumulated imbalance for that week,
- Monthly – the final daily and weekly accumulated imbalances.

According to the provisions of the Network Code, the users may request the capacity of the NTS:

- Before May 15, every year, for a natural gas year or a multiple of a natural gas years;
- After May 15, every year, for periods less than a natural gas year and only until the end of the current natural gas year.

The network users request the booking of NTS capacity by filling in and transmitting toward the NTS Operator (TSO) the „Capacity request” form together with the proposal of Transmission schedule.

TSO is obliged, within maximum 30 days period, to answer the network user regarding the access to NTS or to communicate the reasons for refusal (total or partial), as well as some observations on the proposed Transmission schedule.

TSO grants the available capacity from NTS to the network users (Transmission agents) based on the principle „first come, first served”. Priority shall be granted for the capacities requested in order to fulfil the public service obligations.

In order to settle the congestions, approved but unused capacity may make up the object of:

- a) Voluntary return to the TSO;
- b) Capacity transfer facility (CTF);
- c) Mandatory transfer from one network user to another by the TSO.

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

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 storage 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 tariffs for storage shall be established for each underground storage and have the following structure:

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

Where:

T(ds) – storage tariff

RC(ds) – 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 fix component for booking the capacity into the underground storage $RC(ds)$ quantifies the fix costs, generated by booking the capacity into the underground storage for a complete storage cycle.

The volume component for natural gas injection into the underground storage $I(ds)$ quantifies the variable costs generated by natural gas taking over, measurement, treatment and circulation through the surface facilities and put into the underground storage.

The volume component for natural gas extraction from the underground storage $E(ds)$ quantifies the costs generated by natural gas extraction from the underground storage, its treatment, circulation and measurement through surface facilities and its deliver to transmission operator and/or beneficiary.

The pricing system for transmission comprises a set of *revenue cap* tariffs, establishing overall regulated revenue covering the overall costs of one year of the regulated period.

The tariff for transmission through the national transmission system has a two-part structure as follows:

$$T_t = RC_t + V_t$$

where:

T_t – transmission tariff

RC_t – fixed component for booking of capacity in the transmission system, expressed in lei / MWh

V_t – 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 (RC_t) covers fixed costs, related to the development of the transmission system capacity. The volume-related component for the use of the transmission system (V_t) 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.

Afterwards the transmission activity shall contain a set of “entry-exit” tariffs, established for the delimitation points at the inlet of the transmission system where the capacity is booked and also at the outlet of the transmission system where the capacity is booked, as well as for using the system. The structure of this kind of tariff shall be as it follows:

$$T(t) = RC(ti) + RC(te) + V(t),$$

where:

$T(t)$ – transmission tariff;

$RC(ti)$ - fixed component for booking of capacity in the inlet priced points

$RC(te)$ - fixed component for booking of capacity in the outlet priced points

$V(t)$ - volume-related component for the use of the transmission system

The pricing system for distribution comprises tariffs that are differentiated on categories of customers and homogeneous distribution systems, in relation with the technical characteristics and exploitation regime of each distribution system.

For 2012, 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

Unitary regulated revenue is established for distribution, covering the unitary costs of one year of the regulated period.

Distribution tariffs are “single-part” kind and quantify fix and variable costs related to the distribution activity. Distribution tariffs apply to the delivered volumes of gas.

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.

The substantiation of the regulated revenue requires the assessment of operation and capital costs generated by the performance of 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. RoR (real, prior to taxation) was determined as equivalent to WACC (nominal, after taxation) using an equivalent formula, ensuring the equality between invested capital and cash flow (in present values), available for the period of regulated depreciation of tangible and intangible assets, discounted with WACC.

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.

A “price-cap” mechanisms is applied for calculation of the distribution tariffs and the regulated supply rates.

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 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 categories of customers are as follows:

Tariff	Cons. 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	0.53	0.53	0.53	0.53
Distribution tariff	1.37	1.67	1.68	1.68

4.1.4. Cross-border issues

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

The Romanian side has initiated a dialogue with the Bulgarian side and during 2009 - 2011 took place several meetings at both expert and ministerial level.

After analyzing the legal situation of the Bulgarian Convention, a conclusion has been reached, also confirmed by the bilateral technical meeting at expert level, between the European Commission and the Romanian Government, held in May 2011 in Brussels, that this agreement ceases to have legal effect and therefore there is no need to take the necessary steps to amend its provisions.

Following the meeting with the Commission, the Minister of Economy, Trade and Business Environment of Romania launched the invitation to his Bulgarian counterpart to renegotiate the commercial contract of natural gas transit between Transgaz and the Bulgarian partner, invitation, accepted by the Bulgarian partner.

Regarding the issue of network access tariffs, in order to comply with the EU provisions, ANRE issued Order no. 29/2012 approving the methodology for pipeline capacity allocation Isaccea I - Negru Voda I

The capacity allocation methodology includes provisions relating to:

- capacity booking period;
- technical parameters and available capacity Isaccea points I and Negru Voda I;
- minimum content of tenders;
- Mandatory requirements for tenders;
- capacity allocation mechanism and algorithm capacity auctions;
- mechanisms for stimulating the closing tariff determination of capacity.

The methodology was sent to Bulgarian counterpart in July 2012.

Also during 2012, ANRE approved decision no. 1732/09.07.2012 on tariff setting for the provision of the National Gas Transmission Company TRANSGAZ SA Medias service transit of natural gas through pipe DN1000 mm Isaccea I - Negru Voda I.

Romanian-Russian Relations

On 26.06.2009 the European Commission (COM) triggered against Romania infringement action for breach of EC Regulation no. 1775/2005 on conditions for access to the natural gas transmission networks - case 2009/2193.

One of the remaining issues of the case 2009/2193 covers failure by Romania of the obligations of making the maximum available capacity, establishing mechanisms for capacity allocation and approval of relevant points on pipelines subject to agreements concluded by Romania with Russian Federation in 1986 and respectively 1996.

Romanian authorities have taken steps internally to prepare the negotiation process, subject to renegotiation clauses identifying and obtaining Romanian Government mandate in accordance

with procedures established by the national legislation of Romania negotiating international agreements with other states. Consequently, the government approved the opening of negotiations with Russia to amend two existing conventions.

