ROMANIAN ENERGY REGULATORY AUTHORITY

Department of International Cooperation, Communication and Relation with Parliament

QUARTERLY NEWSLETTER

Q1 / 2020

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1. ROMANIAN ENERGY REGULATORY AUTHORITY

MISSION AND RESPONSABILITIES

- 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 Comission, 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 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.

2. THE ELECTRICITY MARKET

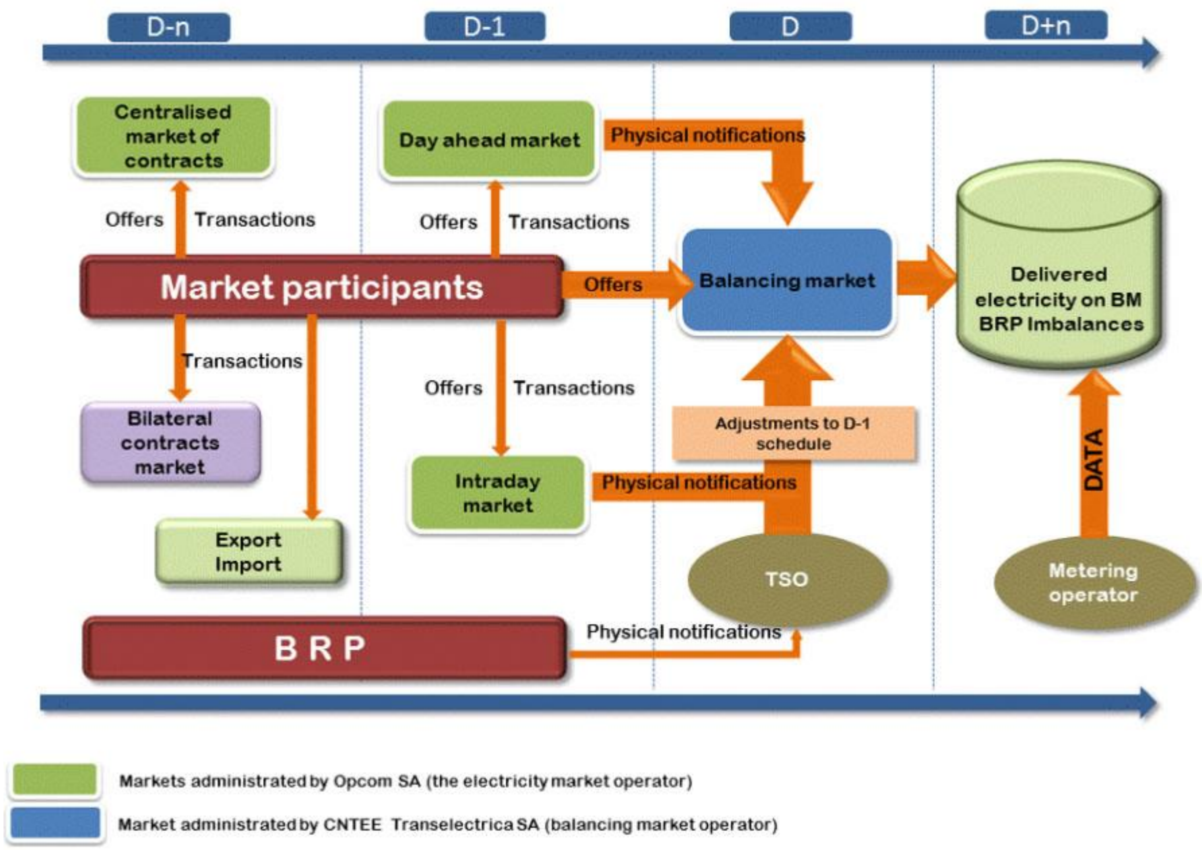
2.1. SIGNIFICANT DEVELOPMENTS IN THE ELECTRICITY MARKET

In the first quarter of 2020, ANRE regulatory activity on the electricity market was generally focused on:

- reviewing regulations to improve the performance of the wholesale and retail electricity markets;

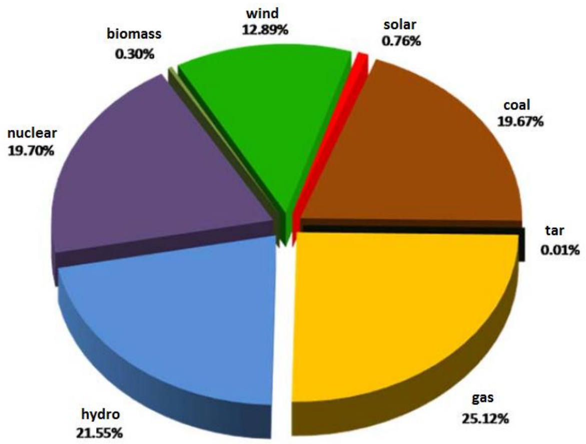
-the transposition of the European electricity legislation .

2.2. SCHEMATIC STRUCTURE OF THE WHOLESALE MARKET

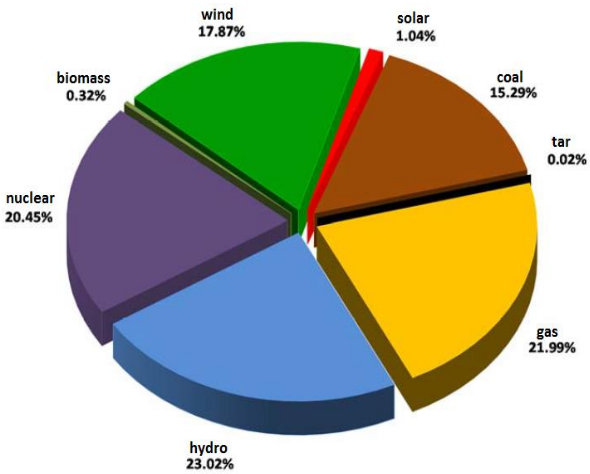


2.3. THE PRODUCTION STRUCTURE OF THE NATIONAL ENERGY SYSTEM BY TYPE OF RESOURCES DELIVERED BY PRODUCERS WITH DISPATCHABLE UNITS

