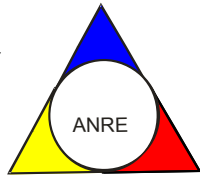




ROMANIAN ENERGY REGULATORY AUTHORITY
ELECTRICITY MARKET DEPARTMENT



REPORT ON RESULTS OF MONITORING THE
ROMANIAN ELECTRICITY MARKET
JULY 2009

- This document represents an unauthorised translation of the Romanian document -

ANRE makes all the necessary efforts to present within the hereabove mentioned document, as accurately and concisely as possible, the data based on the legal entities reports. This document published by **ANRE** is for information purpose only. **ANRE** is not and will not be under any circumstances legal responsible for any inadvertences regarding the information presented within the document or for the improper way the information is used

TABLE OF CONTENTS

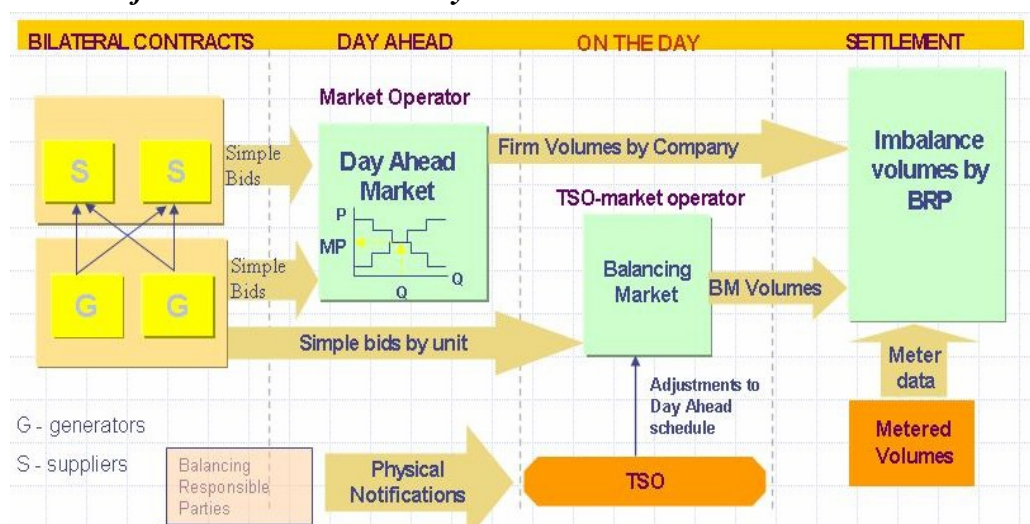
<u>I.MAIN EVENTS IN THE DEVELOPMENT OF THE ROMANIAN ELECTRICITY MARKET</u>	<u>3</u>
<u>II.WHOLESALE ELECTRICITY MARKET</u>	<u>3</u>
<u>1.Structure of the wholesale electricity market</u>	<u>3</u>
<u>2.Participants on the wholesale electricity market</u>	<u>4</u>
<u>3.Generation structure of National Energy System on resources types</u>	<u>5</u>
<u>4.Transactions' structure on the wholesale electricity market</u>	<u>7</u>
<u>5.Trading structure on the wholesale electricity market of different participant categories</u>	<u>12</u>
<u>6.Concentration indicators on the wholesale electricity market and its components</u>	<u>17</u>
<u>7.Price evolution on wholesale electricity market</u>	<u>19</u>
<u>III.RETAIL ELECTRICITY MARKET</u>	<u>24</u>
<u>1. Structure of the retail electricity market</u>	<u>24</u>
<u>2.Steps in the opening process of the electricity market</u>	<u>24</u>
<u>3.Electricity market opening degree</u>	<u>24</u>
<u>4.Market shares of the electricity suppliers</u>	<u>25</u>
<u>5.Concentration indicators of the competitive retail electricity market</u>	<u>27</u>
<u>6.Evolution of consumers' number and of electricity delivered</u>	<u>28</u>
<u>7.Average selling prices of consumers supplied on the competitive market</u>	<u>29</u>
<u>IV.TRANSMISSION AND SYSTEM OPERATOR C.N. TRANSELECTRICA S.A.</u>	<u>30</u>
<u>V.EVOLUTION OF MARKET RULES IN JULY 2009</u>	<u>31</u>
<u>VI.EXPLANATIONS AND ABBREVIATION</u>	<u>31</u>

