ROMANIAN ENERGY REGULATORY AUTHORITY
Department of International Cooperation, Communication and Relation with Parliament

QUARTERLY NEWSLETTER

Q4 / 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

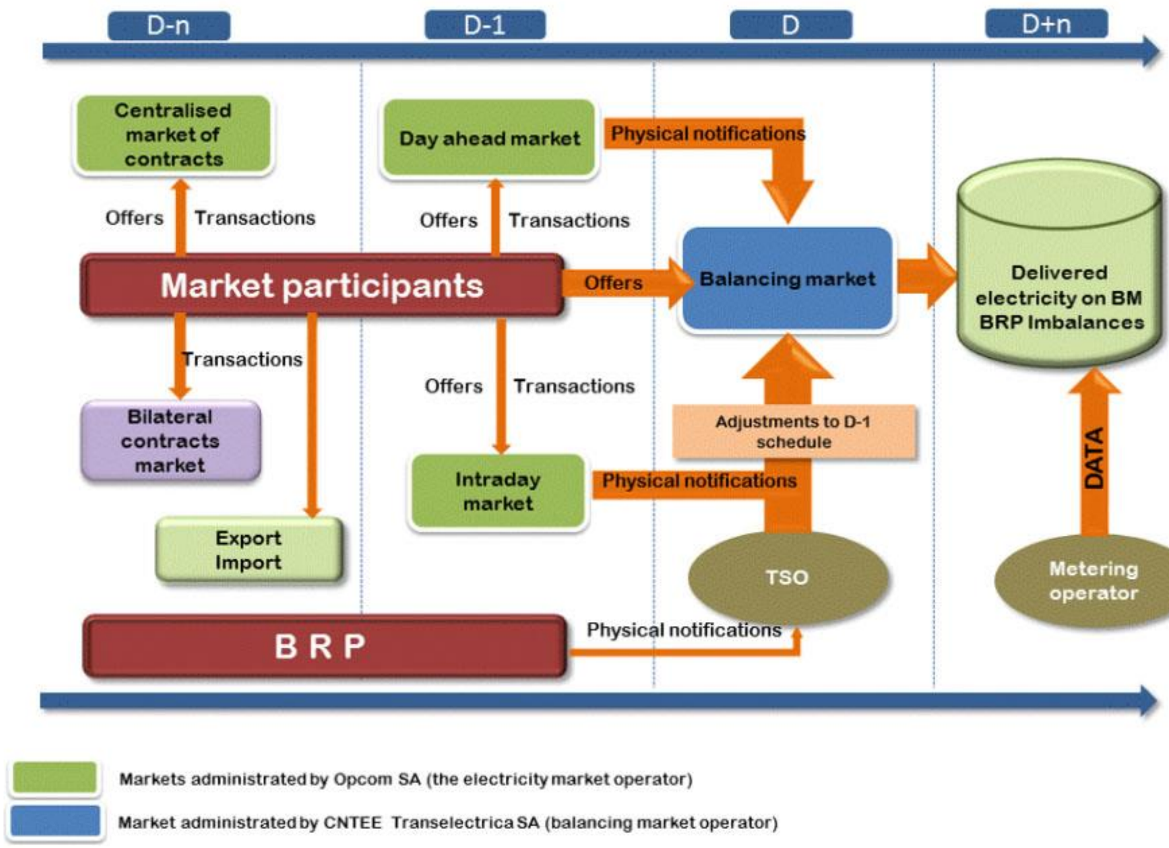
2.1. SIGNIFICANT DEVELOPMENTS IN THE ELECTRICITY MARKET

In the forth 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;

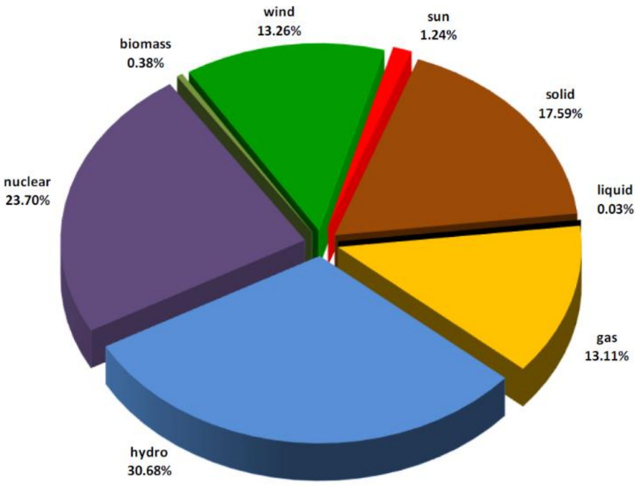
-the transposition of the European electricity legislation.

2.2. SCHEMATIC STRUCTURE OF THE WHOLESALE MARKET

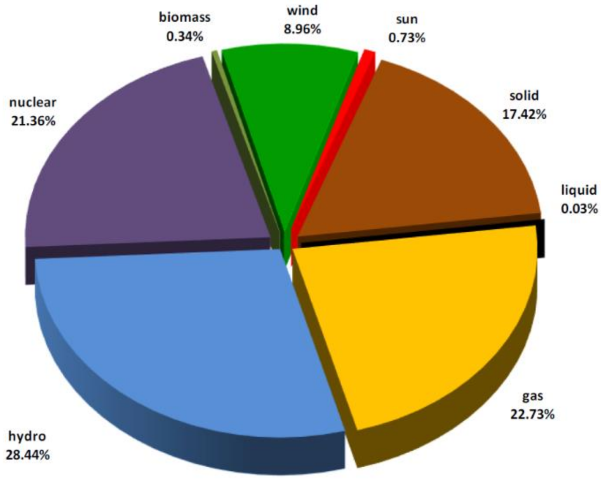


2.3. THE PRODUCTION STRUCTURE OF THE NATIONAL ENERGY SYSTEM BY TYPE OF RESOURCES DELIVERED BY PRODUCERS WITH DISPATCHABLE UNITS