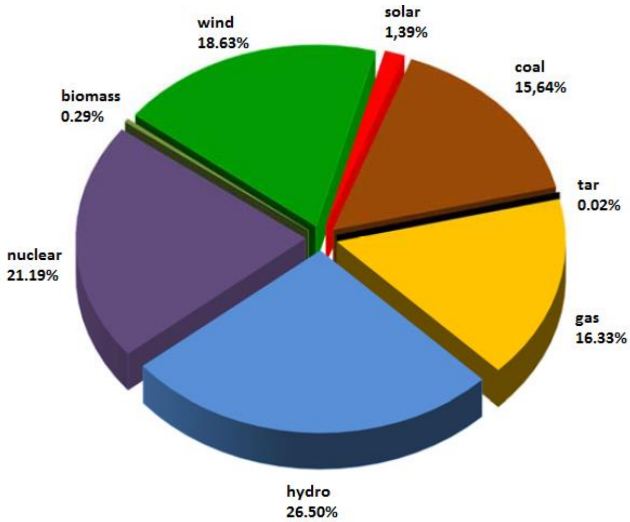
January 2020



February 2020



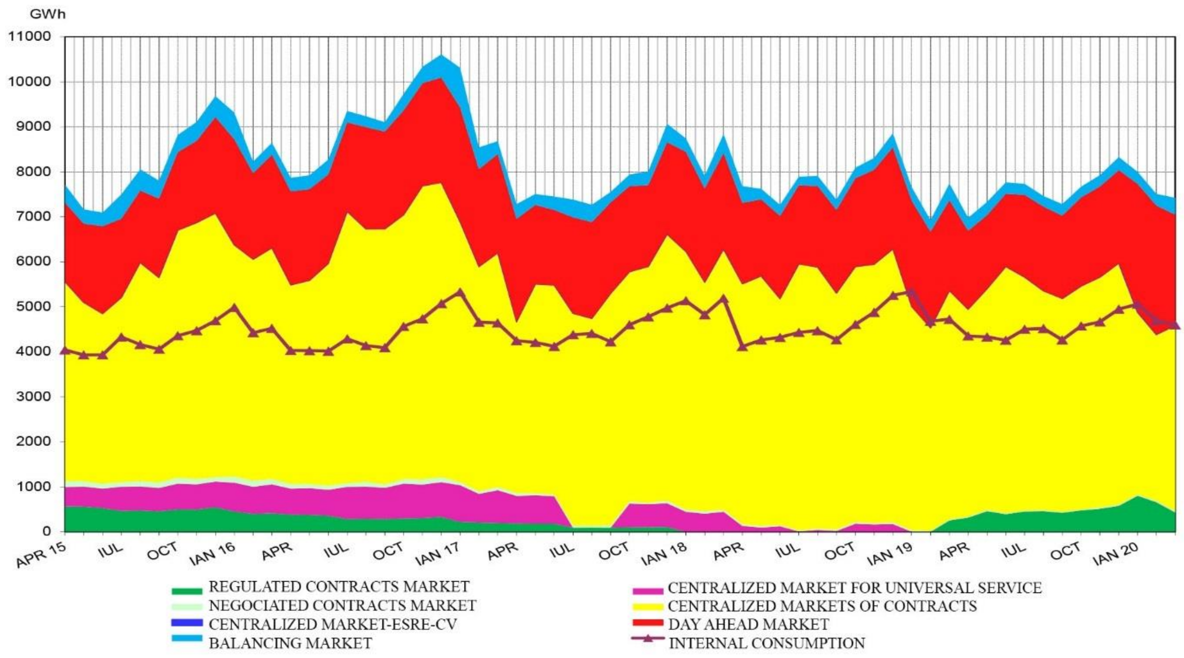
March 2020



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

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

The following graph presents the evolution between April 2015 and March 2020 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

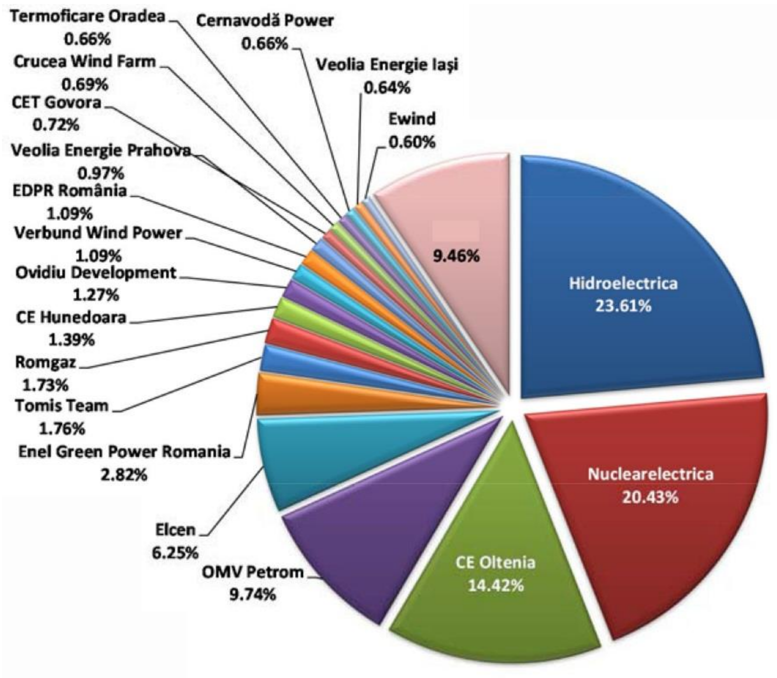
Note: In the above graph, the volumes traded on negociated contracts' market do not include the export contract volumes.

2.5. 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.

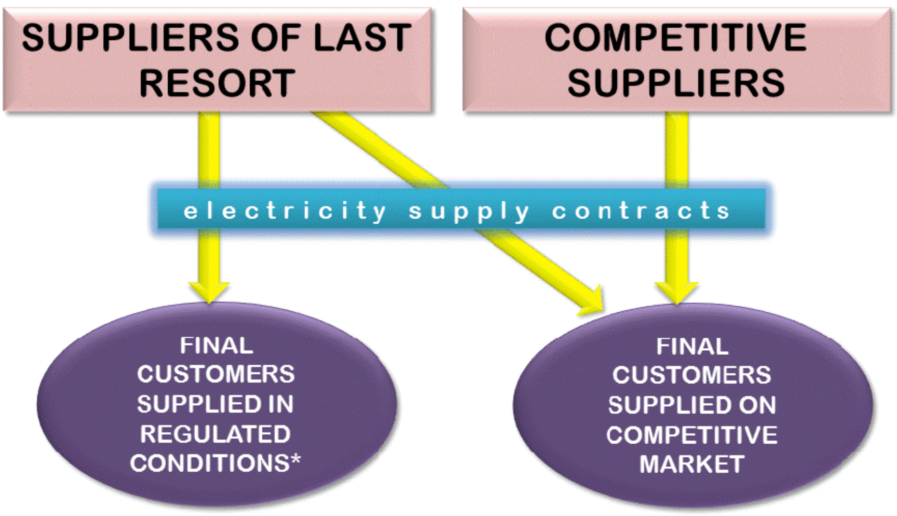
January - March 2020

Delivered electricity – 13935 Gwh
C1 – 23,61%
C3 – 58,46%
HHI - 1343
The category ”Others” comprises 101 producers with market share less than 0,50%



