



QUARTERLY NEWSLETTER



Q3 / 2019



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MISSION AND RESPONSIBILITIES

ANRE is an autonomous administrative authority, with legal personality, under Parliamentary control, entirely self-financed, independent regarding its decision making, internal organisation and functioning, whose scope of activity is to elaborate, approve and monitor the application of the set of mandatory national regulations necessary for the operation of the sector and of the energy, thermal and natural gas markets in terms of efficiency, competition, transparency and consumer's protection, as well as implementing and monitoring energy efficiency measures at a national level.

ANRE's mission is creating a system of regulations to meet the demands of ensuring truly functional and efficient competitive markets, as well as the demands of ensuring a customer-oriented regulatory framework. ANRE is constantly pursuing for the development of a clearer and more transparent secondary legislation.

ANRE's priority objectives are those related to permanent updating and completion of secondary legislation in order to ensure the development of the energy sector under conditions of competition, transparency and non-discriminatory treatment and to

develop an appropriate regulatory framework to provide the necessary support to encourage large-scale investment projects designed to contribute to the diversification of Romania's energy sources for the benefit of end-users.

In order to achieve the proposed objectives, in a unitary approach and in compliance with the good practices in this field, ANRE focuses on aspects related to the increase of energy markets' efficiency, the harmonisation of secondary legislation with the provisions of primary legislation and European codes, applying the provisions of European regulations on integrity and transparency of markets, ensuring the integration of renewable energy sources in a safe and feasible way, encouraging investments and, last but not least, informing and protecting consumers.

ANRE collaborates with the regulatory authorities of the member states, including cooperation agreements with the Agency for the Cooperation of Energy Regulators – ACER and the European Commission, for the harmonisation of the regulatory framework for the development of the regional and internal market, the rules on cross-border exchanges in electricity and natural gas, on



ROMANIAN ENERGY REGULATORY AUTHORITY

Department of International Cooperation, Communication and Relation with Parliament



the management and allocation of interconnection capacities, without prejudice to their powers and competences.

The Romanian Energy Regulatory Authority is a founding member of the ERRA Regional Energy Regulators Association, which currently has 37 members, independent energy regulators in Central Asia, the Eurasian region, Africa, Asia, the Middle East and the USA.

ANRE maintains and develops collaboration links with the International Energy Regulatory Confederation (ICER), a confederation that provides structured and cooperative contacts between energy

regulators in more than 200 countries around the world and the International Regulatory Network of Energy (IERN), administered by the Florence School of Regulation.

ANRE is also a member of the Association of National Energy Efficiency Agencies in Europe - EnR Association, a voluntary network currently numbering twenty four European energy agencies, with responsibility for the planning, management or review of national research, development, demonstration or dissemination programmes in the fields of energy efficiency and renewable energy and climate change abatement.

THE ELECTRICITY MARKET

SIGNIFICANT DEVELOPMENTS IN THE ELECTRICITY MARKET

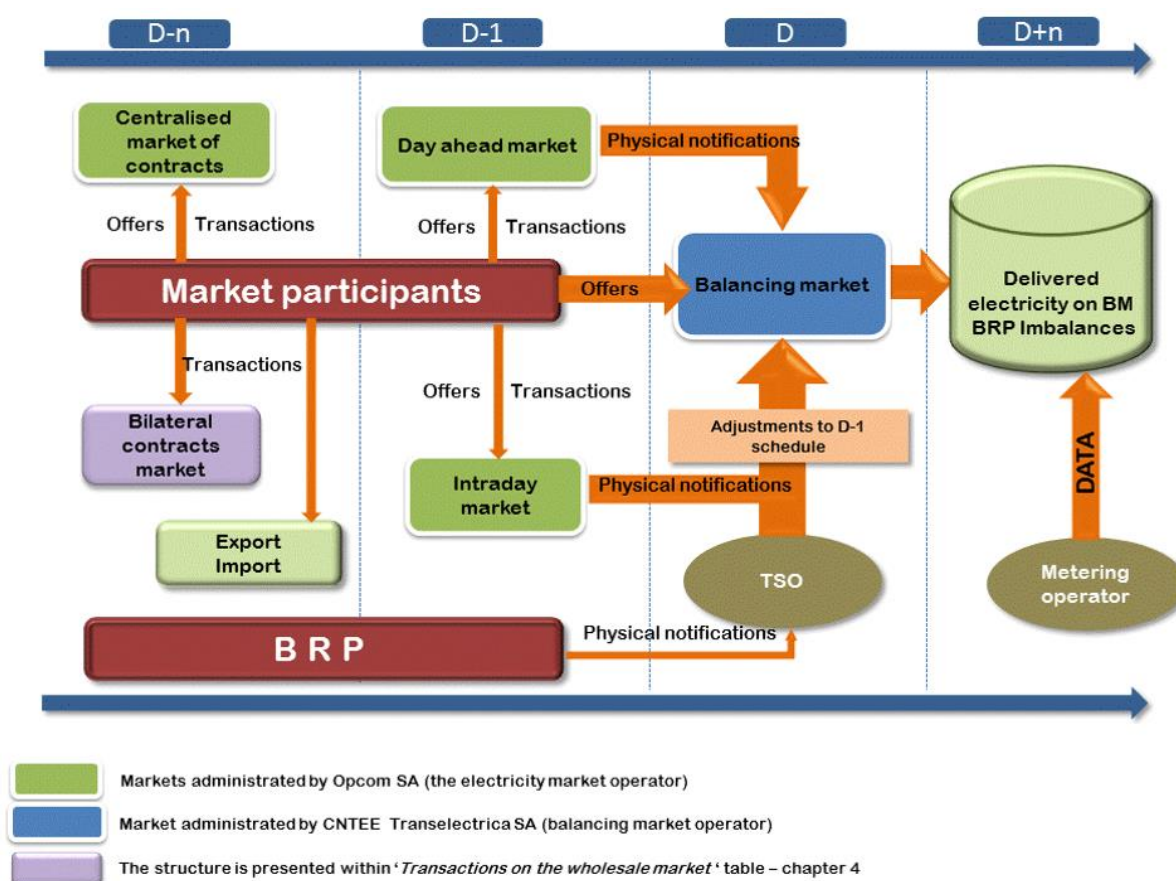
In the third quarter of 2019, ANRE regulatory activity on the electricity market was generally focused on:

- reviewing regulations to improve the

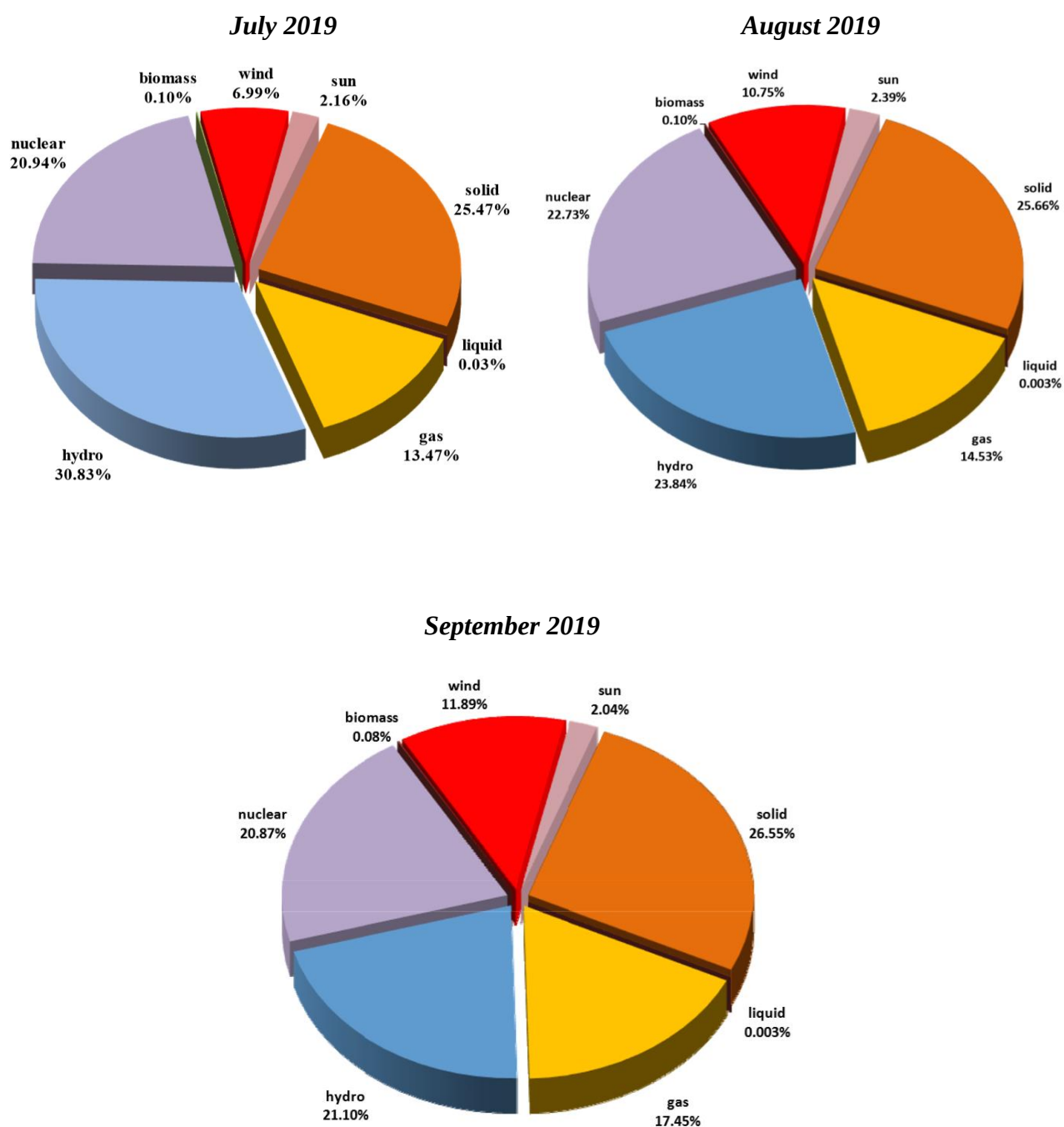
performance of the wholesale and retail electricity markets;

- correct transposition of the European electricity legislation.

SCHEMATIC STRUCTURE OF THE WHOLESALE MARKET



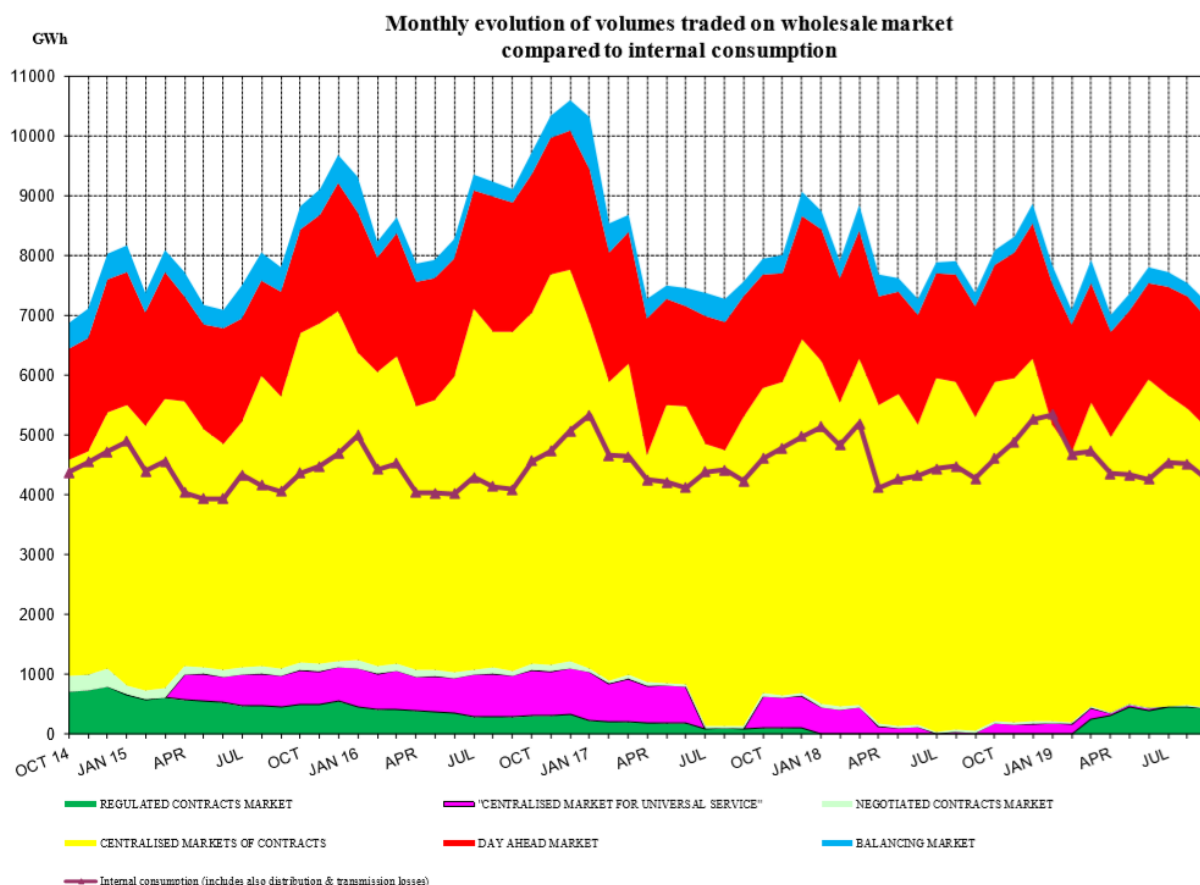
**THE PRODUCTION STRUCTURE OF THE NATIONAL ENERGY SYSTEM BY
TYPE OF RESOURCES DELIVERED BY PRODUCERS WITH
DISPATCHABLE UNITS**



Source: Monthly reports of producers – Electricity Market Monitoring Unit assesment

MONTHLY EVOLUTION OF VOLUMES TRADED ON WHOLESALE MARKET COMPARED TO INTERNAL CONSUMPTION

The following graph presents the evolution, starting with September 2014, of the relation between the volumes sold on each market and the estimated internal consumption.