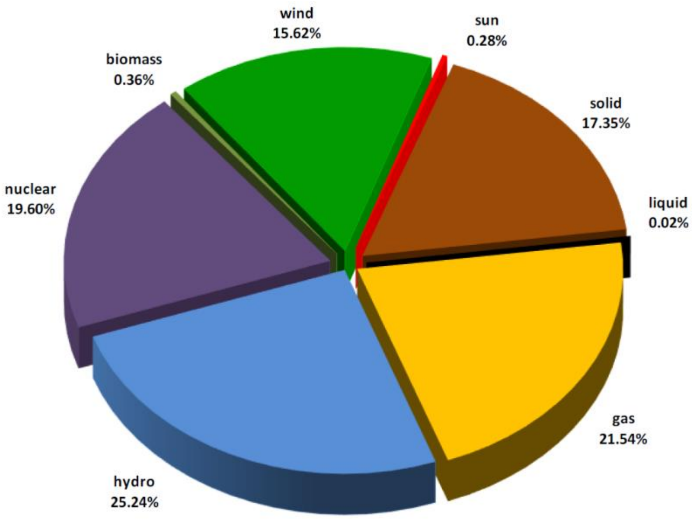
October 2020



November 2020



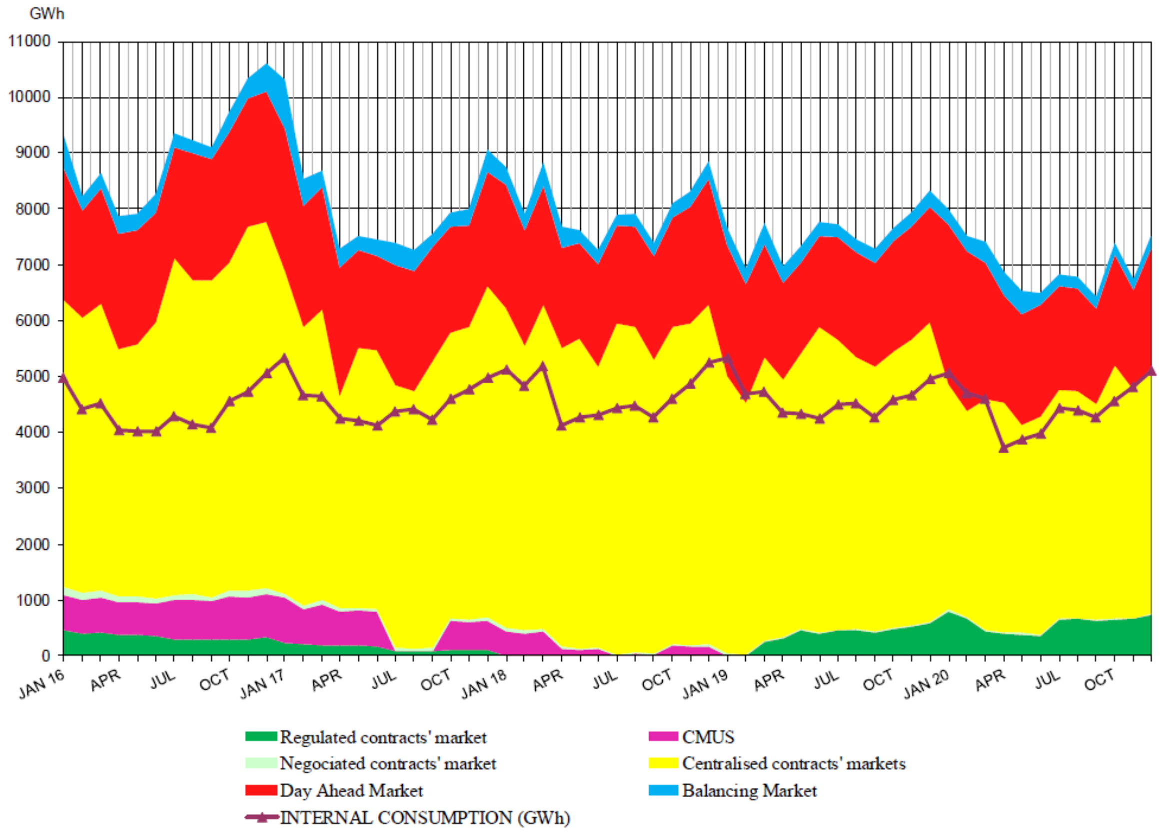
December 2020



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 January 2016 and December 2020 of the relation between the volumes sold on each market and the estimated internal consumption.



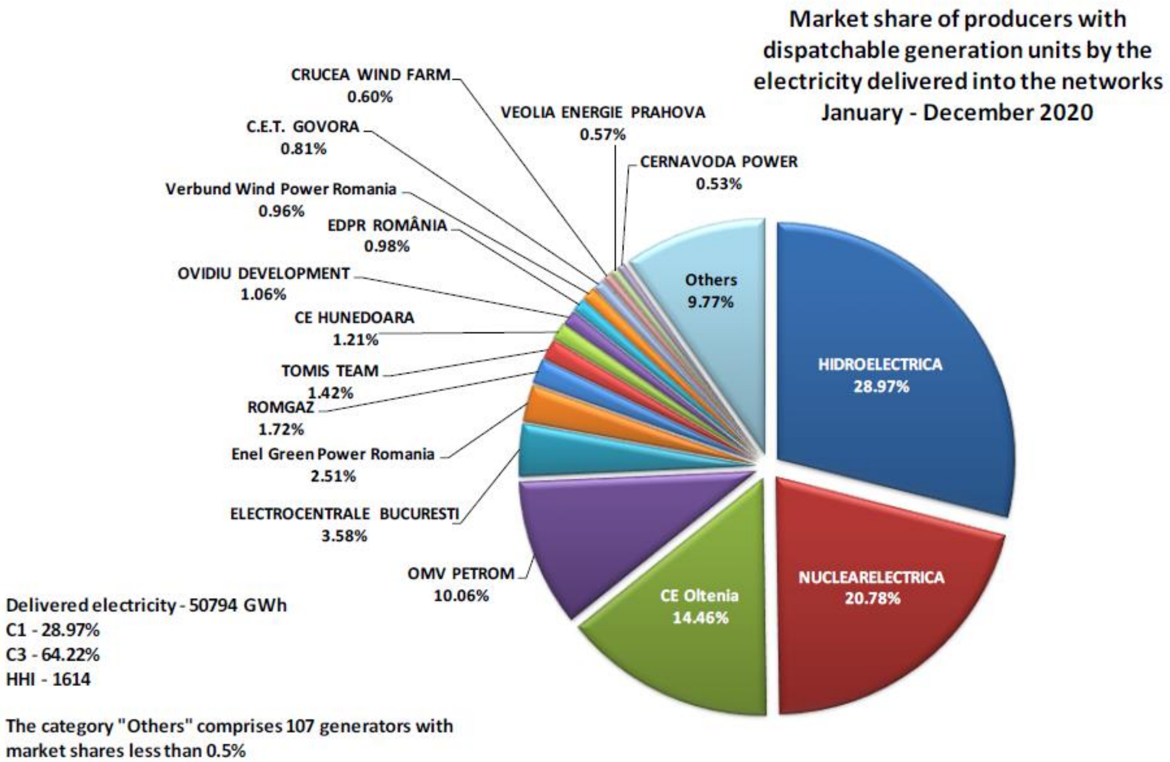
Source: Monthly reports of wholesale market participants, Opcom SA and CNTEE Transelectrica SA – Electricity Market Monitoring Unit assessment