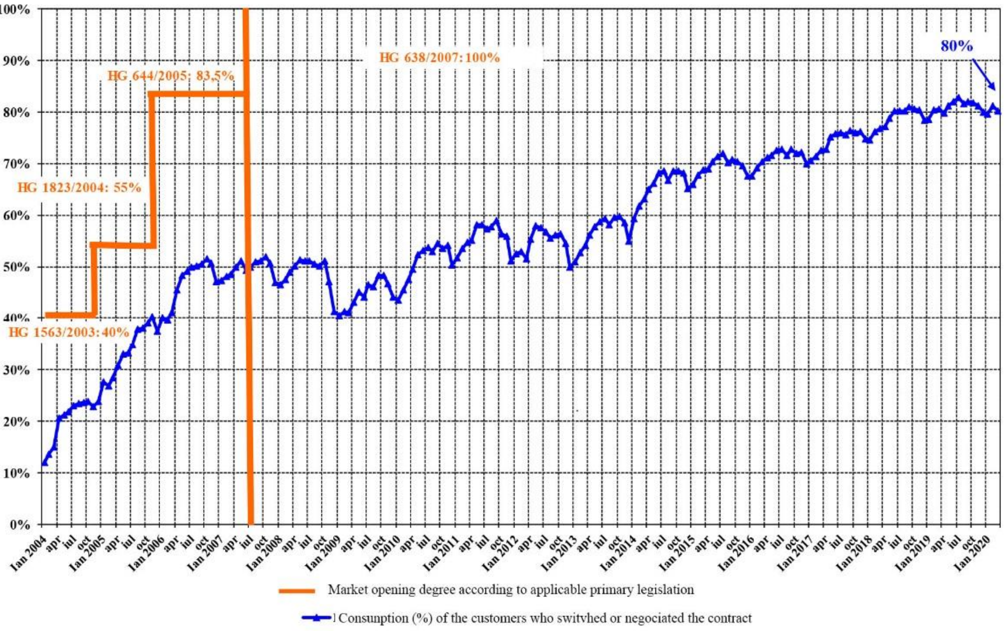
Source: Monthly reports of producers – Electricity Market Monitoring Unit assessment

2.6. STRUCTURE OF THE RETAIL ELECTRICITY MARKET



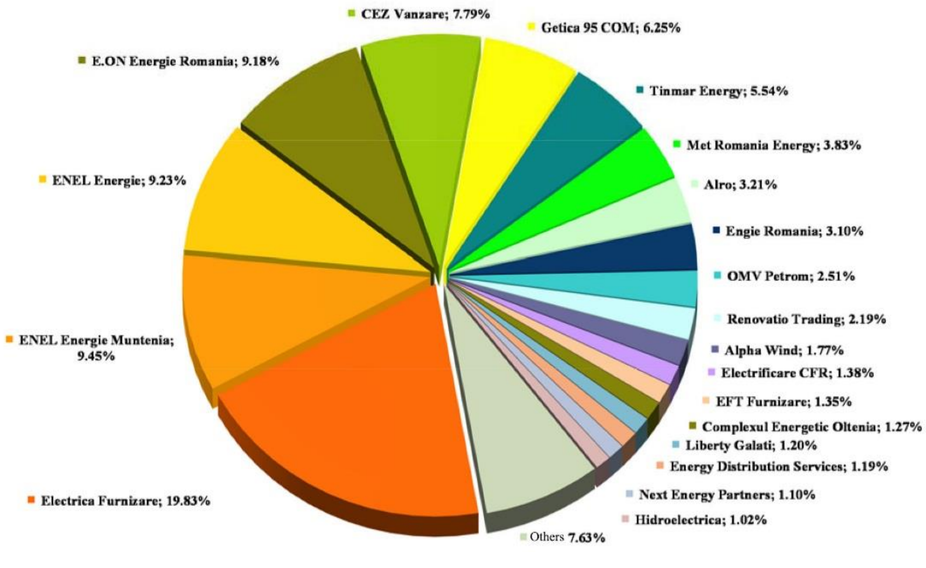
2.7. ELECTRICITY MARKET OPENING DEGREE

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 –March 2020. 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

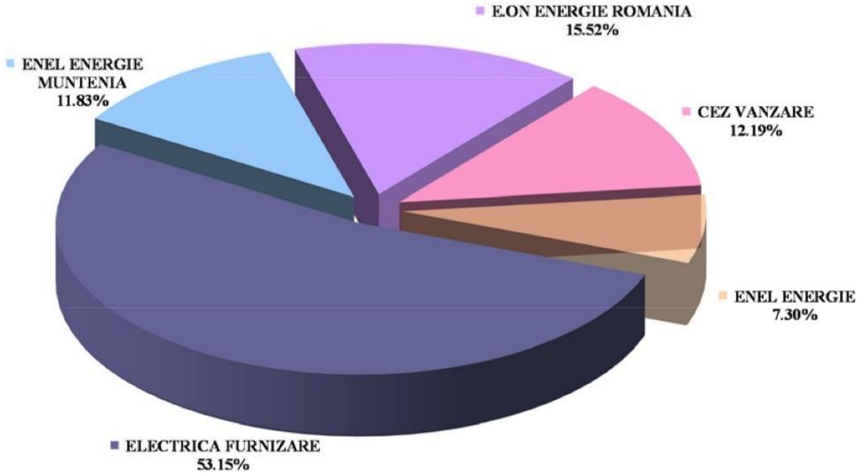
Market shares of suppliers for final customers January – March 2020



Final Consumption: 12498 GWh ”Others” category includes 76 suppliers whith individual market share less than 1%