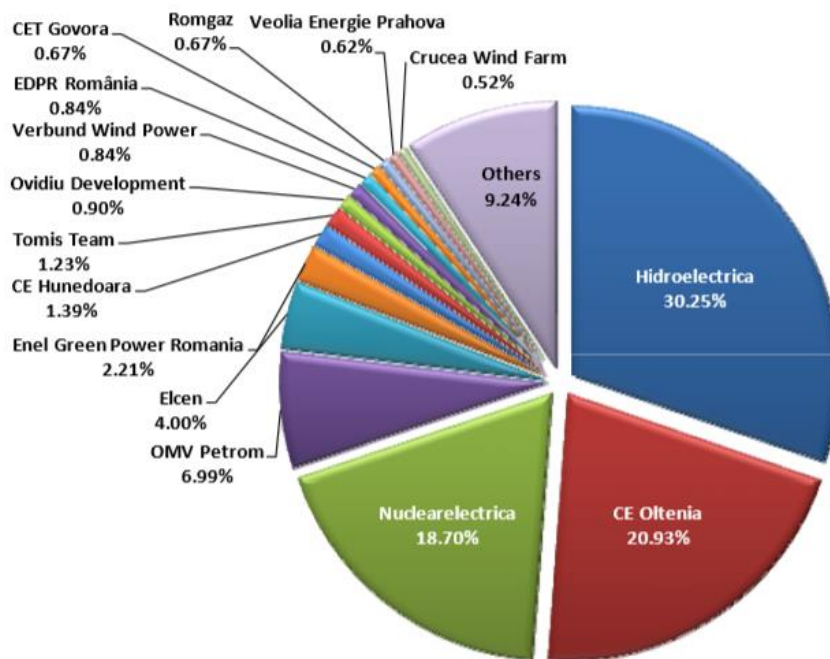
Source: Monthly reports of wholesale market participants, Opcom SA and CNTEE Transelectrica SA – Electricity Market Monitoring Unit assessment

Note: In the above graph, the volumes traded on negotiated contracts' market do not include the export contract volumes.

MARKET SHARE OF PRODUCERS WITH DISPATCHABLE GENERATION UNITS BY THE ELECTRICITY DELIVERED INTO THE NETWORKS

The graph below shows the market shares of the electricity producers, holders of dispatchable production units, made on the whole components of the wholesale electricity market and established on the basis of the electricity supplied to the grids.

January - September 2019



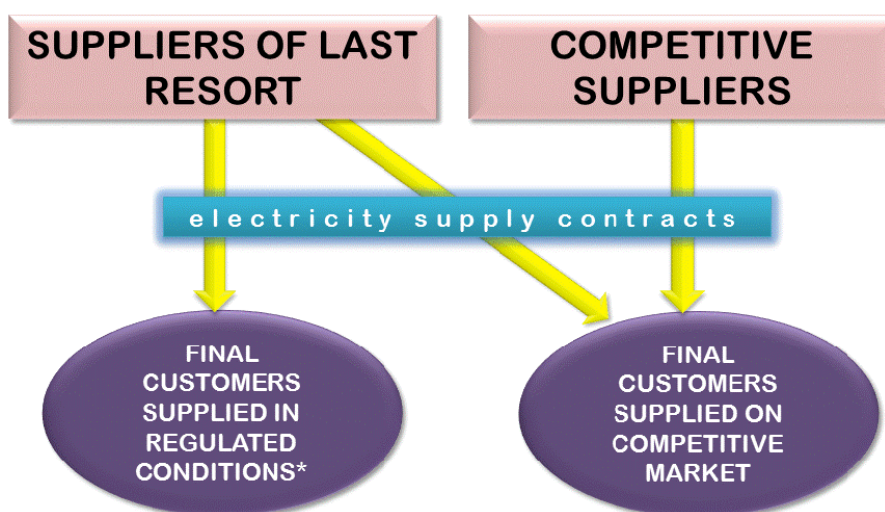
Delivered electricity – 40227 Gwh

C1 – 30.25%; C3 - 69.88%; HHI – 1782

The category "Others" comprises 108 generators with market share less than 0,5%

Source: Monthly reports of producers – Electricity Market Monitoring Unit assessment

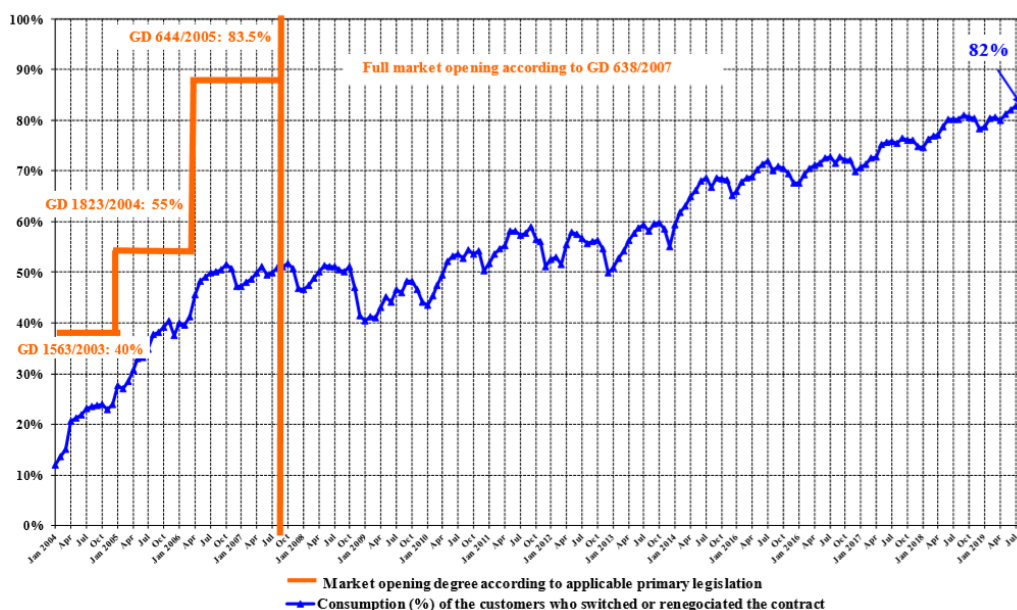
STRUCTURE OF THE RETAIL ELECTRICITY MARKET



* according to art. 53 (2) and art. 55 (1) from Electricity and Gas Law no. 123/2012