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

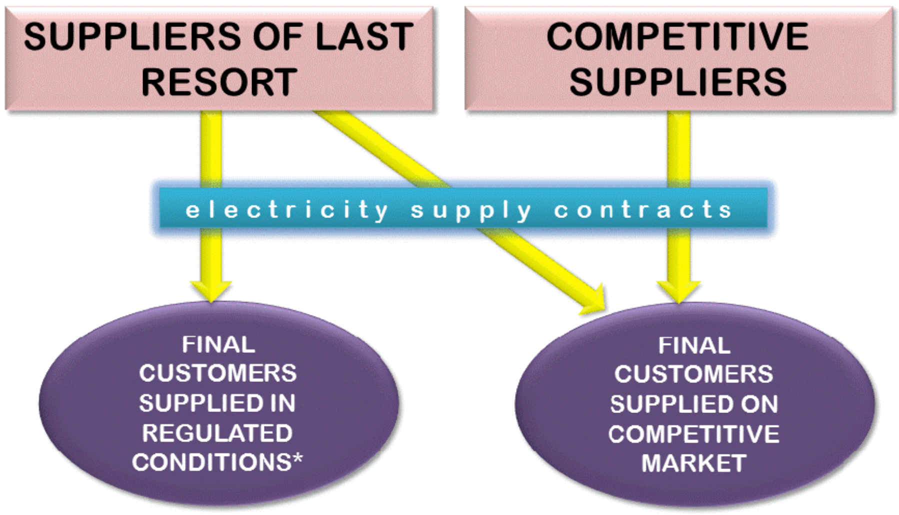
The graph below shows the market shares of the electricity producers, holders of dispatchable production units, made on the whole components of the wholesale electricity market and established on the basis of the electricity supplied to the grids.

January - December 2020



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

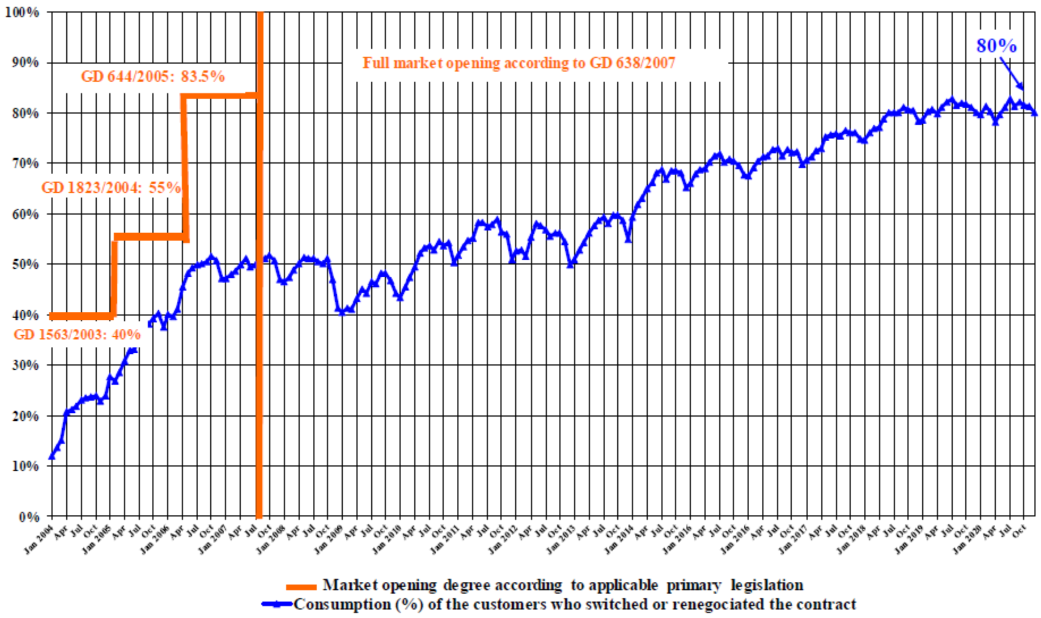
2.6. STRUCTURE OF THE RETAIL ELECTRICITY MARKET



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

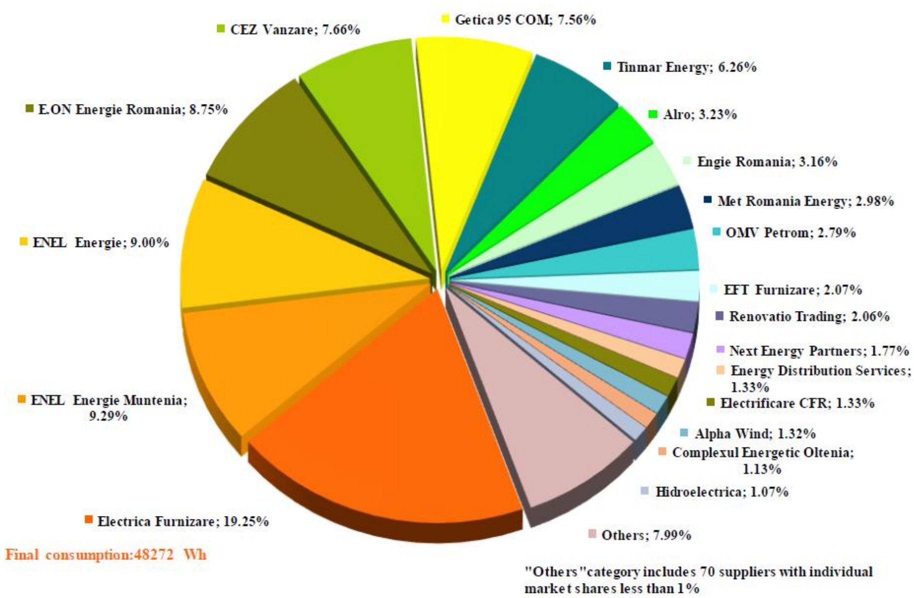
2.7. ELECTRICITY MARKET OPENING DEGREE

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 – December 2020. The values presented are cumulated from the beginning of the market opening process and are presented monthly:



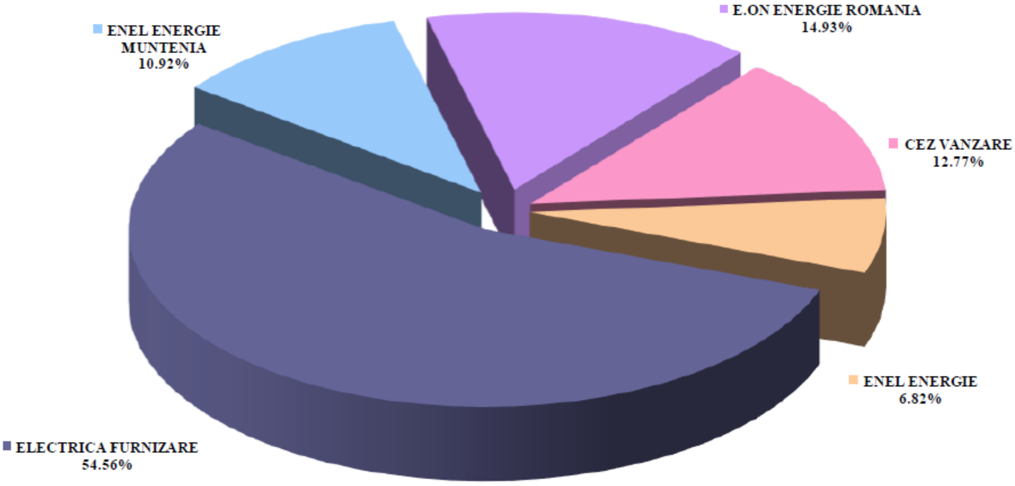
Source: Monthly reports of suppliers of final customers– Electricity Market Monitoring Unit assessment