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

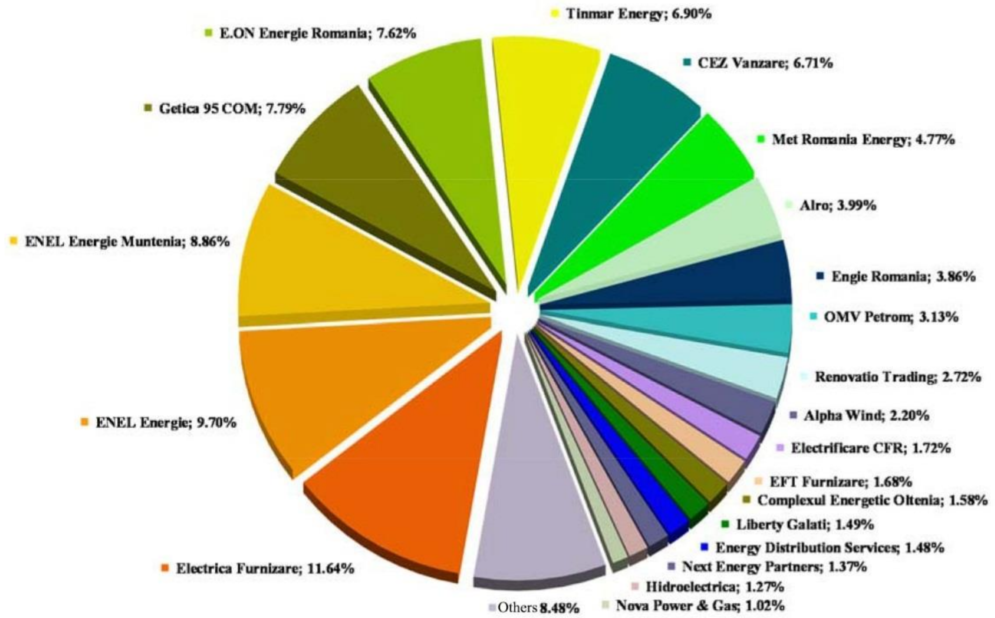
2.8. MARKET SHARES OF SUPPLIERS OF LAST RESORT FOR THE ELECTRICITY SUPPLIED TO REGULATED, UNIVERSAL SERVICE, LAST RESORT REGIME CLIENTS AND TO INACTIVE CLIENTS – JANUARY – MARCH 2020



Consumption of regulated, universal service and last resort regime clients of inactive clients: 2464 GWh

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

2.9. MARKET SHARES OF SUPPLIERS DELIVERING ELECTRICITY ON THE COMPETITIVE MARKET, JANUARY – MARCH 2020



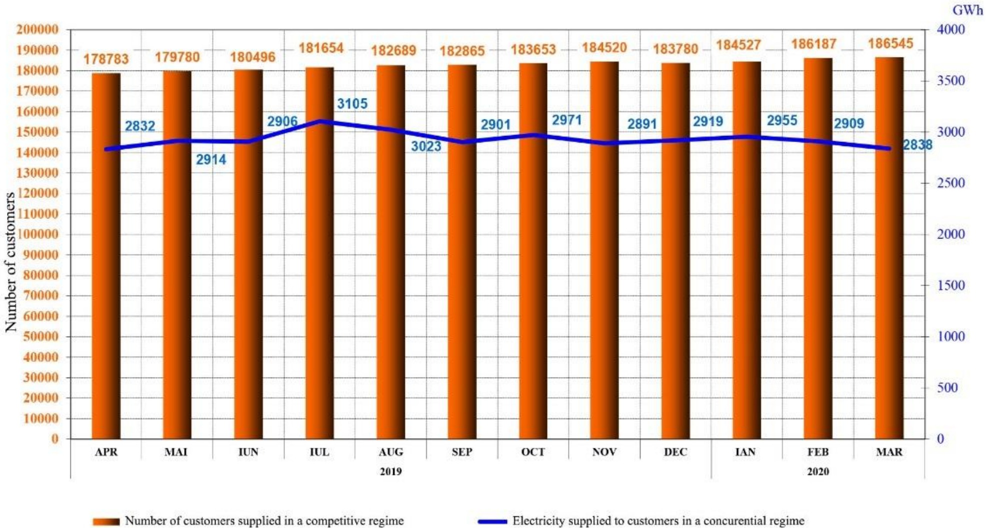
Consumption on the competitive market: 10034 Gwh; C1 – 12%; C3 – 30%; HHI – 616;

Others category includes 66 suppliers with individual market share less than 1%

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

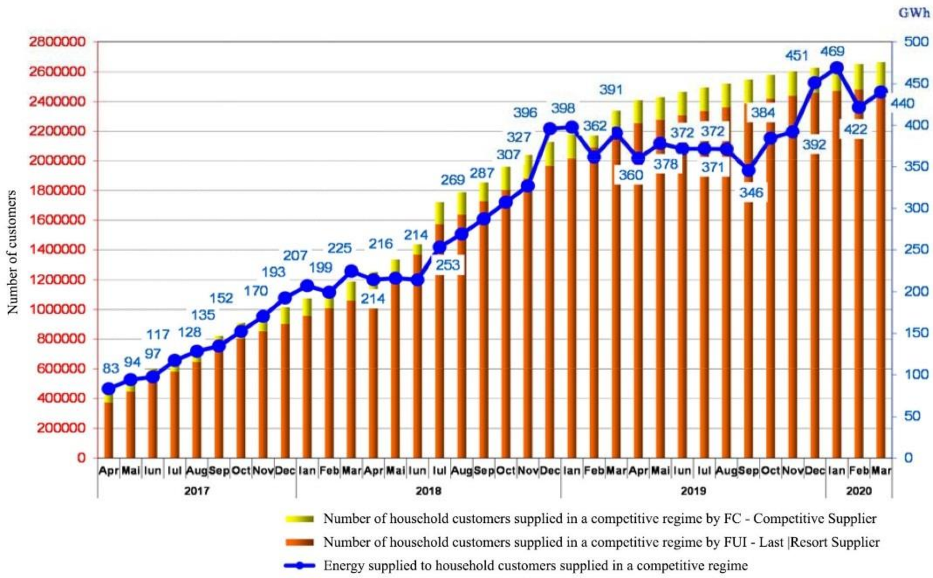
2.10. MIGRATION OF ELECTRICITY FINAL CUSTOMERS TO COMPETITIVE MARKET

The evolution of the non-household clients in a competitive regime and the electricity supplied



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

The evolution of the household clients supplied in a competitive regime and the electricity supplied



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

3. NATURAL GAS

3.1. 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.