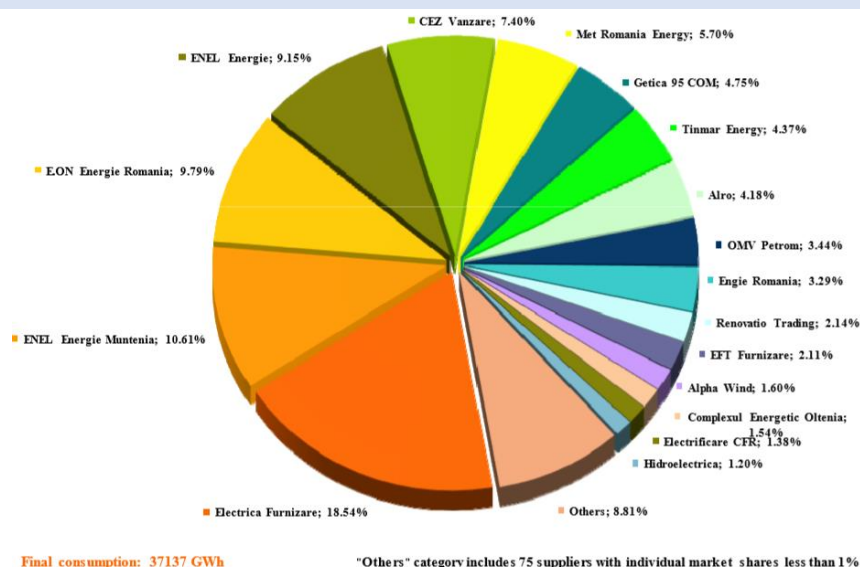
ELECTRICITY MARKET OPENING DEGREE

The following graph contains the quota of the consumption (from total consumption) of the customers who switched their supplier or renegotiated their contracts with the suppliers of last resort, between January 2004 – September 2019. The values presented are cumulated from the beginning of the market opening process and are presented monthly:



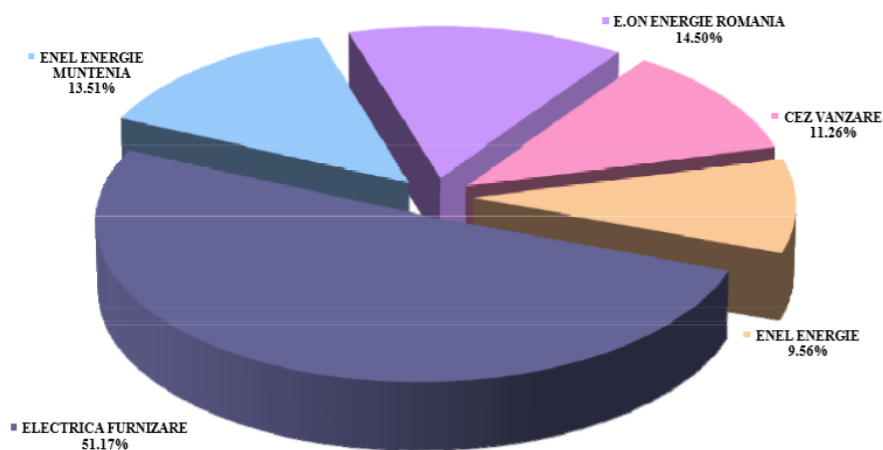
Source: Monthly reports of suppliers of final customers– Electricity Market Monitoring Unit assessment

MARKET SHARES OF SUPPLIERS FOR FINAL CUSTOMERS JANUARY – SEPTEMBER 2019



Source: Monthly reports of the suppliers of last resort – Electricity Market Monitoring Unit assessment

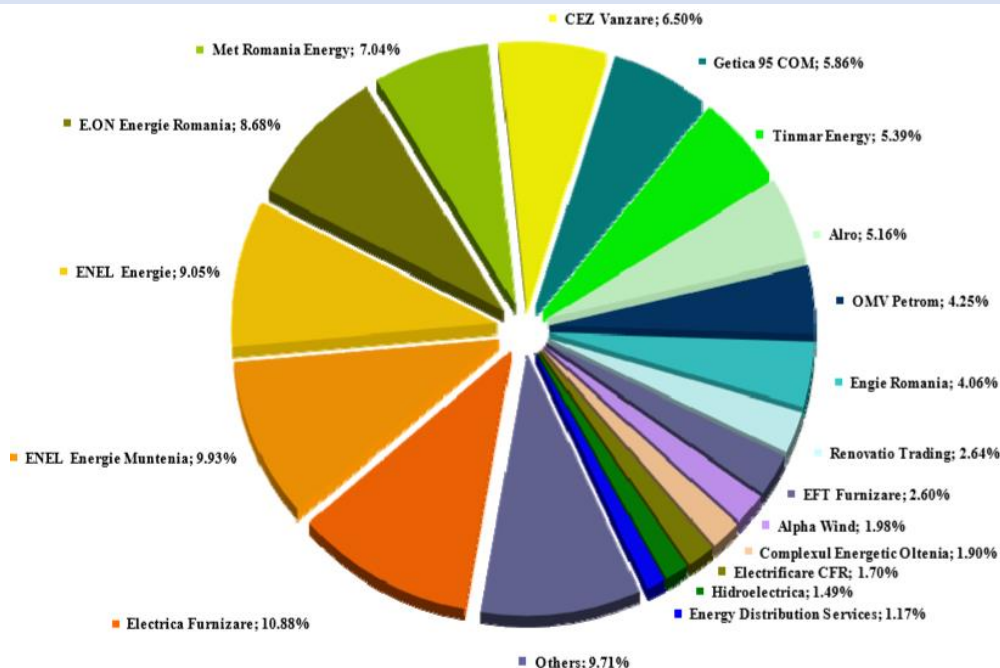
MARKET SHARES OF SUPPLIERS OF LAST RESORT FOR THE ELECTRICITY SUPPLIED TO REGULATED, UNIVERSAL SERVICE, LAST RESORT REGIME CLIENTS AND TO INACTIVE CLIENTS - JANUARY – SEPTEMBER 2019



Consumption of regulated, Universal service and last resort regime clients and of inactive clients: 7061 GWh

Source: Monthly reports of the suppliers of last resort – Electricity Market Monitoring Unit assessment