I. MAIN EVENTS IN THE DEVELOPMENT OF THE ROMANIAN ELECTRICITY MARKET

- **GD 365/1998** – vertically integrated monopol – RENEL – was split in. Separated distribution and supply companies (SC Electrica SA) and generation companies (SC Termoelectrica SA and SC Hidroelectrica SA) were established within a new company - CONEL SA. Two other electricity generators (SN Nuclearelectrica SA and RAAN) were separately established;
- transmission, system services and market administration were separately organised, within CONEL SA;
- the relationships between parties within the electricity sector were settled based on contracts;
- **GD 122/2000** – electricity market opens at 10%;
- **GD 627/2000** – CONEL holding is dissolved;
- **September 2000** – launch of the compulsory electricity spot market in Romania, administrated by OPCOM and organized based on pool model;
- **GD 1342/2001** – SC Electrica SA splits in 8 subsidiaries for electricity distribution and supply;
- **GD 1524/2002** – SC Termoelectrica SA reorganizes in several separate legal entities for generation;
- **July 2005** – launch of the new market model, based on:
 - voluntary spot market, with both sides offers and bilateral settlement;
 - compulsory balancing market, with TSO as single counterparty;
 - financial responsibilities of the balancing are allocated to the BRP;
- **GD 644/2005** – electricity market opens at 83.5%;
- **November 2005** – launch of the green certificates market;
- **December 2005** – launch of the centralized market for bilateral contracts;
- **March 2007** – launch of the centralized market for partially standardized bilateral contracts with continuous negotiation;
- **GD 638/2007** – fully opening of electricity and gas markets;
- **July 2007** – rules for capacity market have been established.
- **July 2008** – launch of the mechanism of direct debit and guarantee for electricity transactions on the day-ahead market (OPCOM as central counterparty).

II. WHOLESALE ELECTRICITY MARKET

1. Structure of the wholesale electricity market



2. Participants on the wholesale electricity market

The market participants* acting on the electricity market in July 2009 are presented below split into categories:

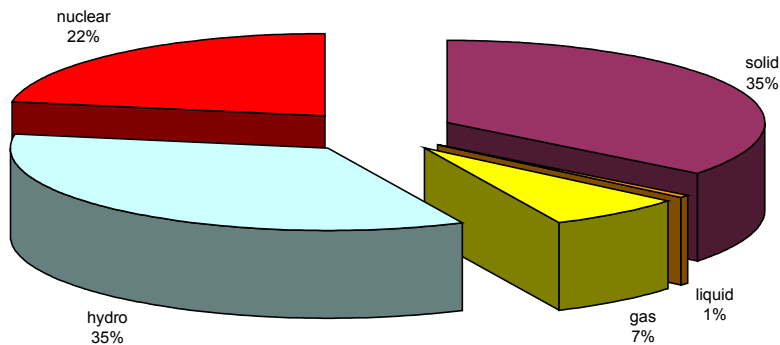
No.	Name	Comments
A	Electricity generators operating dispatching units	
1	SC CET Bacău SA	
2	SC CET Braşov SA	
3	SC CET Govora SA	
4	SC CET Iaşi SA	
5	SC CET Oradea SA	
6	SC Electrocentrale Bucureşti SA	
7	SC Electrocentrale Galaţi SA	
8	SC Dalkia Termo Prahova SRL	
9	SNP Petrom Sucursala Petrobrazî	
10	SC Termica SA Suceava	
11	SC Termoelectrica SA	
12	SC Termoficare 2000 SA Piteşti	
13	SC Uzina Termică Giurgiu SA	
14	SN Nuclearelectrica SA	
15	SC CE Rovinari SA	
16	SC CE Turceni SA	
17	RAAN	
18	SC CE Craiova SA	
19	SC CET Arad SA	Generators acting also as suppliers on the competitive market
20	SC Electrocentrale Deva SA	
21	SC Hidroelectrica SA	
B	Transmission System Operator	
1	CN TRANSELECTRICA SA	Balancing Market Operator
C	DAM Operator	
1	SC OPCOM SA	Operator of the Green Certificates Market, Bilateral Contracts Market and Settlement Administrator
D	Distribution network operators	
1	SC CEZ Distribuţie SA	Operators of the distribution network
2	SC ENEL Distribuţie Banat SA	
3	SC ENEL Distribuţie Dobrogea SA	
4	SC E.ON Moldova Distribuţie SA	
5	SC ENEL Distribuţie Muntenia SA	
6	SC FDEE Electrica Distribuţie Muntenia Nord SA	
7	SC FDEE Electrica Distribuţie Transilvania Sud SA	
8	SC FDEE Electrica Distribuţie Transilvania Nord SA	
E	Incumbent suppliers	
1	SC CEZ Vanzare SA	Incumbent suppliers acting also as suppliers on the competitive market
2	SC ENEL Energie SA	
3	SC E.ON Moldova Furnizare SA	
4	SC ENEL Energie Muntenia SA	
5	SC FFEE Electrica Furnizare Muntenia Nord SA	
6	SC FFEE Electrica Furnizare Transilvania Sud SA	
7	SC FFEE Electrica Furnizare Transilvania Nord SA	