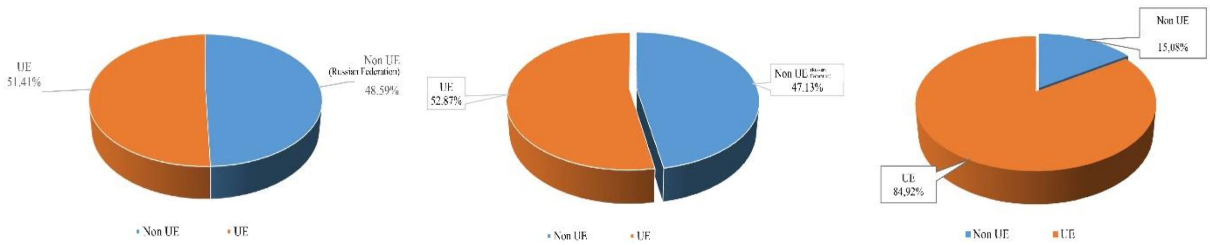
Natural gas consumption in the first quarter of 2020 was covered by natural gas from domestic production (current and storage) as well as natural gas from import (current and storage).

In January 2020, **domestic gas production** delivered for consumption was 15.194.033,915 MWh and accounted for 80,19% of the total consumption. The February delivery for consumption was 11.950.963,274 MWh and accounted for 79,82% of the total consumed sources. Gas production in March, delivered for consumption, was 10.166.012,813 MWh and accounted for 81,65% 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 January 2020 was 3.753.650,606 MWh and accounted for 19,81% of total sources consumed. The import of gas that was delivered for consumption in February was 3.020.787,816 MWh and accounted for 20,18% of total sources consumed and the import that was delivered for consumption in March was 2.285.042,036 MWh and accounted for 18,35% of total sources consumed.

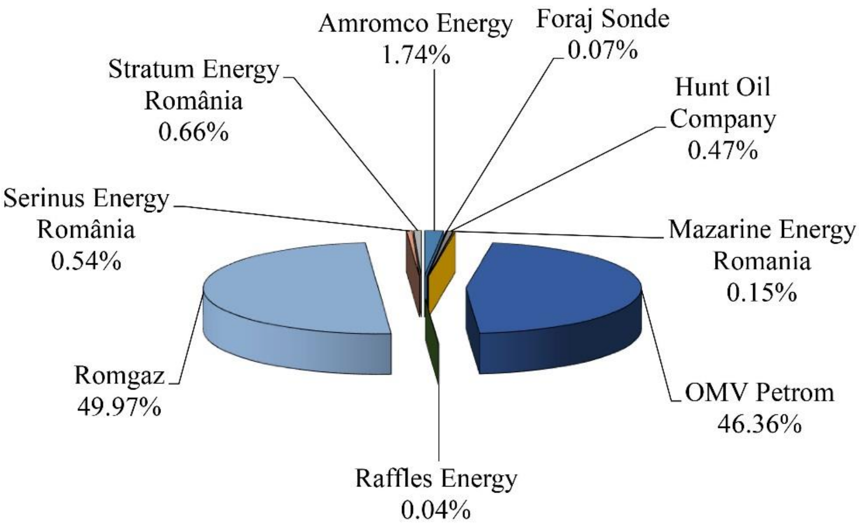
3.2. THE CURRENT IMPORT OF NATURAL GAS DEPENDING ON THE SOURCE

January 2020	*February 2020*	*March 2020*



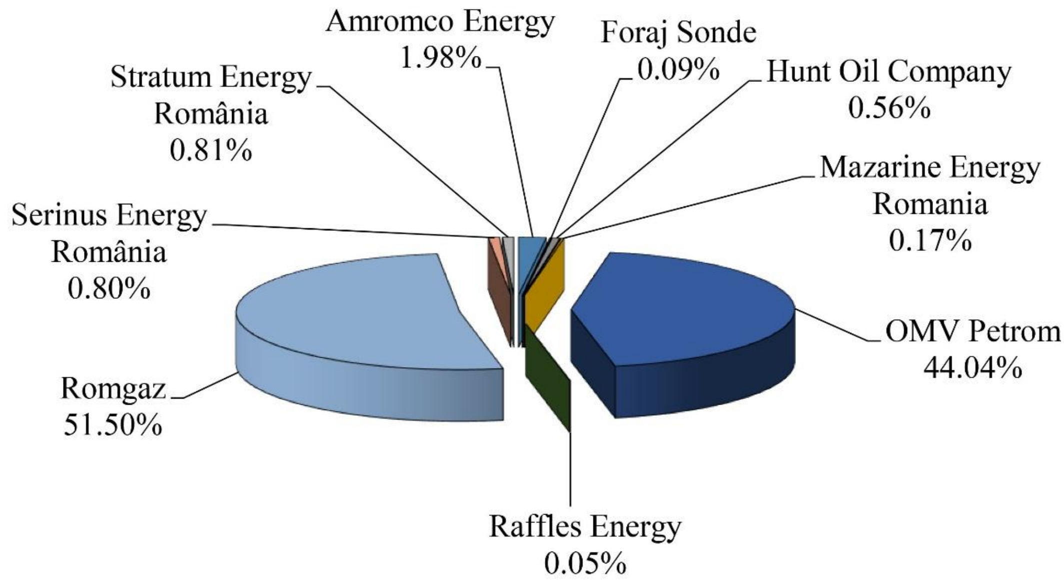
Source: reports on natural gas market processed by ANRE