MARKET SHARES OF SUPPLIERS DELIVERING ELECTRICITY ON THE COMPETITIVE MARKET, JANUARY – SEPTEMBER 2019

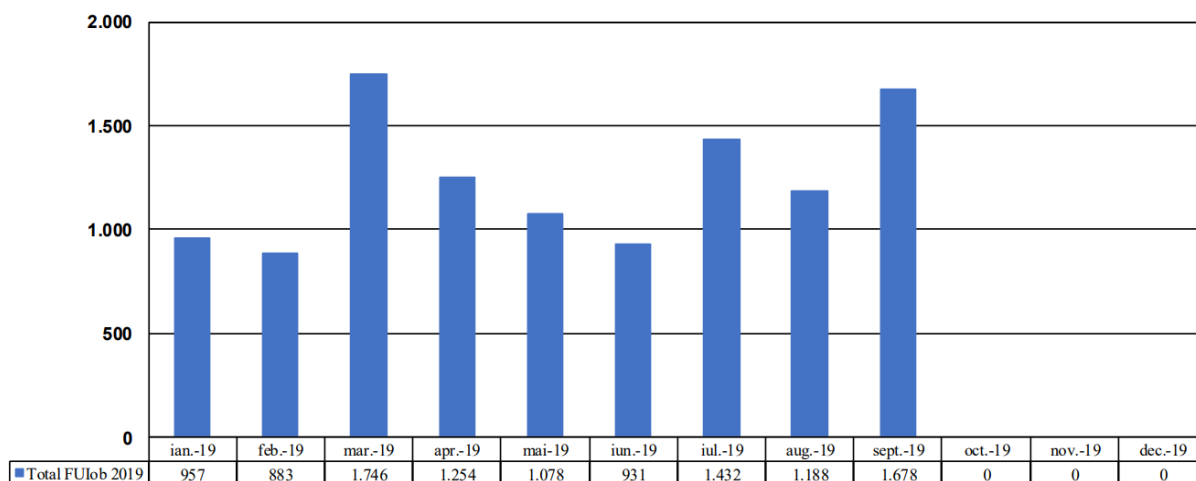
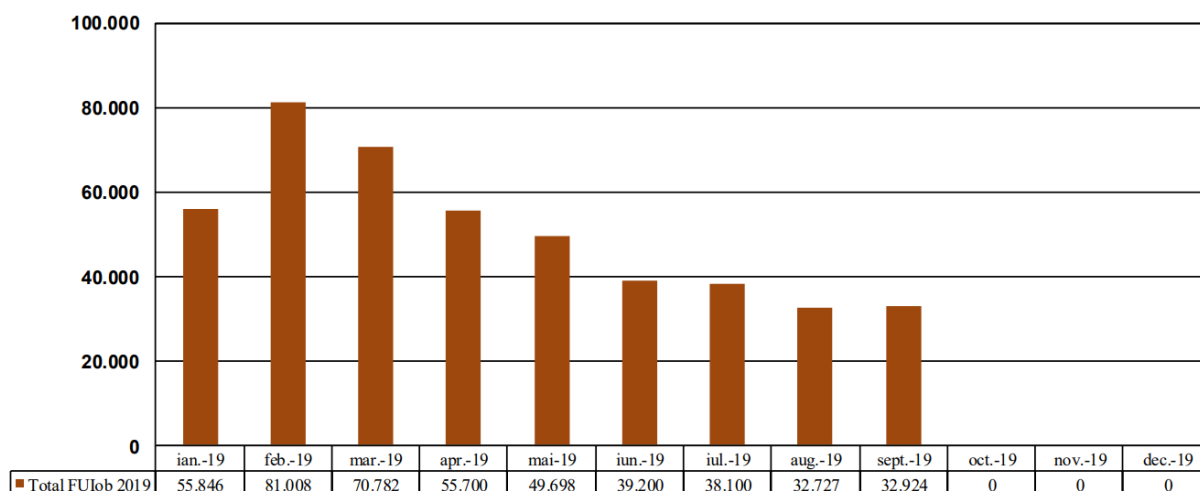


Consumption on competitive market: 30076 Gwh; C1 – 11%; C3 – 30%; HHI – 622;
Others category includes 74 suppliers with individual market share less than 1%

Source: Monthly reports of the competitive suppliers – Electricity Market Monitoring Unit assessment

MIGRATION OF ELECTRICITY FINAL CUSTOMERS TO COMPETITIVE MARKET

The graphics below show the evolution household and non-household customers migration to competitive market.



Source: Monthly reports of the SoLR - Electricity Market Monitoring Unit assessment

Average number of household customers transferred to competitive market decreased by 28,25% in the third quarter of 2019 compared to second quarter of 2019, respectively the number of non-household increased by 31,72%.

NATURAL GAS

SIGNIFICANT DEVELOPMENTS IN NATURAL GAS MARKET

The internal market for natural gas consists of:

- **The regulated market**, which includes the activities with a natural monopoly, the related activities and the provision at regulated prices and on the basis of framework contracts, approved by ANRE;
- **The competitive market**, which includes the sale of natural gas on the wholesale market (between suppliers - a natural or legal person carrying out natural gas supply activities, including natural gas producers, between suppliers and distributors, as well as between suppliers and the transmission system operator) and on the retail market (between suppliers, including producers and eligible customers).

The market structure of Romania according to the destination of natural gas is the following:

- **The wholesale market** represents the market where produced and imported natural gas are marketed / traded between natural gas operators, mainly

for the purpose of covering contractual obligations / consumption and portfolios adjustment. The size of the wholesale market is determined by the total of the transactions carried out by the participants.

- **The retail market** represents sales to final customers both on the regulated market and on the competitive market.

Natural gas consumption in the third quarter of 2019 was covered by natural gas from domestic production (current and storage) as well as natural gas from import (current and storage).

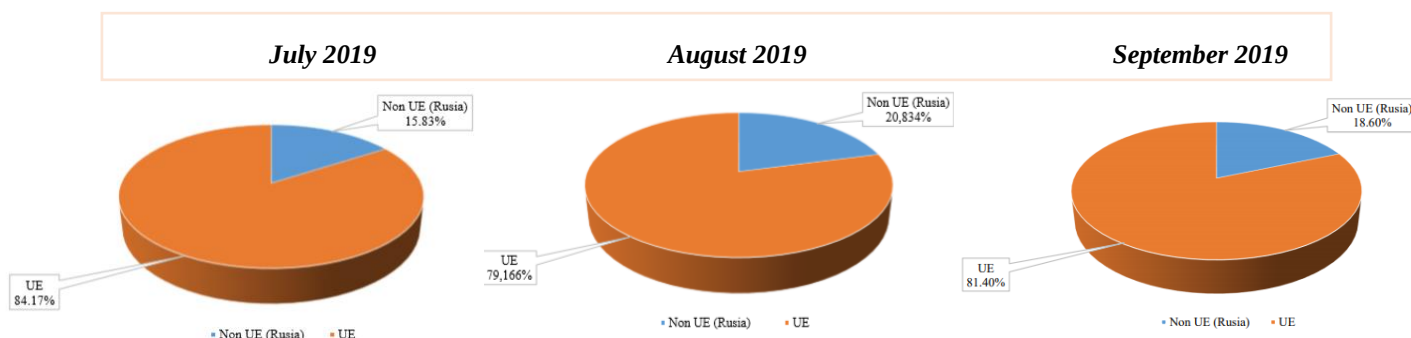
In July 2019, **domestic gas production** delivered for consumption was 3.980.103,546 MWh and accounted for 74,54% of the total consumption. The August delivery to the consumption was 4.064.958,624 MWh and accounted for 68,65% of the total consumed sources. Gas production in September, delivered for consumption, was 4.437.576,850 MWh and accounted for 68,88% of the total consumption. These numbers include, in addition to the domestic production of that month, the extraction of natural gas from

domestic production from underground storage facilities.

The import of natural gas that was delivered for consumption in July 2019 was 1.535.641,014 MWh and accounted for 28,76% of total sources consumed. The import of gas that was delivered for

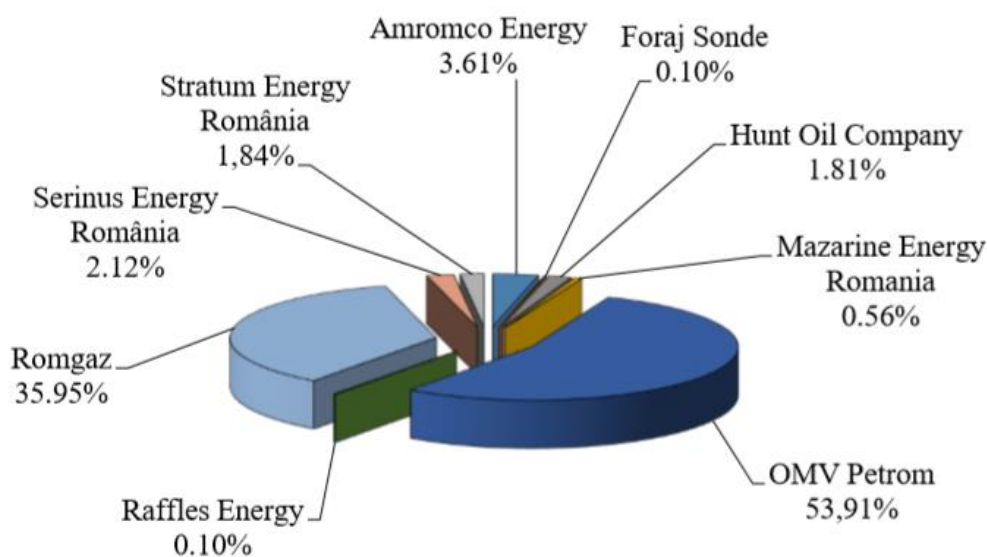
consumption in August was 1.872.626,630 MWh and accounted for 31,62% of total sources consumed and the import that was delivered for consumption in September was 2.008.657,883 MWh and accounted for 31,18% of total sources consumed.