As a result, Romania has made representations to the Russian Federation to renegotiate agreements to which reference was made to create the conditions for re-negotiation of commercial contracts:

- External Contract 06/03/1987 Soviet natural gas transport within RS Romania to Turkey, Greece and other countries, signed for the period 1987-2011 under the 1986 Convention and
- External Contract 24/9/1997 transport Russian natural gas on the territory of RS Romania in third countries which have agreed to transport volumes in 2023 under the Convention of 1996.

The two conventions have been denounced by the Romanian Government Decision no. 1278/27.12.2011. Negotiations on the content of the new agreement continued during 2012, the draft text of the new agreement being sent to the Russian side.

Monitoring investment plans

Regarding the approval and monitoring by the regulatory authority of the OTS investment plans, it must be said that these powers entrusted to the regulator by the Law for electricity and natural gas no. 123/2012 and the first reports to be made in 2013.

4.1.5. Compliance with European legislation

Compliance with decisions of the European Commission and ACER

For 2012 there are reported cases of this kind.

Compliance by transmission system operators, distribution system owners and operators in the sector of the provisions of Community law

Since the certification process of the transmission system was not completed in 2012, the work of monitoring the fulfillment of the obligations of an independent system operator could not be achieved.

4.2. Promoting competition

4.2.1. Natural gas wholesale market

Natural gas consumption has remained constant in recent years, at the level of 13-14 billion cubic meters, an increase of about 4% in 2012 compared to 2011. Distribution of consumption for the two categories, household and non-household and that for subdivided non-household consumers remained also constant in recent years.

Gas market in Romania is made up of a competitive segment, which includes natural gas trade between suppliers and between suppliers and customers and the **regulated segment**, which includes natural monopoly activities conducted based on framework contracts regulated supply.

In accordance with the proposals of the provisions Electricity and Natural Gas Law no. 123/2012:

- competitive wholesale gas market will operate on the basis of: a) bilateral contracts between operators of natural gas sector, b) centralized trading markets, managed by the operator of the natural gas market and the balancing market operator, as appropriate; c) other transactions or contracts.
- relevant data such as duration, delivery and settlement rules, the quantity, time of execution and the transaction prices and means of identifying the wholesale customer, on all transactions in gas supply contracts and gas derivatives natural agreements with wholesale customers and transmission system operators as well as storage and LNG operators providers are to be stored for at least 5 years and be made available to ANRE, the Competition Council, the European Commission and other competent national authorities, on request. Data may be published with the confidentiality of commercially sensitive information.

In 2012, total natural gas consumption was 144,650,532.208 MWh, lower by approx. 4% compared to 2011 consumption, including non-household consumption accounted 114780176.953 MWh (79.35%) and household consumption accounted 29870355.255 MWh (20.65%).

In 2012, total natural gas end customers increased to 2011 being 3,200,887, including 180,819 non-household customers (5.65%) and household customers 3,020,068 (94.35%).

Consumption is covered both domestic production and imports. Consumption of domestic production was 109468071.300 MWh and 35182460.908 MWh import consumption.

The number of participants in the gas market in Romania has increased steadily as the market was liberalized, especially in the distribution and supply of natural gas, including, in 2012:

- a National Transmission System Operator - Transgaz SA Medias;
- 6 manufacturers: ROMGAZ, OMV Petrom, Amromco Energy, Energy Raffles, Lotus Oil, Drilling Probes;
- 2 storage operators: Romgaz Depomures;
- 41 distribution operators - the largest being Distrigaz Sud SRL and E.ON Gas Distribution Networks SA;
- 41 providers operating in the regulated natural gas;
- 43 providers operating in competitive gas market.

Domestic production of natural gas in 2012, which came into use represented 75.68% of total sources. The top two producers (Romgaz and OMV Petrom) covered 97.46% of this source.

Imports entering consumption in 2012, current import and extracted from storage, the difference was respectively 24.32%. The top three importers - domestic suppliers - have made with 44.71%.

Natural gas import price and monthly import quantities

Luna	Cantitate (MWh)	Pret (USD)/1000mc
Januarie	1.711.808,472	516,96
Februarie	4.179.444,061	493,32
Martie	3.112.108,536	481,35
Aprilie	3.161.290,843	458,03
Mai	3.772.799,206	409,80
Iunie	3.616.736,667	425,91
Iulie	1.065.389,008	449,97
August	1.770.218,187	403,56
Septembrie	1.376.267,278	405,91
Octombrie	1.836.871,491	400,65
Noiembrie	2.180.761,746	415,98
Decembrie	2.931.519,911	411,58
2012	30.715.215,406	442,21

Share of the top 3 providers based on the volume of transactions in the wholesale market is 78.39%, and the retail market is 60.02%.

The situation of the companies that provide natural gas to the most relevant consumers as follows:

Consumers	Suppliers	No. of companies with over 5% share	Share of top 3 suppliers (%)
Energy and/or heat producers		5	88,06
Industrial consumers		5	82,68
Commercial consumers		2	82,03
Household consumers		2	91,77

In order to ensure an appropriate basis for a fair and non-discriminatory allocation of natural gas from domestic production and import, the Market Operator has been set up within the National Gas Dispatching Centre located in Bucharest as part of SNTGN Transgaz SA Mediaş.

In this respect, the current Market Operator:

- Until the 31-st of June 2011, has established on a monthly basis the domestic production - import quota for all licensed suppliers/distributors, as well as for eligible customers; starting 1-st of July according to the common Order MECMA / ANRE / ANRM no. 1.284/27/160 of June 22, 2011, establishes monthly quantities of natural gas share of current domestic production / storage and natural gas currently imported / storage in gas mixture, only for non-households of natural gas, except heat producers for the amount of natural gas used to heat production in CHP plants and heating plants intended for household consumption;
- monitors on a daily basis the domestic/imported gas purchases/consumption;
- draws up on a monthly basis the report on gas purchases from domestic production and import of each Romanian gas operator and of each eligible customer, and sends them the import/total consumption quota for gas invoicing purposes.

From the 1st of July 2011 in accordance with Art. 1, para.(3), lit.a) the common Order MECMA/ANRE/ANRM no. 1.284/27/160 of 22 June 2011 concerning the exploitation of natural gas quantities domestically and measures for strengthening contractual discipline, gas structure mixture for households and producers of heat, only for the amount of natural gas used to heat production in CHP plants and heating plants intended for household consumption, gas mixture structure is determined by the Regulatory Authority (ANRE).