Market shares of suppliers for final customers January – December 2020



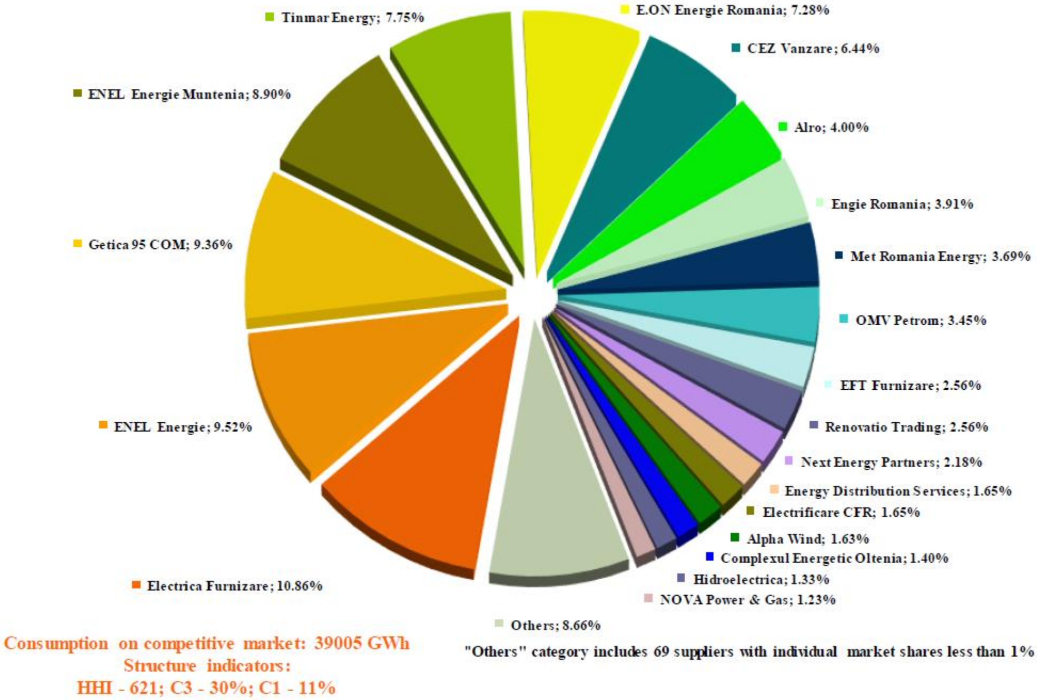
Source: Monthly reports of the suppliers of last resort – Electricity Market Monitoring Unit assessment

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 – DECEMBER 2020



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

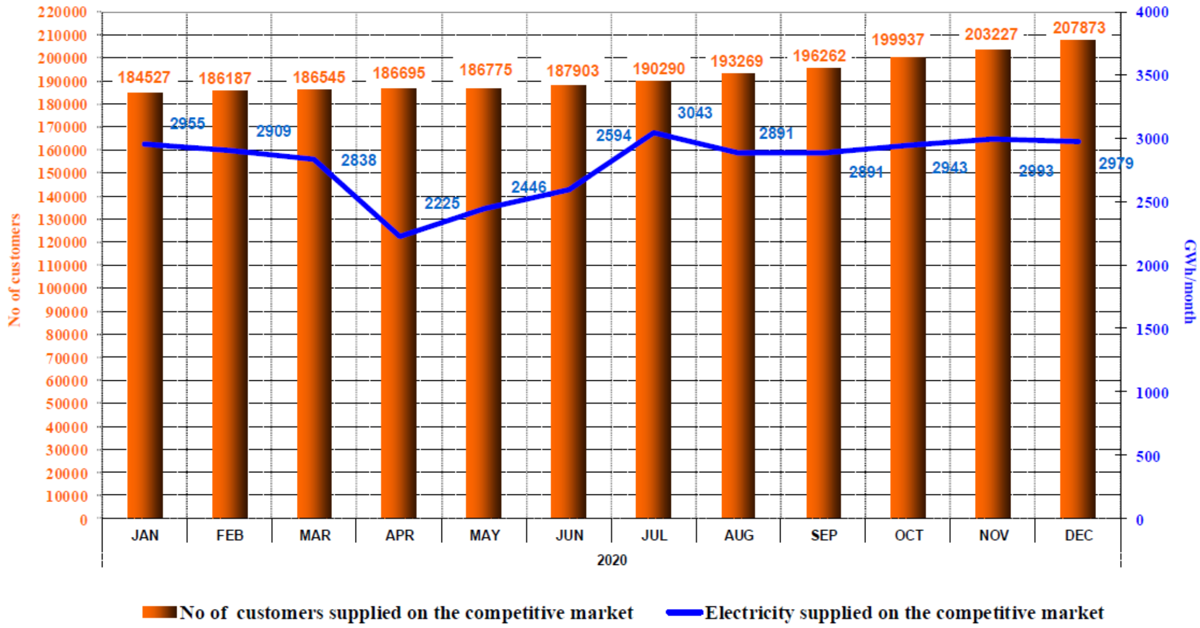
2.9. MARKET SHARES OF SUPPLIERS DELIVERING ELECTRICITY ON THE COMPETITIVE MARKET, JANUARY – DECEMBER 2020