THE CURRENT IMPORT OF NATURAL GAS DEPENDING ON THE SOURCE



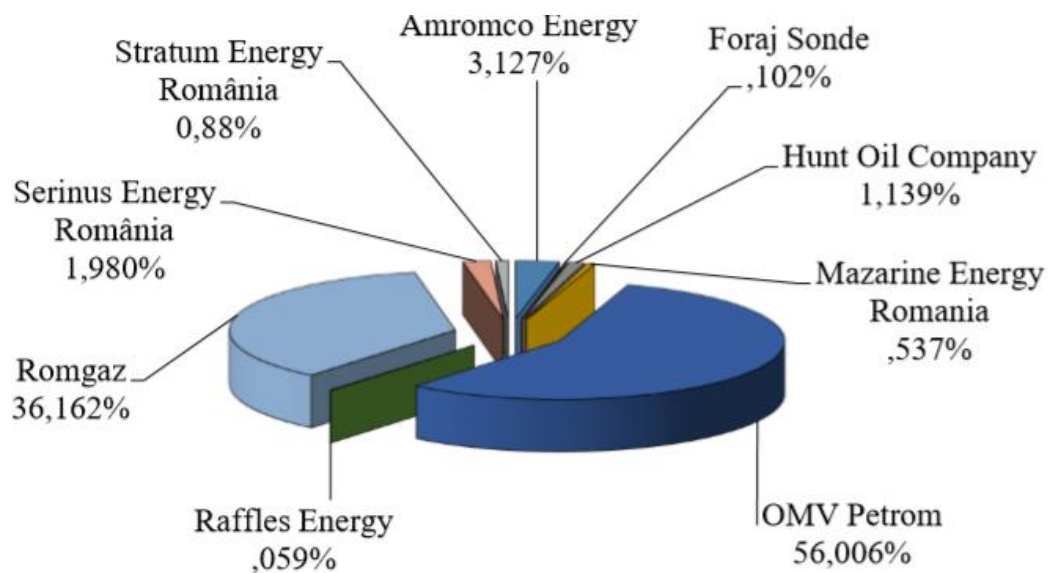
Source: reports on natural gas market processed by ANRE

GAS DOMESTIC PRODUCTION ENTERED IN CONSUMPTION IN JULY 2019



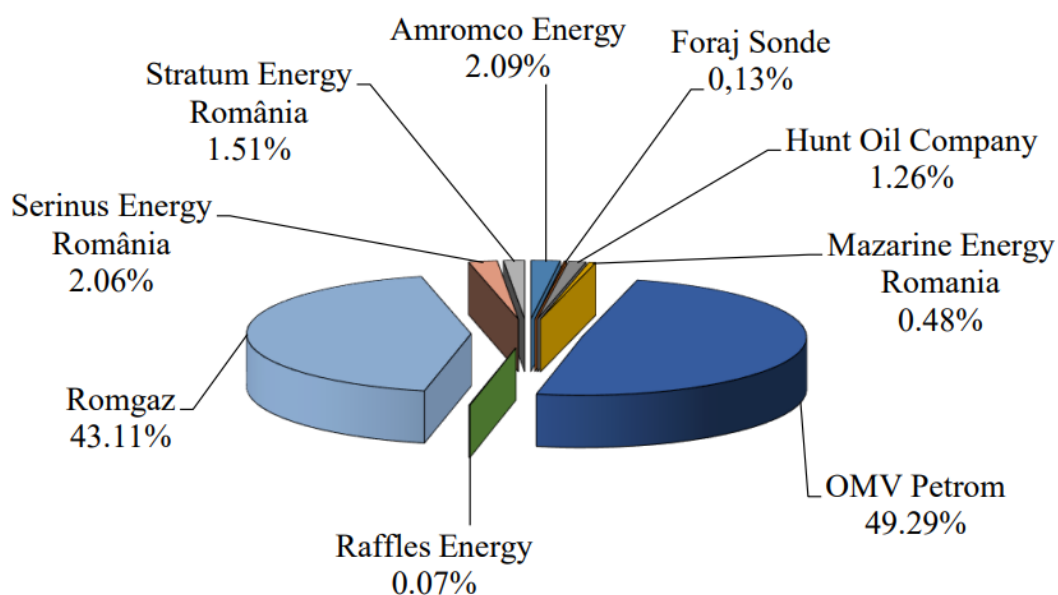
Source: reports on natural gas market processed by ANRE

GAS DOMESTIC PRODUCTION ENTERED IN CONSUMPTION IN AUGUST 2019



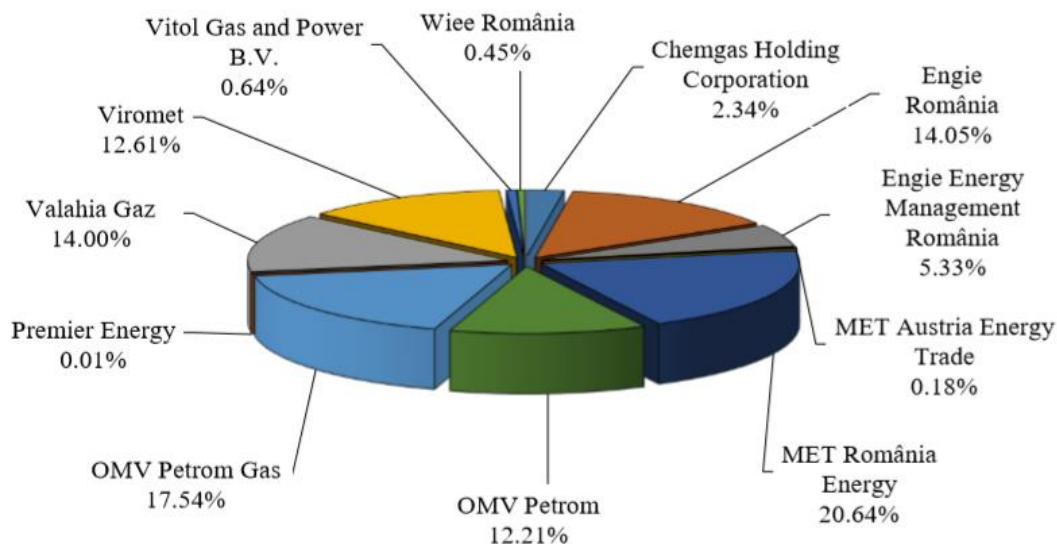
Source: reports on natural gas market processed by ANRE