The access to underground storages is regulated (ANRGN decision no. 824/2004).

The structure of the regulated tariffs for gas underground storage comprises two elements:

- 1 - a fixed component for capacity booking [Lei/ MWh/full storage cycle] and
- 2 - a volume-related component for injection/withdrawal of gas [Lei/MWh].

The average underground storage tariff in 2012 was 11.17 lei/MWh.

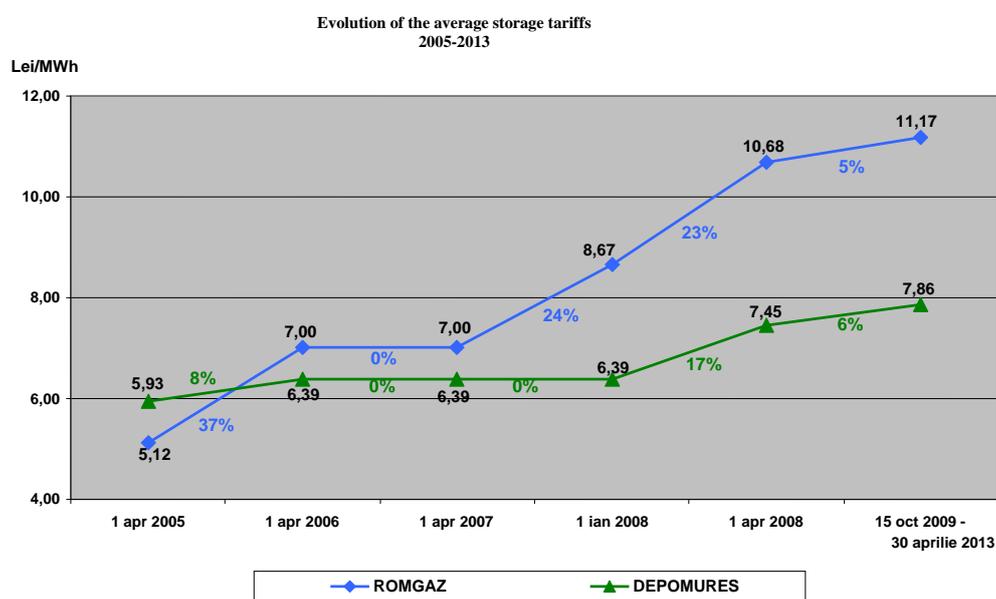


Figure 13

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.

Gas storage is regulated on the basis of The 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:

1. observance of the priority order according to the Regulation on access;
2. technological regimes as agreed with the transmission system operator for each storage, for both injection and withdrawal;
3. optimum technological regimes for the NGT, for both injection and withdrawal.

Storage operators publish on their own Internet websites the relevant public information needed, including:

- Initial list of available capacities for 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.

4.2.2. Natural gas retail market

In 2012 the gas consumption in Romania, structured on customers' categories was:

Final customers		Connection type	No.customers	Consum-MWh	Share in total consum	
Households		Customers connected to NTS	4	384,467	0,00%	
		Customers connected to distribution system	3,020,064	29,869,970,789	22,71%	
		Households Total	3,020,068	29,870,355,256	22,71%	
Non-households	Other non-households	Customers connected to NTS	24	24,932,610	0,02%	
		Customers connected to distribution system	40,235	5,661,320,603	4,30%	
		Non-households Total	40,259	5,686,253,213	4,32%	
	Commercial	Customers connected to NTS	66	393,432,773	0,30%	
		Customers connected to distribution system	115,471	8,332,821,316	6,33%	
		Commercial Total	115,537	8,726,254,089	6,63%	
	Industrial	other industrial	Customers connected to NTS	121	11,469,364,130	8,72%
			Customers connected to distribution system	24,165	11,831,052,028	8,99%
			Other industrial customers Total	24,286	23,300,416,158	17,71%
		chemical industry	Customers connected to NTS	14	26,049,782,898	19,80%
			Customers connected to distribution system	15	2,423,357,320	1,84%
			Chemical Industry sector Total	29	28,473,140,218	21,65%
		EET producers	Customers connected to NTS	15	24,336,001,367	18,50%
			Customers connected to distribution system	693	11,152,406,839	8,48%
			EET producers Total	708	35,488,408,206	26,98%
TOTAL			3,200,887	131,544,827,140*	100,00%	

* total consumption delivered to the final customer (not extend to include some technological consumption, energy consumption and deviations due to measuring instruments)

In 2012, share quantities consumed by domestic customers of all final customers is 22.71% and the number of these customers is 94.35% of all clients connected to gas networks. Thus, 5.65% of all clients connected to gas networks (NTS + distribution systems) consume 77.29% of the total consumption of final customers for 2012.

Customer category	Group of customers	Share in total consumption
TOTAL, out of which:		100 %
NON-HOUSEHOLDS	Customers who did not choose to change their supplier	17.26 %
	Eligible customers	60.03 %
HOUSEHOLDS	Customers who did not choose to change their supplier	22.70 %
	Eligible customers	0.01 %

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

Romgaz intern	37.94%
OMV Petrom	35.82%
GDF Suez Energy Romania	3.97%
Romgaz import	3.76%
Wice Romania SRL	3.15%
E.ON Energie Romania	2.95%
Interagro	1.87%
Azomures	1.69%
Amromco Ploiesti	1.68%
OMV Petrom Gas	1.61%
Intergaz	1.59%
Arelco Power	1.54%
Elcen Buc.	0.98%
Conef Gaz	0.73%
Axpo Energy	0.30%
Mol Energy Trade	0.19%
Raffles Energy	0.18%
Foraj Sonde	0.06%

Six companies perform the activities of production and supply: Romgaz, OMV Petrom, Amromco Energy, Raffles Energy, Lotus Petrol și Foraj Sonde.

On the **regulated market**, in 2012, the consumers on the regulated supply market segment were served by 41 suppliers, the total number of these consumers was **3.198.686**, and the quantity of gas supplied to them amounted to **52.562,52 GWh**. The market shares of the three main suppliers are listed below:

<i>Supplier</i>	<i>Market share (%)</i>
GDF SUEZ Energy Romania	50,09
E.On Energie Romania	40,32
Congaz	1,80

On the **competitive market** 43 suppliers have activated. In the table below are presented the suppliers which supply eligible consumers, whose market shares are more than 5%; one of them is also gas producers (SNTGN Romgaz S.A.). The total consumption was **78.982,3 GWh**.