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

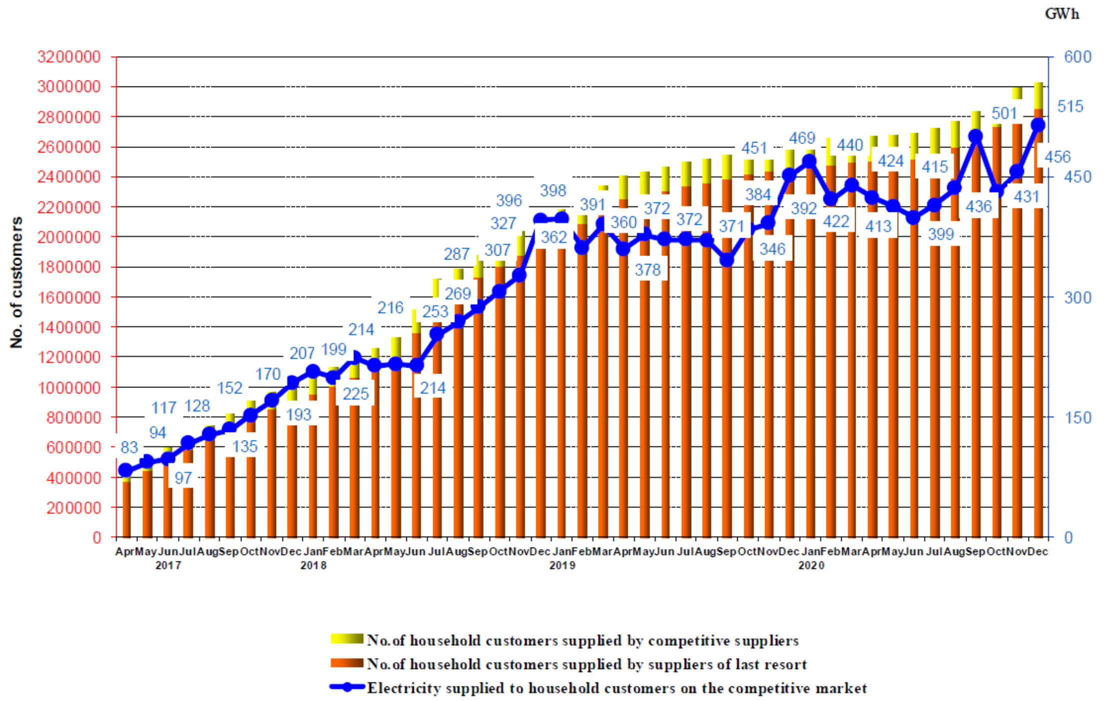
2.10. MIGRATION OF ELECTRICITY FINAL CUSTOMERS TO THE COMPETITIVE MARKET

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

Starting with July 2020, **the natural gas market was completely liberalized**, so ANRE no longer calculates regulated prices for household customers and implicitly the natural gas market is competitive.

- **The competitive market** 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.

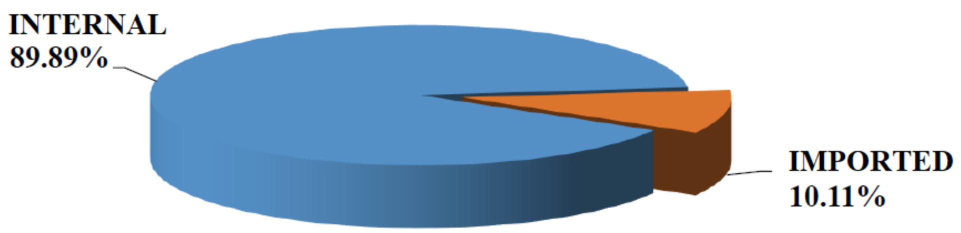
Natural gas consumption in the **fourth quarter of 2020** was covered by natural gas from domestic production (current and storage) as well as natural gas from import (current and storage).

In October 2020, **domestic gas production** delivered for consumption was 7.621.052,027 MWh and accounted for 89,89% of the total consumption. The November 2020 delivery for consumption was 12.056.335,701 MWh and accounted for 83,44% of the total consumed sources. Gas production in December 2020, delivered for consumption, was 13.926.299,272 MWh and accounted for 83,06% 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.

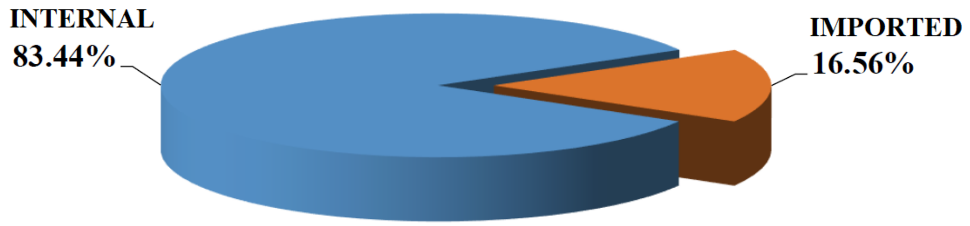
The import of natural gas that was delivered for consumption in October 2020 was 857.137,659 MWh and accounted for 10,11% of total sources consumed. The import of gas that was delivered for consumption in November was 2.392.429,047 MWh and accounted for 16,56%of total sources consumed and the import that was delivered for consumption in December was 2.840.379,757 MWh and accounted for 16,94% of total sources consumed.