GAS DOMESTIC PRODUCTION ENTERED IN CONSUMPTION IN SEPTEMBER 2019



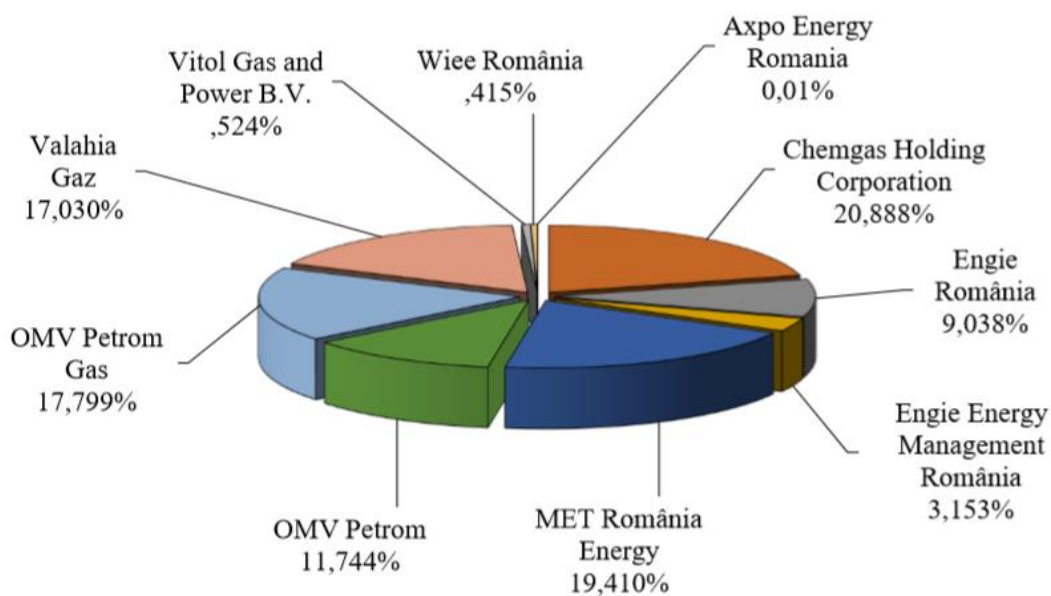
Source: reports on natural gas market processed by ANRE

GAS IMPORT ENTERED IN CONSUMPTION IN JULY 2019



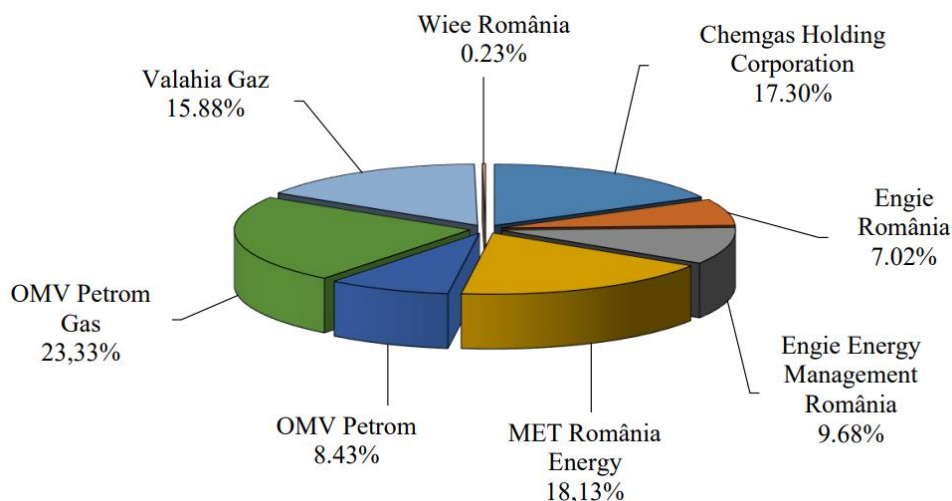
Source: reports on natural gas market processed by ANRE

GAS IMPORT ENTERED IN CONSUMPTION IN AUGUST 2019



Source: reports on natural gas market processed by ANRE

GAS IMPORT ENTERED IN CONSUMPTION IN SEPTEMBER 2019



Source: reports on natural gas market processed by ANRE

WHOLESALE NATURAL GAS MARKET

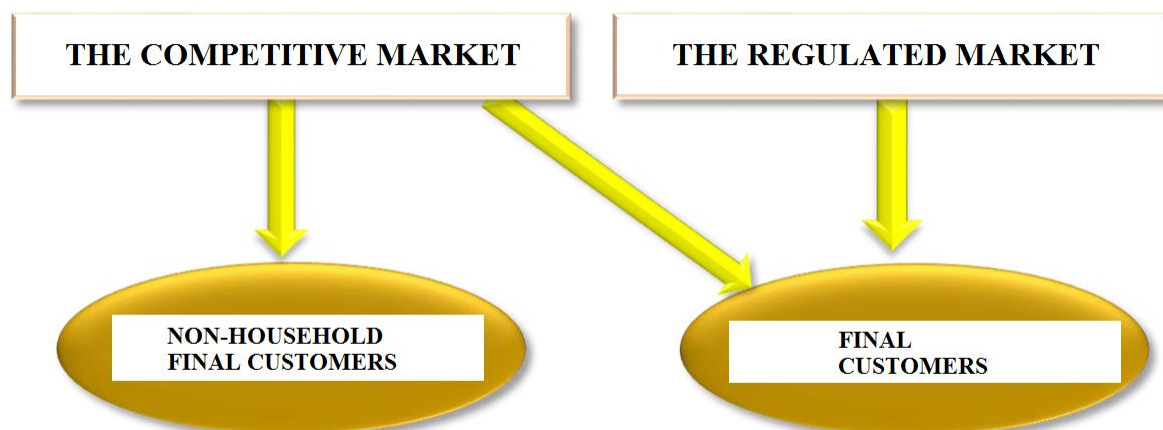
Centralized markets on which transactions can currently take place are as follows:

- Day Ahead Gas - SPOT Gas BRM (BRM);
- Gas Forward Platforms (simplicu/dublu competitivă) – medium and long term products for gas transaction (BRM);
- Gas Forward CCP- medium and long term products for gas transaction with BRM as counterparty (BRM);
- Gas Balance Market (BRM);
- Day Ahead Market for Natural Gas (OPCOM);
- Intra-Day Market for Natural Gas (OPCOM);
- PCGN-LN (OPCOM);
- PCGN-LP (OPCOM);
- PCGN-OTC (OPCOM).

In addition to the existing centralized markets, which have to ensure the conditions stipulated by the Law, on wholesale market are also performed transactions on platforms for non-standard products, such as BRM STEG Platform, transactions under negotiated bilateral contracts, gas export/import contracts.