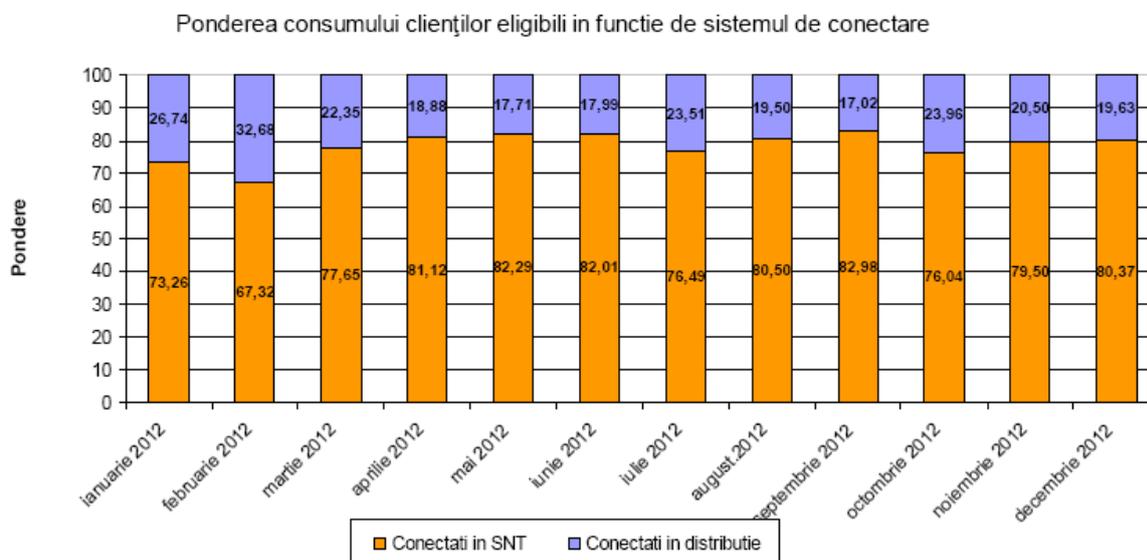
<i>Supplier</i>	<i>Market share (%)</i>
Petrom Gas	22,66
Interagro	20,54
Romgaz	20,07
GDF SUEZ Energy Romania	7,55
E.On Energie Romania	6,66
OMV Petrom	5,03

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

At the end of 2012, there were **2201** eligible customers on the natural gas free market, with a consumption amount to an effective rate of **54,61%** market opening.

In 2012, from the consumer group directly connected to the national transmission system about 91.99% of consumers (in terms of the amount of energy consumed) have chosen to be part of a negotiated supply contract.

In 2012, the share of non-household consumers connected to the distribution system that have chosen to be part of a negotiated supply contract was about 45,98% of all non-household consumers (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 the regulated supply if they have exercised their eligibility.

Developments in prices for household and non-household customers

According to the provisions of the *Joint Order MECMA/ ANRE/ ANRM no. 1284/27/160/2011*, in accordance with Article 1 of *Government Emergency Ordinance no. 53/2011 on establishing measures for natural gas* during **July 2011 - March 2012**, for household customers and heat producers, only for the amount of natural gas used for heat production in cogeneration power plants (CHP) and thermal power plants intended for household consumption, the gas mixture structure was established by ANRE in order to maintain unchanged the final regulated prices for these types of consumers until 31 March 2012 in comparison with the final regulated prices at 30 June 2011.

For the **April 2012 - 31 March 2013** period, *Joint Order MECMA/ ANRE/ ANRM no. 1370/9/122/2012* approved the establishment by ANRE of the import - domestic natural gas mixture structure for these types of clients, so that from April 2012 up to 31 March 2013 it would maintain unchanged the fixed amount per unit for covering the acquisition costs for the regulated natural gas supplied to these categories of customers, considered for the approval of the final regulated prices in force.

Also 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.

The roadmap takes into account the need for a phased recovery of the losses suffered by the suppliers during the fourth quarter 2011 - June 2012. A first step in this recovery process was performed on 15 September 2012, when the gas price was increased by 10% for non-household customers except for thermal producers, for the amount of natural gas used for heat production in CHP plants and thermal power plants intended for household consumption and by 5% for households and thermal producers, only for the amount of natural gas used for heat production in CHP plants and thermal power plants intended for household consumption.

On 1 December 2012, in accordance with the provisions of the roadmap for phasing out regulated tariffs, a 5% increase in the price of natural gas was scheduled for non-household customers, if the gas domestic price should have been approved by Government Decision (Article 181(5) of Law 123/2012) to 49 Euro/ MWh. Due to the approval of this government decision in January 2013, the 5% increase was made on 1 February 2013.4.2.3. Recommendations on supply prices. investigations and measures to promote effective competition

Electricity and Natural Gas Law no. 123/2012 defines the *vulnerable customer* as the final consumer belonging to a category of households which, for reasons of age, health or low

income are at risk of social exclusion and to prevent this risk, benefit from social protection measures, including financial ones. Social protection measures and eligibility criteria are established by further regulations.

The roadmap for phasing out regulated prices provides a series of social measures to protect this category of customers.

According to the provisions of **Government Emergency Ordinance no. 70/2011** regarding some measures of social protection in the cold season, approved by Law no. 92/2012, and Government Decision no. 920/2011 approving the *Methodological norms for the application of Government Emergency Ordinance no. 70/2011*, vulnerable customers who use natural gas for heating or solid fuel or oil receive aid for heating while the average monthly net income per family member/ single person is less than the average monthly net income specified in the law.