3.3. GAS DOMESTIC PRODUCTION ENTERED IN CONSUMPTION IN JANUARY 2020



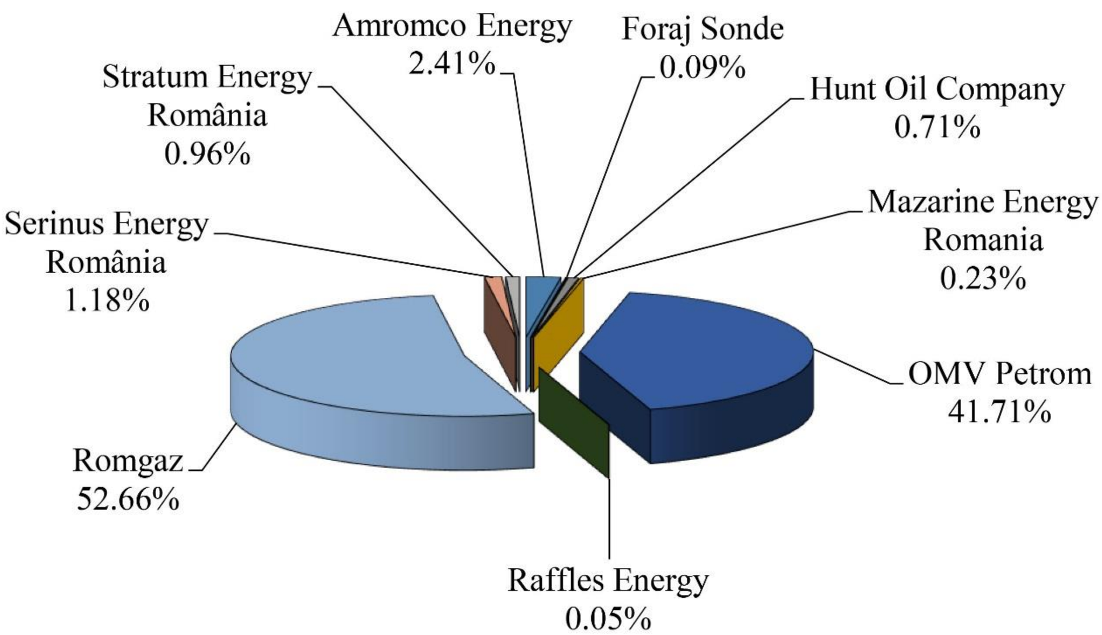
Source: reports on natural gas market processed by ANRE

3.4. GAS DOMESTIC PRODUCTION ENTERED IN CONSUMPTION IN FEBRUARY 2020



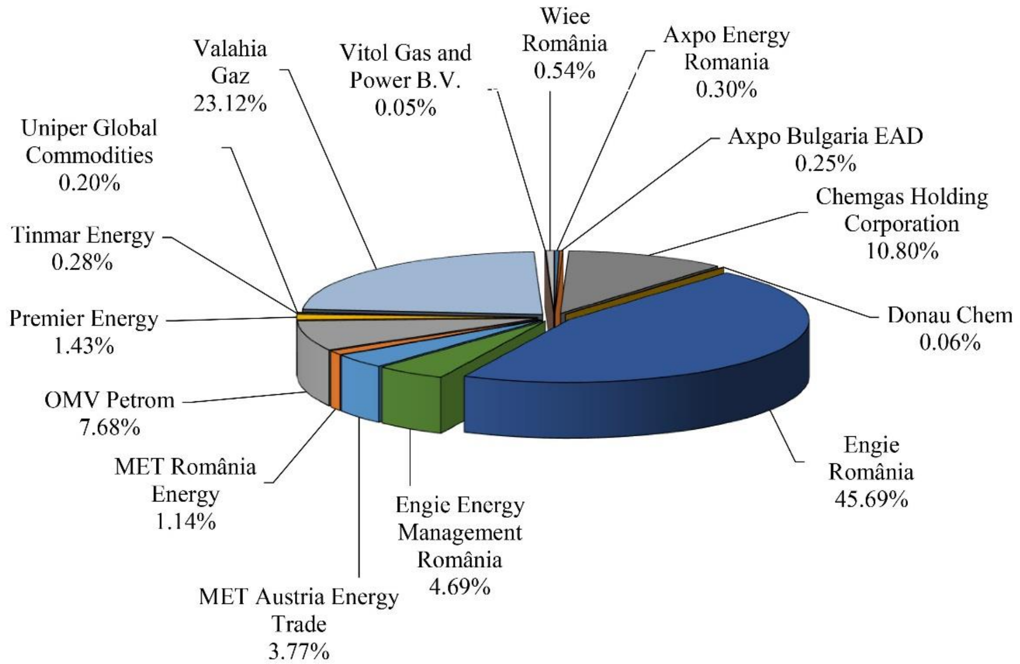
Source: reports on natural gas market processed by ANRE

3.5. GAS DOMESTIC PRODUCTION ENTERED IN CONSUMPTION IN MARCH 2020



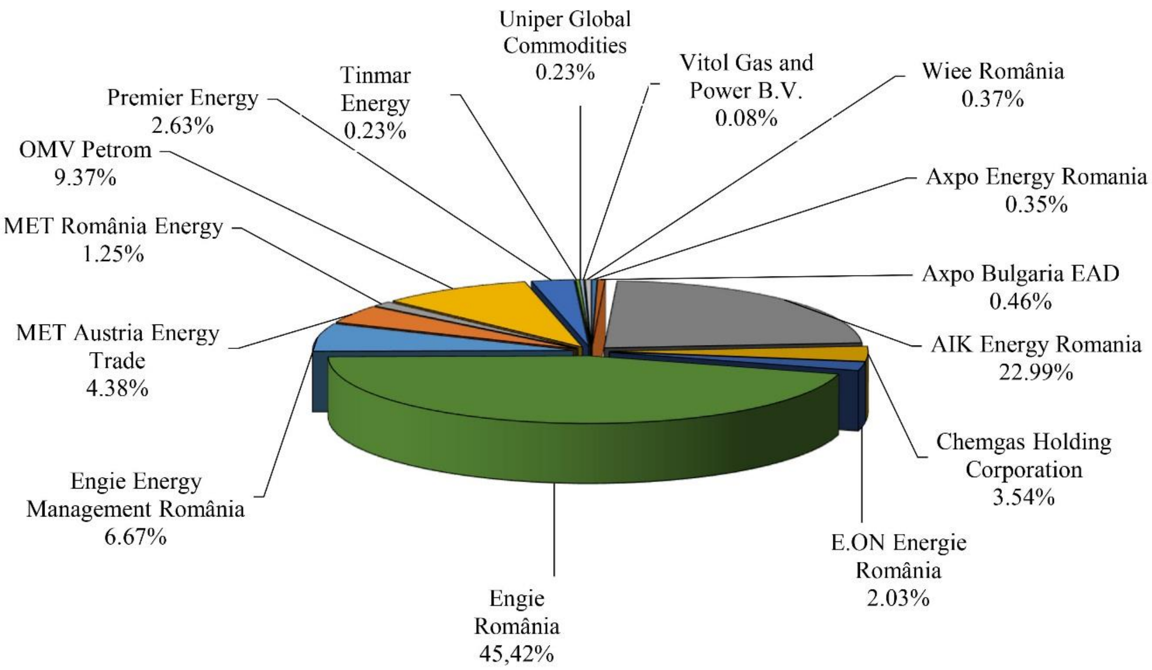
Source: reports on natural gas market processed by ANRE