3.2. THE CURRENT SOURCE OF NATURAL GAS

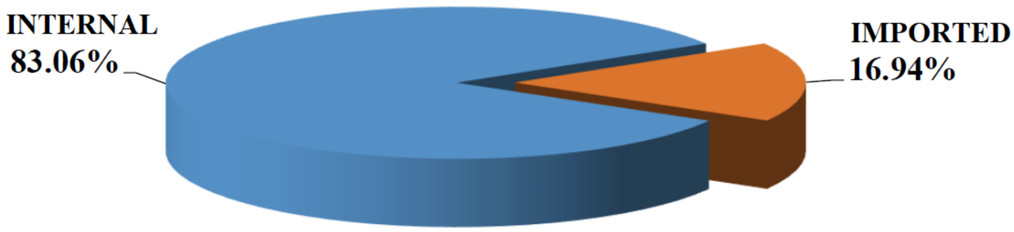
October 2020



November 2020

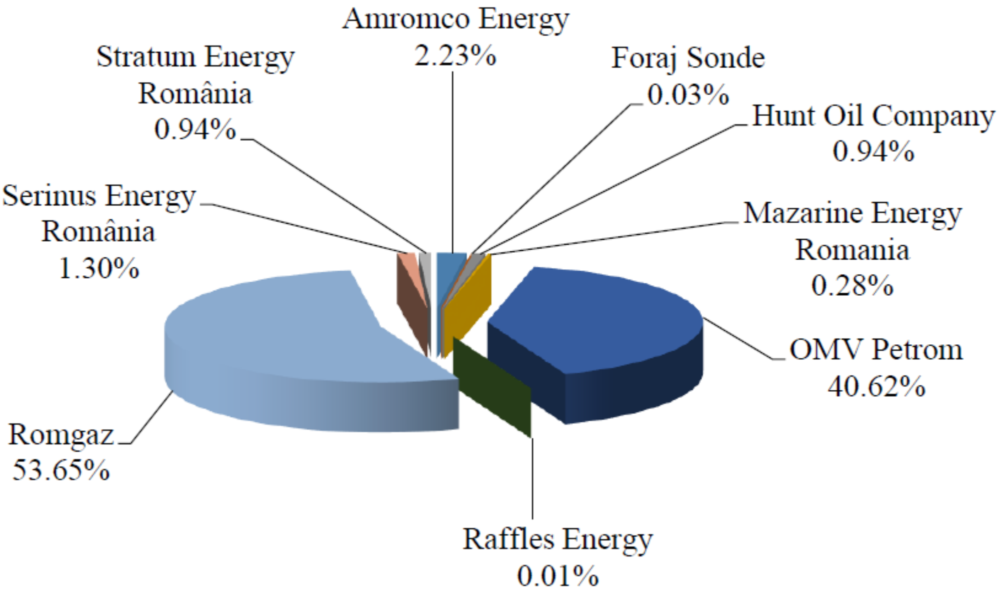


December 2020



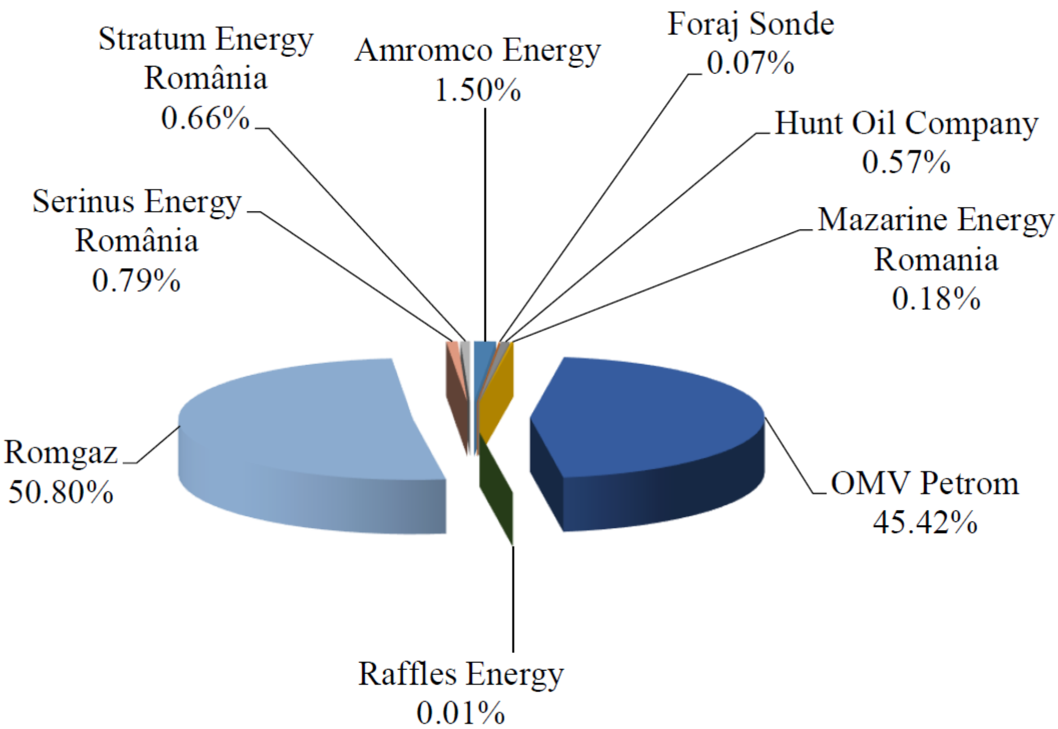
Source: reports on natural gas market processed by ANRE

3.3. GAS DOMESTIC PRODUCTION ENTERED IN CONSUMPTION IN OCTOBER 2020



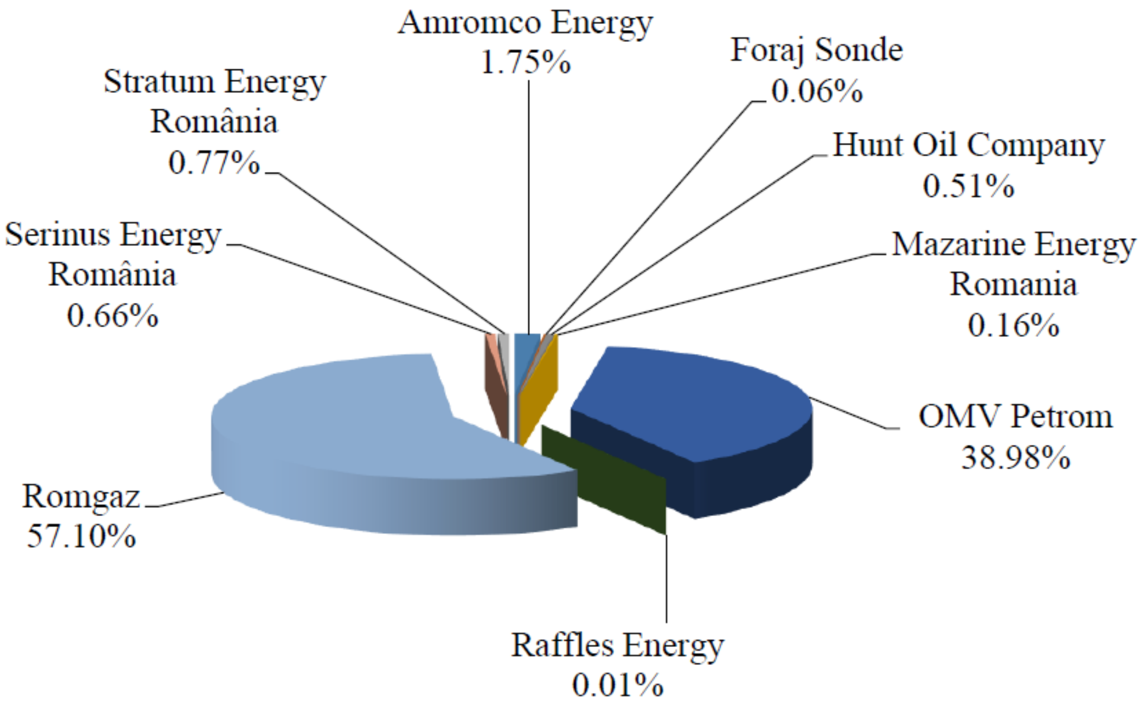
Source: reports on natural gas market processed by ANRE

3.4. GAS DOMESTIC PRODUCTION ENTERED IN CONSUMPTION IN NOVEMBER 2020



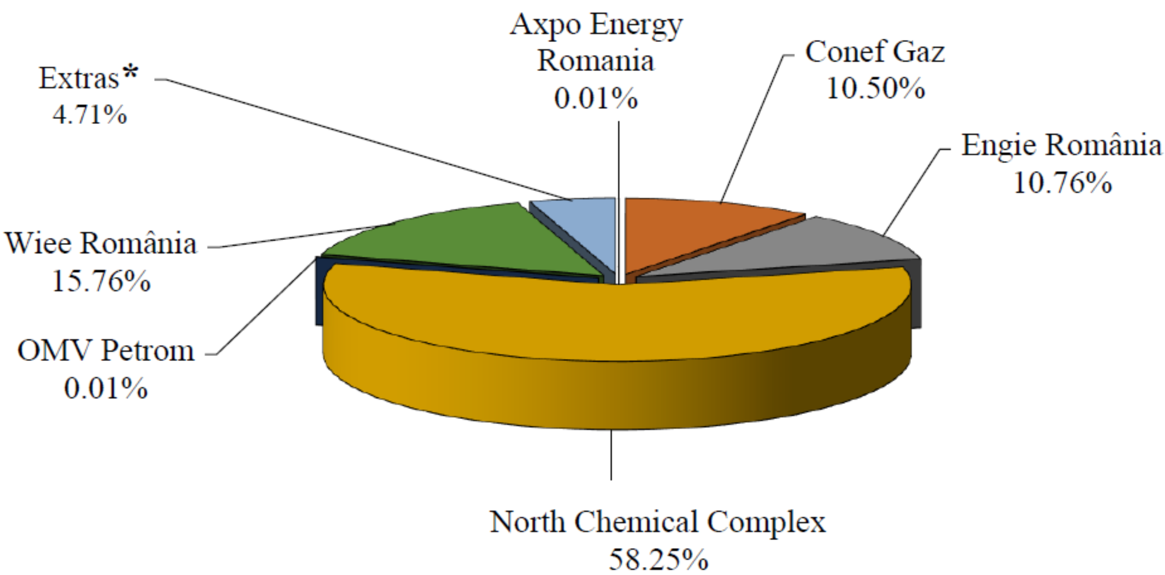
Source: reports on natural gas market processed by ANRE