Also Electricity and Natural Gas Law no. 123/2012, Article 201(3) states: *The Government, with the approval of the Competition Council, may decide to set up a solidarity fund for the financial support of the vulnerable customer out of the contribution and/ or additional taxes on windfall profits of producers and suppliers of electricity and natural gas, earned as a result of favourable market conditions and/ or incidental transactions. The set up and operation of the Fund is established by Government Decision.*

Electricity and Natural Gas Law no. 123/2012 introduced new terms and definitions such as the notion of final customer, household customer, non-household customer and industrial customer as well as some changes in the relationship between supplier and final customer of natural gas, forcing the adaptation of the regulatory framework according to the new requirements. Consequently, *Regulation on gas supply to final customers*, approved by ANRE Order no. 74/2009 was revised and approved by ANRE Order no. 42/2012. The new regulation establishes a minimum set of rules for the supply activity, both for final customers as well as for the natural gas suppliers. The main changes introduced by this normative act are the following:

- a) final customers are entitled to request and receive from the supplier all relevant data on their consumption for the last 5 years without being charged additional costs for this service;
- b) final customers are entitled to be duly notified of any intended change to the contract and to be informed, at the time of notification, on their right to terminate the contract if they do not accept the new conditions;
- c) final customers have the right to be provided with at least two payment methods, which enable them to fulfil their bill payment obligations under the contract;
- d) final customers are entitled to change their supplier freely, while respecting contractual conditions, within three weeks of the request, according to procedures approved by ANRE;
- e) suppliers have the obligation to establish single points of contact to inform final customers of their rights, the legislation in force and the means of settling disputes in case of dispute;
- f) according to the legal provisions in force, where it is found of certain actions meant to distort in any way the indications of measuring equipments or to steal gas bypassing the measuring equipment, the final customer is required to provide a financial guarantee for a maximum consumption equivalent for one year;
- g) final customers have no right to return to regulated supply if the right to eligibility has been exercised;
- h) natural gas market participants are required to take financial responsibility for the payment of imbalances they generated on the natural gas market, in accordance with regulations approved by ANRE.

However, the development of new regulations on the supply of natural gas to the final customers in mind reconsideration and modification of issues that were reported to ANRE, and the need for a classification of household customers so that all buildings used as home to receive the regulated price for customers households, irrespective of their ownership or management, regulation of the related relations between supplier and system operators on the performance of the contract for natural gas supply, the possibility of making the final customer reinstatement in conjunction with their own procedures to read the measuring equipment, timely submission of invoices to the final gas customers.

According to the provisions of Electricity and Natural Gas Law no. 123/2012, ANRE has the right to conduct investigations on its own initiative or in response to a complaint lodged with the regulator, made by a natural or legal person actually and directly affected by a potential breach of the law.

Also, in accordance with Law 160/2012 on the organization and functioning of ANRE, the regulator:

- conducts investigations on the functioning of the natural gas market, decides and imposes any necessary proportionate measures to promote effective competition and to ensure the proper functioning of the market; in this respect it can cooperate with the Competition Council and regulatory authorities in the financial market or the European Commission in conducting an investigation relating to competition law;
- notifies the Competition Council regarding the abuse of dominant market position and the violation of legal provisions on competition whenever there is suspicion of non-compliance with the regulation on competition and transparency;
- monitors the occurrence of restrictive contractual practices, including clauses on exclusivity which may prevent large non-household consumers from contracting simultaneously with several suppliers or restrict their ability to make this choice, informing, where appropriate, the Competition Council on such practices.

4.3. Security of natural gas 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, it is published every two years, until 31 July, a report outlining the findings resulting from the monitoring of these issues, and any measures taken or envisaged to address them and forward that 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 elimination/regulated prices on consumers in the memorandum approved by the Government on the phasing of tariffs/regulated prices have been proposed a number of measures to protect consumers, including: identification of vulnerable consumers, providing them direct subsidies, increased activity providers to inform consumers about the process of market liberalization, reviewing provisions on switch.

Electricity and Gas Law no.123/2012 defines "vulnerable customers" as the final customer being a residential customer in a category of customers who, for reasons of age, health or low

income, are at risk of social exclusion, and to prevent this risk, benefits from social protection measures, including financial protection. Social protection measures and eligibility criteria are established by these regulations. Vulnerable customers will be the main beneficiaries of social benefits envisaged phasing out the prices / tariffs regulated.

Categorization of vulnerable customers and ways of protecting them at national level and promoting of the legislation regarding the implementation of financial safeguards for vulnerable customers is draft work, being one of the topics of negotiations with the IMF, EC and World Bank.

Until the introduction of such programs as a tool for social protection to ensure a minimum level of power consumption, the social tariff is used. Thus, in accordance with the "Procedure regarding terms and conditions for granting social tariff of domestic consumers of electricity", approved by ANRE Order no. 38/2005 with subsequent amendments, vulnerable consumers with average monthly income per family member less than or equal to the minimum wage set by 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 **1,118,809 consumers** (4.8% less than in 2011) of the total of **8,437,104 households** benefits for this social price.

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 invoice 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 CO₂ emissions and radioactive waste for electricity they provide,
- comparison of the above data with national averages.

Electricity 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 term 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 cashier supplier, 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 provider of "rescue", 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 has respected the payment's dead-lines according with the supply contract;
 - c) in any other case identified by the regulatory authority that 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 21 days. 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.

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 feasibility of implementing smart meters for electricity customers.

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.

Natural gas

The main provisions of national law relating to consumer protection can be found in Appendix 1 of the national report.

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.

5.2. Dispute settlement

Consumer complaints

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*. Supply license holders must ensure the recording, investigating and solving complaints made against them by consumers about the quality of services, calculation and/or billing of electricity consumption. A *Customer Service* has to be established and provided to take any complaint made against the licensee by customers who considers themselves wronged by the practices of the license holder. The register of applications, notifications and complaints raised by consumers shall be kept by the *Customer Service*, who will record and the proposed solutions to solve 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.

During 2012, 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 **2157** complaints received by ANRE in 2012, **1556** 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	The main problems reported	Total	[%]
1	Electricity billing	411	26.41
2	Electricity quality	246	15.81
3	Technical connection approval	140	9
4	Suspected theft of electricity	131	8.42
5	Installation of measuring group	66	4.24

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 2012, **298** inspections were made in the electricity sector. After the inspections there were drawn minutes of finding and punishing offenses, the fines worth 1.878 million lei.

Natural gas

Of the **2157** complaints received in 2012, **601** 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	The main problems reported	Total	[%]
1	Access Agreement	157	26.12
2	Use of installations	71	11.8
3	Gas Billing Contracts	61	10.15
4	Contracting connection works	59	9.81
5	Failure technical rules	33	5.5

ANRE conducted **290** inspections in the natural gas sector in 2012. After the inspections there were drawn minutes of finding and punishing offenses, the fines worth 1.844 million lei.