3.6. IMPORTED GAS ENTERED IN CONSUMPTION IN JANUARY 2020



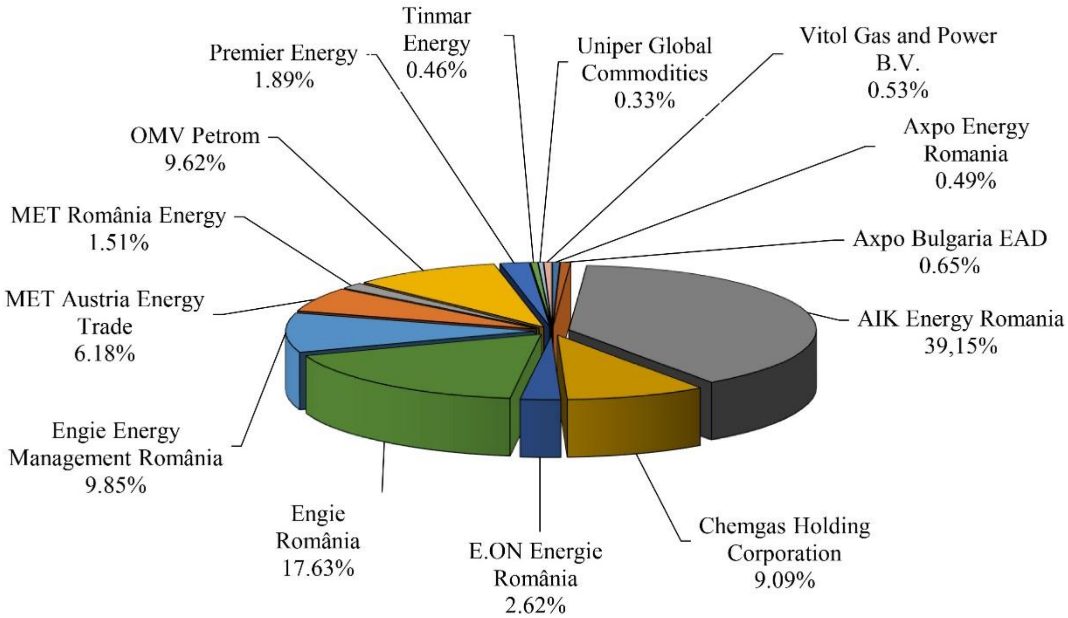
Source: reports on natural gas market processed by ANRE

3.7. IMPORTED GAS ENTERED IN CONSUMPTION IN FEBRUARY 2020



Source: reports on natural gas market processed by ANRE

3.8. IMPORTED GAS ENTERED IN CONSUMPTION IN MARCH 2020



Source: reports on natural gas market processed by ANRE

3.9. WHOLESALE NATURAL GAS MARKET

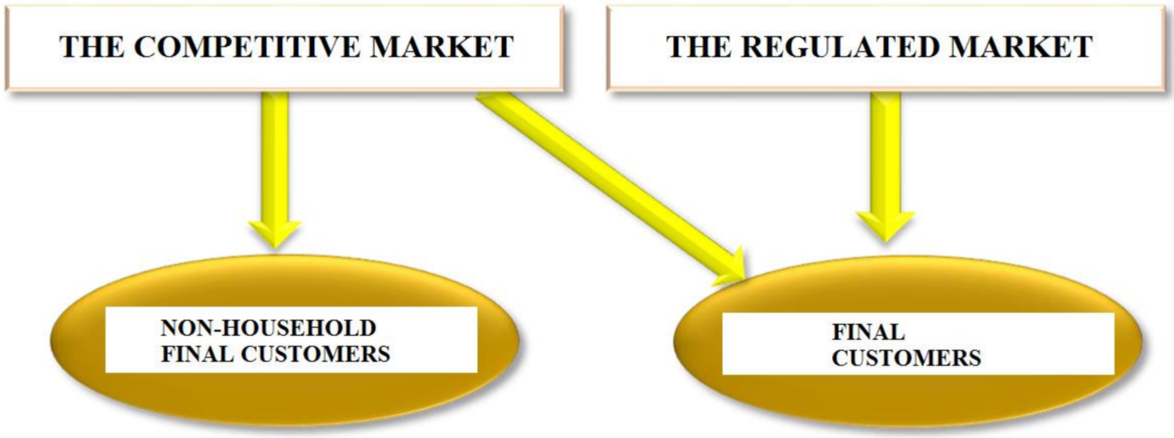
Centralized markets on which transactions can currently take place are as follows:

- Gas Forward Platform Simple Competitive (BRM);
- Gas Forward Platform Double Competitive (BRM);
- Gas Forward Platform CCP (BRM);
- Day Ahead market gas Platform (BRM);
- Within Day market gas (BRM);
- Next Day Market gas (OPCOM);
- Intra-Day market (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 the 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.