RETAIL NATURAL GAS MARKET

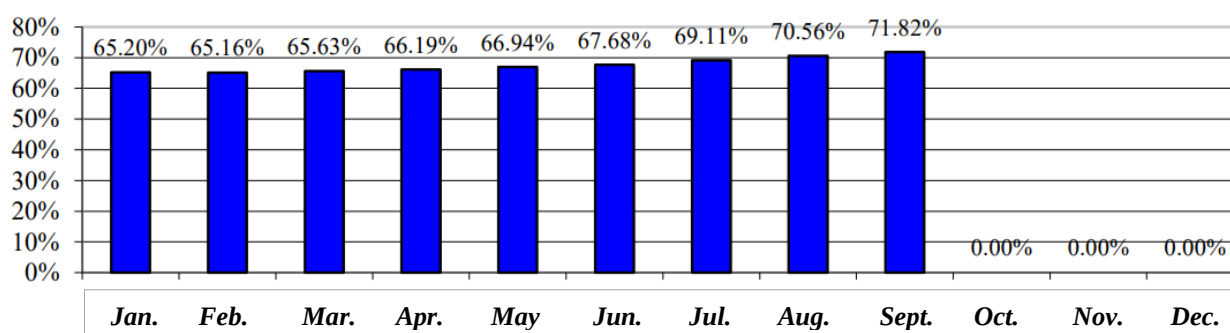
THE SCHEMATIC STRUCTURE OF THE RETAIL NATURAL GAS MARKET



The category of non-household final customers also includes thermal energy producers for the quantities of natural gas

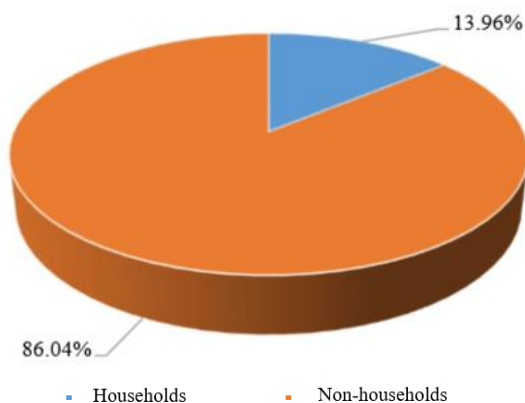
used to produce heat in cogeneration plants and in public heat plants (PETs).

OPENING DEGREE OF INTERNAL NATURAL GAS MARKET



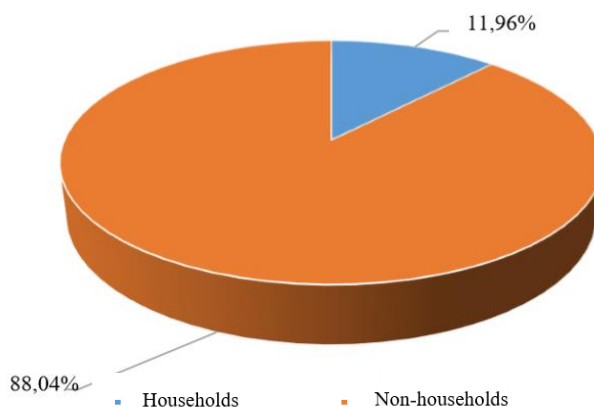
Source: reports on the natural gas market processed by ANRE

SHARE OF FINAL CUSTOMERS CONSUMPTION IN JULY 2019



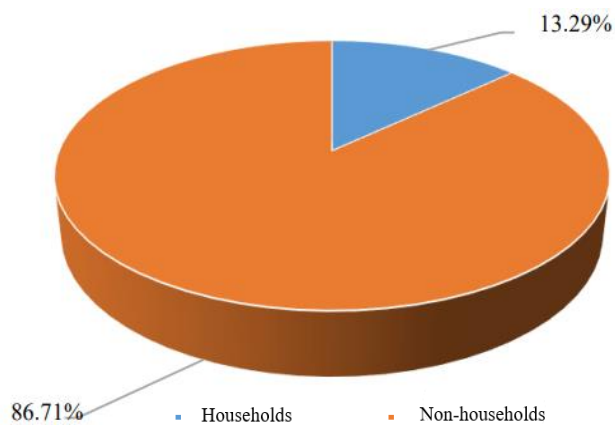
Source: reports on the natural gas market processed by ANRE

SHARE OF FINAL CUSTOMERS CONSUMPTION IN AUGUST 2019



Source: reports on the natural gas market processed by ANRE

SHARE OF FINAL CUSTOMERS CONSUMPTION IN SEPTEMBER 2019



Source: reports on the natural gas market processed by ANRE

ENERGY EFFICIENCY

NEW PROJECTS IN ENERGY EFFICIENCY

The Romanian Energy Regulatory Authority - ANRE, through the Energy Efficiency Department, continued the Campaign entitled “Energy Economy” by carrying out information activities on energy efficiency theme, in 30 educational units from rural/small urban areas, in nine counties, covering all the development regions of the country. This information campaign on energy efficiency aimed to stimulate the interest of the children to improve the quality of their life, by applying simple and affordable energy saving solutions. In this context, the Federation of the Associations of Energy Utility Companies through E.ON, CEZ Romania, Enel Romania, Electrica and ENGIE, the Romanian Electricity Suppliers Association - AFEER, the National Union of County Councils in Romania - UNCJR, the Association of Cities from Romania - AOR, the Association of Villages of Romania - ACOR were invited to join ANRE’s initiative, in order to participate in the development of the information activities on energy efficiency topics for schoolchildren.



In this context, on November 29, 2019, at Gheorghe Lazăr Gymnasium School in Bărcănești - Prahova County, the Information Campaign on energy efficiency topics was launched among the schoolchildren, an event that took place in the presence of the Head of the Energy Efficiency Department, Vice President of ANRE, Mr. Nagy-Bege Zoltan. Similar events took place on the same day in Braşov, Iaşi and Vaslui.

By carrying out this project, ANRE through the Energy Efficiency Department continued the campaign on correct information of consumers with practical tips in order to reduce the domestic energy consumption, as well as facilitating their access to information on the possibilities to improve their energy usage habits.

IN A NUTSHELL- EVENTS IN THE SECTOR WITH ANRE PARTICIPATION

- On **August 22th, 2019**, took place the XXXI edition of the Focus Energetic Conferences, with the theme "The influence of investments in increasing the energy security of Romania". The event was attended by decision makers from the Romanian energy industry, senior government officials, managers of large companies, representatives of professional associations and experts in the field.

- On **September 26th, 2019**, the National Energy Regulatory Authority of Romania (ANRE) has signed a Cooperation and Assistance Program with the National Agency for Energy Regulation of the Republic of Moldova (ANRE). The document was signed by



Dumitru CHIRIȚĂ, President of ANRE Romania and Veaceslav UNTILA, the General Director of ANRE of the Republic of Moldova. The objective of the program is to develop and deepen the cooperation between the two authorities in order to acquire the best practices in regulating the energy sector and implement the European and international standards in the following areas: the electricity, natural gas and district heating sectors; licensing, monitoring and control of licensed activities; legal and consumer protection issues, energy supervision, information technology (IT), international cooperation and communication. The cooperation between the two public authorities will include regular meetings at different levels, the exchange of experience and the providing support in developing and improving the national legislation on energy regulation based on the experience acquired by Romania as a member state of European Union. The Cooperation and Assistance Program includes also an active cooperation in attracting European funds, generating joint projects, organizing research meetings, various trainings for the employees, common participation at conferences, seminars or other actions organized with the support of international partners.