Dispute settlement

In the electricity sector, according to the *procedure for the settlement of disputes relating to the conclusion of contracts between operators in the electricity sector, supply contracts and electricity grid connection contracts*, approved by ANRE Order no. 38/2007, ANRE analyses and solves:

- pre-contractual disputes arising from the conclusion of contracts between operators in the electricity and heat in cogeneration sectors;
- disputes on connecting users to public electricity networks and issuing location permits.

During 2012 there were two requests for settlement of disputes in the electricity sector according to the procedure mentioned above. One of these met the conditions for the application of the procedure and the request was settled after following the preliminary stage.

In natural gas sector, ANRE:

- settles disputes concerning denial of access to NTS / natural gas distribution systems, according to Decision ANRGN no. 1345/2004;
- mediates pre-contractual disputes in natural gas in the regulated segment (according to Decision ANRGN no. 400/2005), respectively, in the competitive segment (according to Decision ANRGN no. 461/2006).

In 2012 there were no requests for mediation.

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.

Classification of the disputes handled by ANRE in the courts, in 2012, in electricity and natural gas sectors is presented below:

- Legal Administrative - 92 cases;
- Law Offences - 137 cases;
- Insolvency - 43 cases;
- Employment - 73 cases;
- Civil law - 2 cases;
- Claims - 37 cases;
- Obligation to make - 11 cases;
- Purchase – 4 cases;
- Public Information Communication - 5 causes.

Of the total number of cases finalized in 2012, respectively 275, 94% of these were resolved favourably for ANRE. Mention should be made that all ANRE's orders and decisions that were challenged in court by undertakings in the electricity and natural gas sectors, which have been subject to legal administrative court, were solved 100% favourably ANRE .

ANNEX 1 - CONSUMER PROTECTION

The right to a supply contract

Order no. 42/2012 approving the Regulation on gas supply to end customers

Article 8 (1) Natural gas supply contract ends with the provisions of this Regulation and shall include at least the following:

- a) the identity and address of the contracting parties;
- b) the contract - service;
- c) the duration of the contract;
- d) the rights and obligations of the parties;
- e) the price, terms and conditions of payment of bills;
- f) the extension, modification or termination;
- g) damages and penalties paid by the contracting parties to breach their contractual obligations;
- h) how to resolve disagreements and disputes.

Order no. 86/2009 approving the Regulation for informing consumers of electricity and natural gas - Article 15 para. (1) The consumers right to be informed must be notified to them by suppliers of electricity and natural gas through at least a poster with the content provided in Annex. 1, which is an integral part of this Regulation, which will be exposed to every customer, in easily accessible and visible places.

ANNEX 1 to regulation

Electricity/Gas consumer right to be informed

Dear customers,

By law, you are entitled to be informed in your relationship with/(name of supplier)..... .

You may request and receive, free of charge, before the contract supply a copy, and standard conditions of Service, as appropriate.

Before signing the supply contract/(name of supplier)..... is required to provide you, in writing, the following information:

- Steps and documents required to conclude a supply contract;
- Type offers you can choose, if any;
- Choose the appropriate contract offer, if any;
- Prices and tariffs.

Check before signing the contract if received included the following information:

- The identity and address of the supplier;
- The services provided, the service quality levels offered, and continuity of supply and the time of commencement of the contract;
- Price/tariff applicable;
- Duration of the contract, the conditions for renewal/extension of contract and temporary interruption of power supply/gas withdrawal right;
- Compensation/damages and reimbursement method applicable to infringements of the levels of quality of service provided by contract, if applicable;
- Penalties you must pay if you do not abide by the contract.

...

Article 5 consumer information activities are carried out mainly in the following ways:

- a) on its website;
- b) displaying customer points;
- c) Publication in national print media and / or local;

- d) Providing consumer information materials;
- e) answers, in writing, by phone or e-mail to consumer questions.

Article 6 consumer information activities must cover the following main areas:

- a) the rights and obligations of consumers;
- b) the prices and types of regulated tariffs charged;
- c) ways of measuring, billing, invoice content and means of payment;
- d) the main terms of the supply contract;
- e) major general terms and conditions, including the duration of the contract, the conditions for renewal and waiver services, withdrawal;
- f) procedure, steps and documents required switching process;
- g) procedure, stages and documents necessary for the settlement / mediation pre-contractual disputes;
- h) procedure, stages and documents necessary for the settlement of contractual disputes;
- i) the main legislation governing the electricity and gas sectors relevant to consumers;
- j) other information of interest to consumers.

Article 10 (1) In order to achieve the business information providers of electricity and natural gas are required to establish, maintain and periodically update its own website, the content to be included, at least, data and information areas referred to in art. 6.

Article 16 Within 60 days of the date of entry into force of this Regulation, suppliers of electricity and natural gas are required to develop an own internal procedure, regarding the recording, investigation and resolution of complaints received from consumers, called further internal procedure, and make public an extract of which contains only information relating to consumers through the following means, cumulatively:

- a) providing at no charge, upon request, a paper copy;
- b) posting on its website;
- c) displaying internal procedure every customer, in easily accessible and visible;
- 2) The internal procedures shall include at least the following information:
 - a) how the consumer may file a petition;
 - b) a telephone number and e-mail address dedicated to receiving petitions;
 - c) the name, address and work program of the department responsible for receiving and recording complaints;
 - d) program audiences, presented as: name, position, date and time slot;
 - e) petition categories, depending on their subject, indicating:
 - The maximum period for submission, if applicable;
 - The maximum resolution for each category.
 - f) the consumer may call to ANRE, where pre divergence is not resolved amicably with the supplier or other extrajudicial dispute settlement proceedings arising from the interpretation and application of contractual clauses, also indicate the possibility of consumer to apply to the competent court.
 - g) the establishment and maintenance of the consumers petitions record register.