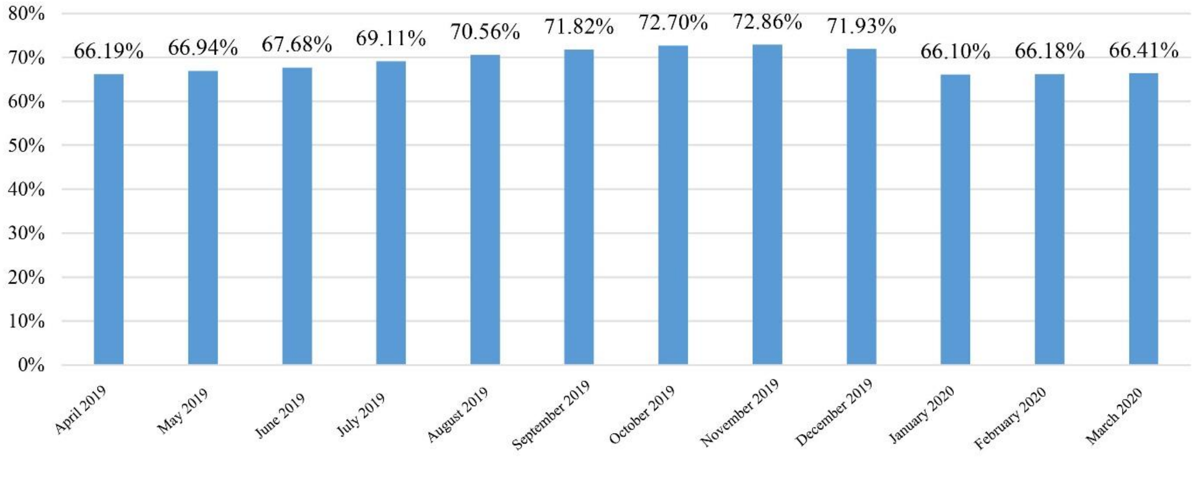
3.10. RETAIL NATURAL GAS MARKET

A. THE SCHEMATIC STRUCTURE OF THE RETAIL NATURAL GAS MARKET



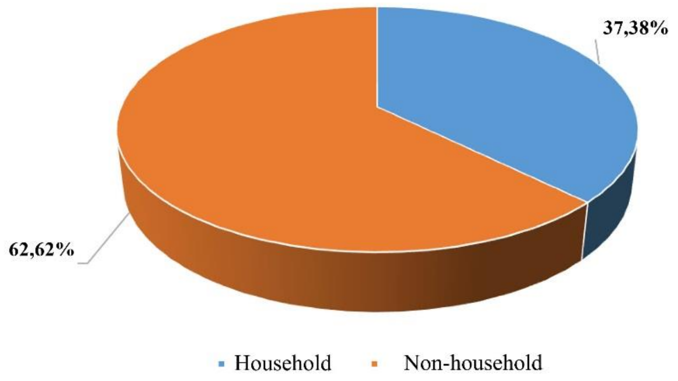
The category of non-household final customers also includes thermal energy producers for the quantities of natural gas used to produce heat in cogeneration plants and in public heating plants (PETs).

B. OPENING DEGREE OF INTERNAL NATURAL GAS MARKET



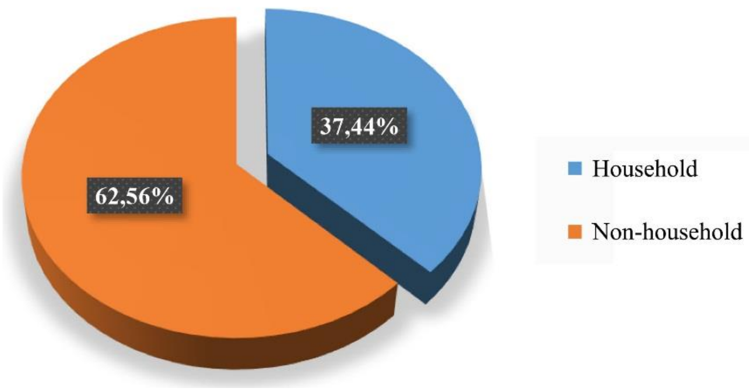
Source: reports on the natural gas market processed by ANRE

C.1. SHARE OF FINAL CUSTOMERS CONSUMPTION IN JANUARY 2020



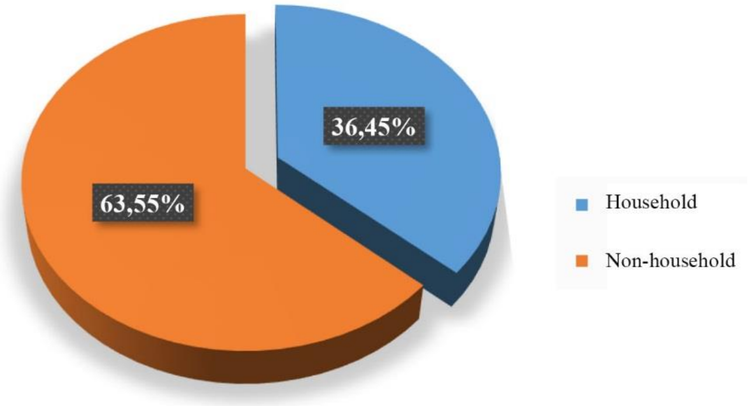
Source: reports on the natural gas market processed by ANRE

C.2. SHARE OF FINAL CUSTOMERS CONSUMPTION IN FEBRUARY 2020



Source: reports on the natural gas market processed by ANRE

C.3. SHARE OF FINAL CUSTOMERS CONSUMPTION IN MARCH 2020



Source: reports on the natural gas market processed by ANRe

4. THERMAL ENERGY

ANRE MONITORING THE SECTOR

The Methodology for monitoring the public heating supply service in centralized system and urban heating and/or cooling systems establishes the parameters used in the monitoring of SPAET and urban heating and / or cooling systems as well as the obligations of economic operators in the thermal energy sector regarding the reporting of monitoring data, also presenting, in principle, the analysis and reports performed by ANRE based on monitoring data received from economic operators. The Methodology was approved by Order of the the President of ANRE no. 193/2019.

Through the monitoring activity of SPAET, ANRE aims to achieve the following objectives:

- Analyzing the evolution of SACET at local, regional and national level;
- Evaluation of the results obtained by the operators of the public service of thermal energy supply in a centralized system and of the way of fulfilling the specific obligations / attributions;
- Development of the database specific to the public service of thermal energy supply in a centralized system;
- Preparation of reports on the state of the public heat supply service in a centralized system.

5. IN A NUTSHELL - EVENTS IN THE SECTOR WITH ANRE PARTICIPATION

- On February 20, Mr. Veaceslav Untilă, Director General of the National Agency for Energy Regulation of the Republic of Moldova paid a working visit to The Romanian Energy Regulatory Authority, where he was received by a delegation led by Mr. Dumitru Chiriță, President of ANRE. During the visit, the stage of implementation of the objectives provided in the Cooperation and Assistance Program between ANRE Moldova and ANRE Romania was reviewed. The Cooperation and Assistance Program was signed on September 26, 2019, in Chișinău, Republic of Moldova. At the same time, several topics were addressed regarding the consulting activity that ANRE Romania provides to Moldavian colleagues.

- On February 24, the Forum "The geostrategic and economic importance of the Black Sea in the current European context" organized by the platform of economic news and financial analysis Financialintelligence.ro and Sustainable Romania took place at the Parliament Palace. With its accession to NATO and the

EU, Romania has promoted the strategic importance of the Black Sea for regional stability and the European continent. Romania's major objectives in the Black Sea have been unchanged for more than a decade: consolidating, in the eastern proximity, a stable, democratic and prosperous area, by connecting the Black Sea area to European and Euro-Atlantic values and cooperation processes, and dynamizing regional cooperation with a focus on concrete projects and benefits for the citizens of the states in the region. Mr. Zoltan Nagy-Bege, Vice-president of ANRE participated as speaker.

Mr. Zoltan Nagy-Bege, Vice-president of ANRE

- Between February 27 and 28, Mr. Zoltan Nagy-Bege, ANRE Vice-president, participated in the Annual Conference of the Hungarian Energy Suppliers Association. The event discussed issues related to the challenges facing the energy sector, as well as issues related to national and regional trade in electricity and natural gas.