3.5. GAS DOMESTIC PRODUCTION ENTERED IN CONSUMPTION IN DECEMBER 2020



Source: reports on natural gas market processed by ANRE

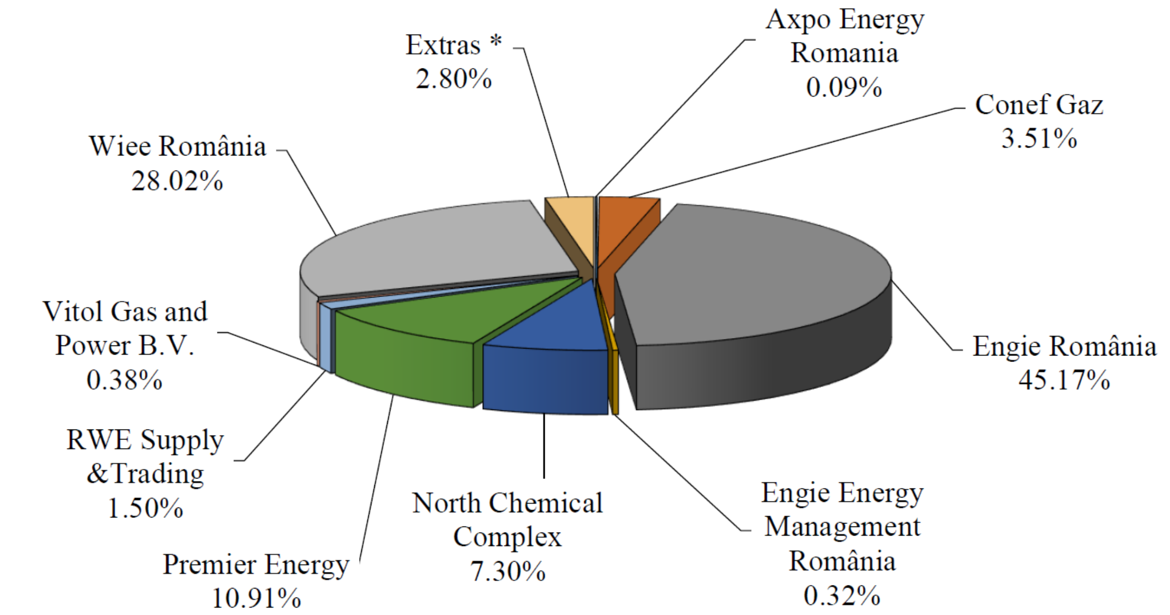
3.6. IMPORTED GAS ENTERED IN CONSUMPTION IN OCTOBER 2020



** represents a swap between current domestic production and external sources extracted from underground storage depots*

Source: reports on natural gas market processed by ANRE

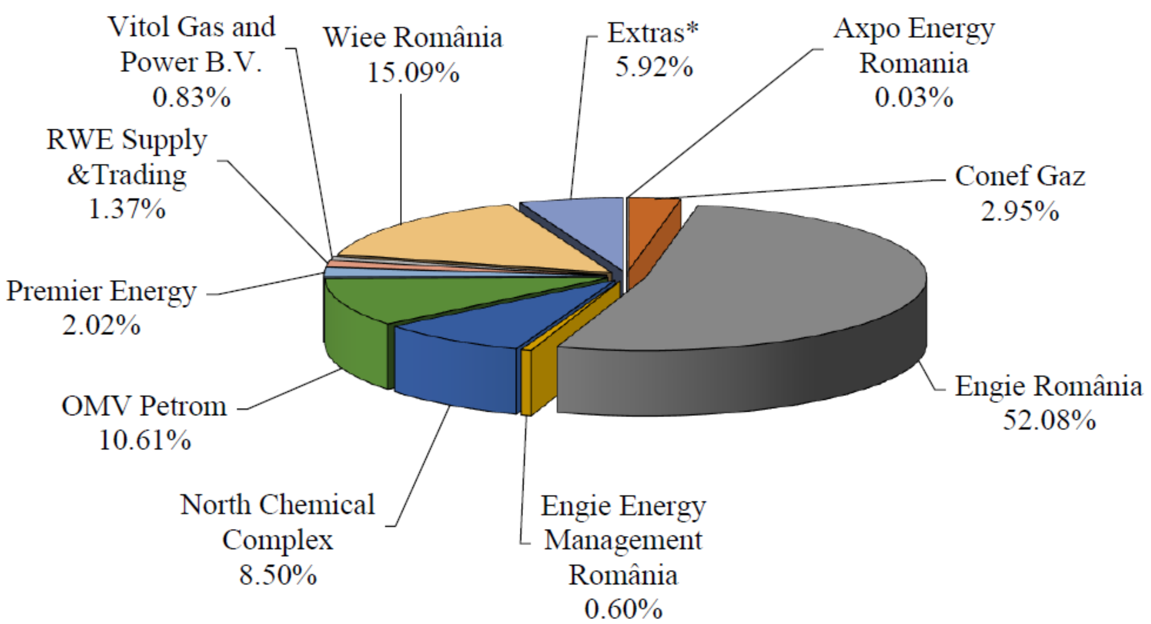
3.7. IMPORTED GAS ENTERED IN CONSUMPTION IN NOVEMBER 2020



** represents a swap between current domestic production and external sources extracted from underground storage depots*

Source: reports on natural gas market processed by ANRE

3.8. IMPORTED GAS ENTERED IN CONSUMPTION IN DECEMBER 2020



** represents a swap between current domestic production and external sources extracted from underground storage depots*

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).