Proper notification of intention to modify contractual conditions, the right to terminate

Electricity and Natural gas Law no.123/2012 - Article 145 para. (4). c (4) final gas customers have the following rights:

- c) be duly notified of any intended change to the contract and to be informed, upon notification of the right to terminate the contract if they do not accept the new conditions;

ANRE Order no. 42/2012 approving the Regulation on gas supply to end customers - Article 23 lit. 1) - The natural gas supplier has the following obligations:

- 1) to notify the end user of any intended change of the contract and advise him at the time of notification, the right to terminate the contract with respect to contractual provisions in place, if they do not accept the new conditions;

Article 23 para. (1). j - Final gas customer mainly has the following rights: j) be notified accordingly by the provider of any intention to modify the contract and to be informed, upon notification of the

right of to terminate the contract with respect to contractual provisions in place, if they do not accept the new conditions;

Order no. 86/2009 approving the Regulation for informing consumers of electricity and natural gas - Article 14 Consumer information must be current and should be written and presented in a clear, accurate, accessible and understandable way, to exclude any ambiguity and allow browsing easily, regardless of the means by which they are made available.

Transparent information on prices and tariffs

Order no. 86/2009 approving the Regulation for informing consumers of electricity and natural gas - Article 6 lit. b) informing the consumer must cover the following main areas:

b) the prices and types of regulated tariffs charged;

d) the main terms of the supply contract;

e) major general terms and conditions, including the duration of the contract, the conditions for renewal and waiver services, withdrawal;

Payment

Electricity and Natural gas Law no. 123/2012 -Article 143. (1). h) natural gas supplier has the following obligations: h) to provide customers more ways to pay the equivalent natural gas consumption and allow them to opt for any of them;

Article 145 par. (4). g) (4) final gas customers have the following rights: g) should be provided with at least two payment methods, which enable them to fulfill their obligations to pay the invoice provided for in the contract;

Order no. 42/2012 approving the Regulation on gas supply to end customers - Article 23 lit. f) - The natural gas supplier has the following obligations: f) make available to the end at least two ways to pay the value of the natural gas consumption and allow them to opt for any of them;

Article 25 para. (1). f) - End gas customer mainly has the following rights: f) to be made available by the supplier at least two payment methods, allowing it to meet its payment obligations under the contract invoice;

Order no. 37/2007 regarding the approval of the Performance Standard for the supply of natural gas

Article 6 (1) The supplier is obliged to reply to the request received from any applicant/consumer, concerning completion/modification of a regulated supply contract/negotiated natural gas.

(2) If the supplier fails to notify in writing the applicant/consumer within 15 days from the registration date, the agreement together with the regulated supply contract/ negotiated natural gas, the notification for the transmission of documents /information required end/change the contract or refusal to end/change a regulated supply contract/negotiated natural gas supplier will pay the applicant/consumer penalties specified in Annex. 1.

(3) In case of overcoming the period of 15 days, the supplier is obliged to pay the penalties provided in Annex. 1 for every additional day that does not fulfill its obligation under par. (2), including the day to fulfill this obligation.

(4) The penalties provided in par. (3) shall be levied for a maximum period of 15 days.

Switching for free

Electricity and Natural gas Law no. 123/2012 - Article 145 para. (4). h) (4) final gas customers have the following rights:

h) **to change their supplier freely**, respecting contractual conditions, within three weeks of the request, according to procedures approved by ANRE, which sets out the main stages of switching, the mode of extinguishing obligations payment providing the end customer due to be changed, data that may be requested by the end user or the new provider in the change process and system operators are required to provide;

Order no. 42/2012 approving the Regulation on gas supply to end customers –

Article 23 lit. e) - The natural gas supplier has the following obligations: e) to allow final users to change the actual natural gas supplier, free of charge, in compliance with the contract, within 3 weeks of the request, the procedure approved by ANRE;

Article 25 para. (1). e) -Final gas customer mainly has the following rights: s) to change their supplier freely, while respecting contractual conditions, within three weeks of the request, the procedure approved by ANRE;

Order no. 47/2007 for approving the Methodology for switching from natural gas to households

Article 2 Licensees of natural gas supply are prohibited from inserting into supply contracts of any provision of anti-competitive nature that hinder the possibility of households to switch to natural gas, including the provision and collection of fees, penalties or damages for exercising this right.

Order no. 47/2008 for approving the Methodology for switching by industrial consumers of natural gas - Article 2 Licensees of natural gas supply are prohibited from insertion in contracts for the supply of any provision of anti-competitive nature to hinder the possibility for consumers non-domestic customers to switch to natural gas, including the provision and collection of fees, penalties or damages for exercising this right.

Order no. 86/2009 approving the Regulation for informing consumers of electricity and natural gas - Article 12 Consumer information about the procedure, steps and documents required switching process will include, necessarily, an express statement that the switching does not require payment of any fees.

Procedures for handling complaints**Law .160/2012**

Article 10 para. (6) lit. d) In the exercise of its natural gas, ANRE has the right: d) to act as a body conducting an investigation and effective treatment of customer complaints and alternative dispute resolution;

Electricity and Natural gas Law no. 123/2012 –

Article 143. (1). f) The provider of natural gas has the following obligations: f) to establish a single point of contact for end customers information about their rights, the legislation and the means of dispute resolution in case of a dispute;

Article 174 par. (8) The Commission shall establish dispute resolution body that resolves disputes on the wholesale and retail market arising among participants on the natural gas market.

(9) The dispute resolution committee consists of 5 members appointed by decision of the ANRE President, for a period of 3 years, the ANRE employees with a seniority of at least 5 years in the field of natural gas.

(10) The Commission dispute resolution operates on the basis of rules of organization and operation approved by ANRE decision after public consultation.

Order no. 86/2009 approving the Regulation for informing consumers of electricity and natural gas –

Article 16 Within 60 days of the date of entry into force of this Regulation, suppliers of electricity and natural gas are required to develop an internal own procedure, recording, investigation and resolution of complaints received from consumers, called further internal procedure, **and make public an extract of which contain only information relating to consumers through the following means, cumulatively:**

a) providing at no charge, upon request, a paper copy;

b) posting on its website;

c) displaying internal procedure every customer, in easily accessible and visible places;

(2) The internal procedures shall include at least the following information:

a) how the consumer may file a petition;

- b) a telephone number and e-mail address dedicated to receiving petitions;
- c) the name, address and work program of the department responsible for receiving and recording complaints;
- d) program audiences, presented as: name, position, date and time slot;
- e) petition categories, depending on their subject, indicating:
 - The maximum period for submission, if applicable;
 - The maximum resolution for each category.
- f) the consumer may call to ANRE, where pre divergence is not resolved amicably with the supplier or other extrajudicial dispute settlement proceedings arising from the interpretation and application of contractual clauses, also indicate the possibility of consumer to apply to the competent court.**
- g) the establishment and maintenance of the consumers petitions record register.

Order no. 42/2012 approving the Regulation on gas supply to end customers

Article 10 In order to mediate the disputes occurred in the issuing of contracts for the supply of natural gas, the end customer and supplier of natural gas have the right to refer to mediation misunderstandings ANRE according to ANRE procedures.

Article 23 lit. g) - The natural gas supplier has the following obligations: g) to respond to customer requests on the final activity of supply, according to regulations, and solve them;

Article 28 para. (4) - (4) The supplier shall establish a permanent communication with end customers, ensuring the transmission and resolving complaints and complaints, with the rights and obligations of each party.

Order no. 37/2007 regarding the approval of the Performance Standard for the supply of natural gas

Article 3 (1) This standard defines performance obligations of suppliers in their relations with consumers of natural gas, as well as the Regulatory Authority for Energy (ANRE).

(2) This standard establishes performance levels of performance indicators and targets on natural gas supply for the following activities:

- a) contracting gas;
- b) the billing of natural gas supplied;
- c) resolving consumer complaints about the quality conditions of natural gas supplied;**
- d) consumer information in accordance with the performance requirements of this standard;
- e) handling of complaints made by the applicants to the provider/consumer on non performance standard;**
- f) resolving complaints and other requests of applicants/consumers.**

Natural gas supply of a specified quality at reasonable prices, in accordance with applicable national law

Order no. 42/2012 approving the Regulation on gas supply to end customers

27 (1) The supplier is responsible for the relationship with the end customer for the quality of natural gas supply in accordance with the supply contract.

2) Quality of supply includes:

- a) commercial quality;
- b) the quality of gas supplied;
- c) continuity of gas supply contract.

Article 28 (1) The commercial reflects the relationship between the gas supplier and the customer end of providing services related to natural gas.

(2) The supplier of natural gas is required to ensure end user quality of all the services they perform in relation to it.

(3) The natural gas supplier is required to work continuously to increase the quality of service provided in relation to the final customer of natural gas.

(4) The supplier shall establish a permanent communication with end customers, ensuring the transmission and resolving complaints and complaints, with the rights and obligations of each party.

(5) The commercial quality criteria defined by performance indicators that establish minimum performance levels for the provision of related services by the supplier of natural gas supply for the breach of which supplier to the final customer will pay penalties affected the amount and conditions set out in legislation in force.

(6) The provider is entitled to recover from the transmission system to the final customer paid penalties where cases that generated them are independent payment provider capability to act and due to these operators.

Article 29 The supplier is required to provide natural gas to meet the minimum quality of natural gas under the law.

ANRE Order no. 62/2008 regarding the approval of measuring the quantities of natural gas traded in Romania

Article 8 (1) For gas measurement gas market is compulsory conversion of volumes measured in terms of basic working conditions, except as specified in art. 33 para. (2).

(2) The basic conditions are $p = 1.01325$ bar and $T = 288.15$ K.

(3) The temperature for determining the chemical composition of the combustion gas at 15°C .

ANRE Order no. 77/2009 regarding the approval of framework agreements for the provision of regulated natural gas

II framework contracts. Data and general documents (to be completed by the supplier)

HOUSEHOLD

2. Minimum supply pressure Pa (bar) - to be completed by the supplier under the access agreement / approved technical documentation distribution system operator / transport.

NON-HOUSEHOLD

2. Pressure natural gas supply in the plant will use between and (bar), according to the technical documentation approved by the system operator.

3. Pressure P2 fault (bar), according to the technical documentation approved by the system operator - supplemented, where appropriate, for customers whose processes require a minimum pressure, the provider for the continued operation of facilities which makes their security.

Access the consumer data

Electricity and Natural gas Law no. 123/2012 –

Article 143. (1). e) Natural gas supplier has the following obligations: e) to provide customers with relevant data on their consumption over a period that includes at least the last 5 years;

Article 145 par. (4). j) final gas customers have the following rights:

j) to require and receive from the provider/system operator all relevant data on its use in the last 5 years without being charge additional costs for this service.

Order no. 42/2012 approving the Regulation on gas supply to end customers

Article 23 lit. c) - The natural gas supplier has the following obligations: c) make available to the end user, at his request, based on information provided freely by the system operator, relevant consumption data regarding the amount of gas monthly and annual consumption of natural end customer, expressed in MWh cm and a period that includes at least the last 5 years;

Article 25 para. (1). d) - End customer gas mainly has the following rights: d) request and receive from the supplier all relevant data on own consumption, on the amount of natural gas consumed monthly and annual MWh expressed in cm and over the last 5 years without being charge additional costs for this service;

Information on actual gas consumption

Electricity and Natural gas Law no. 123/2012 –

Article 143. (1). e) natural gas supplier has the following obligations:

e) to provide customers with relevant data on their consumption over a period that includes at least the last 5 years;

Article 145 par. (4). j) final gas customers have the following rights:

j) to require and receive from the provider / system operator all relevant data on its use in the last 5 years without being charge additional costs for this service.

Order no. 42/2012 approving the Regulation on gas supply to end customers

Article 23 lit. c) - The natural gas supplier has the following obligations: c) make available to the end user, at his request, based on information provided freely by the system operator, relevant consumption data regarding the amount of gas monthly and annual consumption of natural end customer, expressed in MWh cm and a period that includes at least the last 5 years;

Article 25 para. (1). d) - End customer gas mainly has the following rights:

d) request and receive from the supplier all relevant data on own consumption, on the amount of natural gas consumed monthly and annual MWh expressed in cm and over the last 5 years without being charge additional costs for this service;

Article 24 para. (2) The invoice issued by the supplier to the final customer must comprise at least the following information: date of invoice, the billing, invoice due date, **old and new index, indicating whether indexes are read or estimated**, calorific value, **the amount of gas expressed in cubic meters and natural billed MWh unit price**, method of payment, name of each payment obligations contained in the invoice, the invoiced amounts for each size, the total amount payable.

Final closure after switching

Electricity and Natural gas Law no. 123/2012 - Article 145 para. (4). i) (4) final gas customers have the following rights:

i) receive a final closure after switching gas, within 6 weeks after switching;