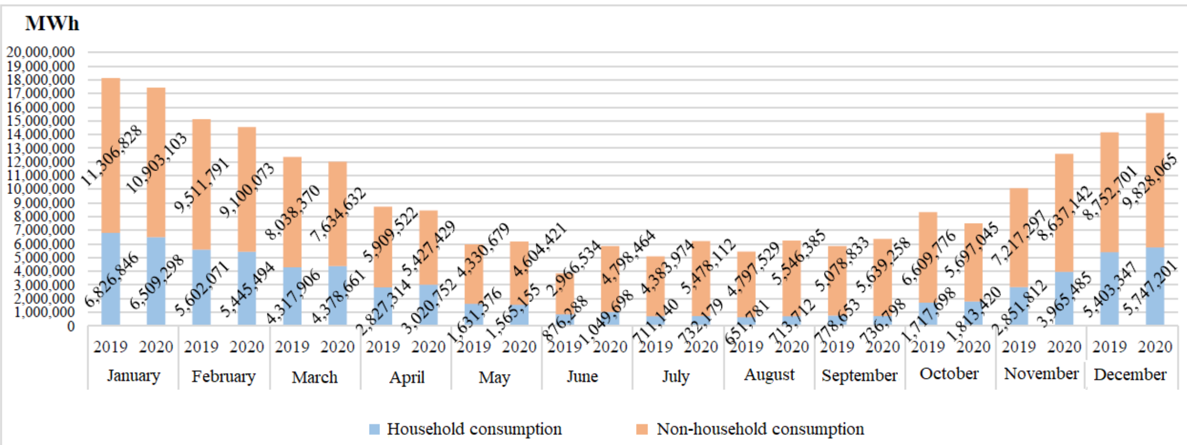
In addition to the existing centralized markets, which have to ensure the conditions stipulated by the Law, on the wholesale market are also performed transactions on platforms for non-standard products, such as BRM STEG Platform, transactions under negotiated bilateral contracts, gas export/import contracts. At the same time, starting with May 2019, transactions take place on the natural gas balancing market, organized and managed by RCE, as a third party, according to the regulatory framework in force. Starting with July 2020, with the adoption of GEO no. 106/2020, the provisions of the Law regarding the trading of participants in the natural gas market on centralized markets have been amended, in the sense that they have the obligation to bid on centralized markets, in accordance with ANRE regulations.

3.10. RETAIL NATURAL GAS MARKET

A. THE SCHEMATIC STRUCTURE OF THE RETAIL NATURAL GAS MARKET

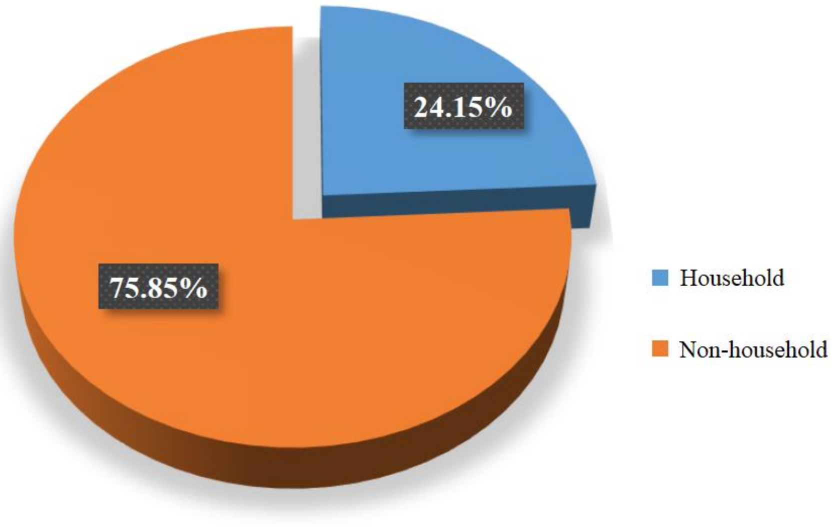
The category of non-household final customers also includes thermal energy producers for the quantities of natural gas used to produce heat in cogeneration plants and in public heating plants (PETs).

B. CONSUMPTION ON THE NATURAL GAS RETAIL MARKET BROKEN DOWN BY CUSTOMER CATEGORIES 2019-2020



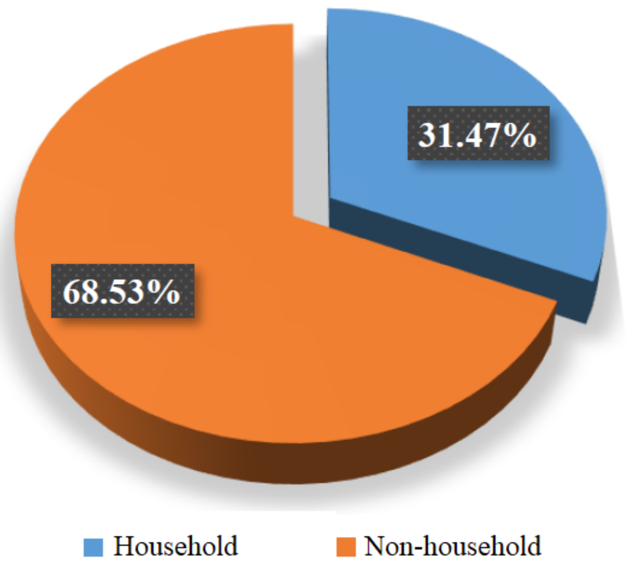
Source: reports on the natural gas market processed by ANRE

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



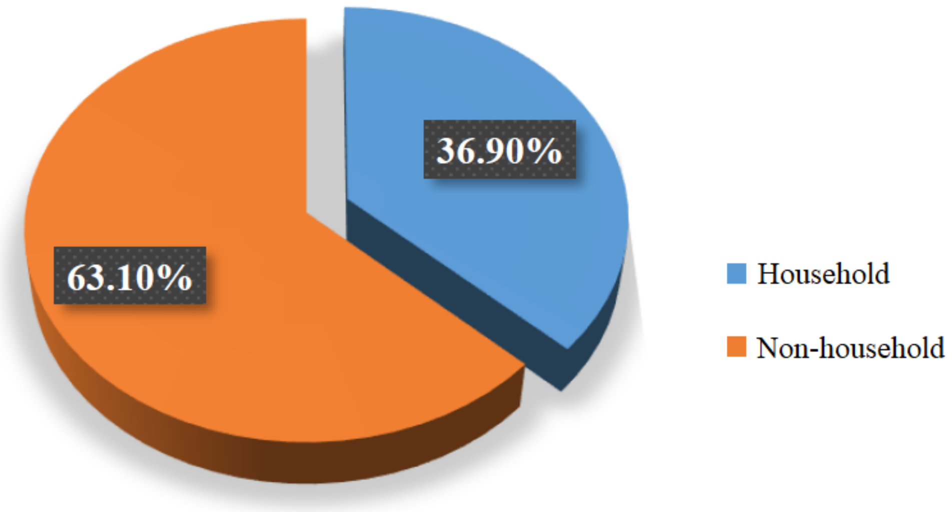
Source: reports on the natural gas market processed by ANRE

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



Source: reports on the natural gas market processed by ANRE

C.3. SHARE OF FINAL CUSTOMERS CONSUMPTION IN DECEMBER 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.