No.	Name
F	Electricity Suppliers acting exclusively on the wholesale market
1	SC Atel Energy Romania SRL
2	SC CEZ as
3	SC CEZ Trade Romania SRL
4	SC EFT Romania SRL
5	SC Electrabel Romania SRL
6	SC Encaz SRL
7	SC Enel Trade Romania SRL
8	SC Energy Distribution Services SRL
9	SC Energy Market Consulting SRL
10	SC E.ON Energy Trading AG
11	SC Edison Trading SpA
12	SC Ezpada SRL
13	SC Global Electric Trading SRL
14	SC Grivco SA
15	SC Jas Budapest Zrt
16	SC Korlea Invest SRL
17	SC Merrill Lynch Commodities (Europe)
18	SC Re Energie SRL
19	SC Romelectro SA
20	SC Rudnap SRL
21	SC RBS Sempra Energy Europe Ltd
22	SC Statkraft Romania SRL
23	SC Transelectric Power SA
No.	Name
G	Electricity Suppliers
1	SC Alro SA
2	SC Also Energ SA
3	SC Arelco Distribuţie SRL
4	SC Beny Alex SRL
5	SC Biol Energy SRL
6	SC Buzmann Industries SRL
7	SC EFE Energy SRL
8	SC EGL Gas & Power Romania SA
9	SC Ehol Distribuţie SRL
10	SC Elcomex EN SRL
11	SC Electrica SA
12	SC Electricom SA
13	SC Electromagnetica SA
14	SC Energottans
15	SC Energy Holding SRL
16	SC Energy Network SRL
17	SC Enex SRL
18	SC Ennet Grup SRL
19	SC Enol Grup SA
20	SC EURO-PEC SA
21	SC Fidelis Energy SRL
22	SC GDF SUEZ Energy Romania SA
23	SC General Com Invest SRL
24	SC Gevco SRL
25	SC Hidroconstructia SA
26	SC ICCO Electric SRL
27	SC ICPE Electrocond Technologies SA
28	SC Luxten LC SA
29	SC Petprod SRL
30	SC Renovation Trading SRL
31	SC Timmar Ind SA
32	SC Total Electric Oltenia SA
33	SC Transenergo Com SA
34	SC UCM Energy SRL

*) The electricity market participants report to ANRE technical/commercial data according to the *Methodology of wholesale electricity market monitoring for assessing the competition level on market and preventing the abuse of dominant position*, approved by ANRE Order no. 35/2006. The table does not include the Balancing Responsible Parties (BRP). The BRP updated list is published on the Balancing Market Operator website - www.ope.ro.

3. Generation structure of National Energy System on resources types

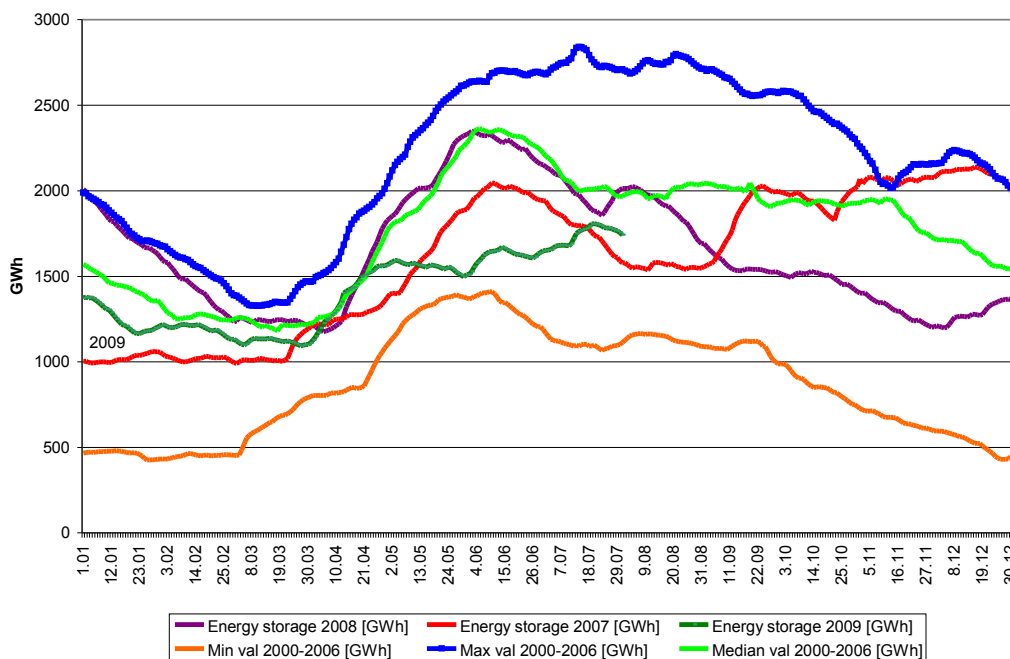
Electricity structure by primary sources
(delivered by generators with dispatchable units)
July 2009



Source: Monthly reports of generators – processed by MG

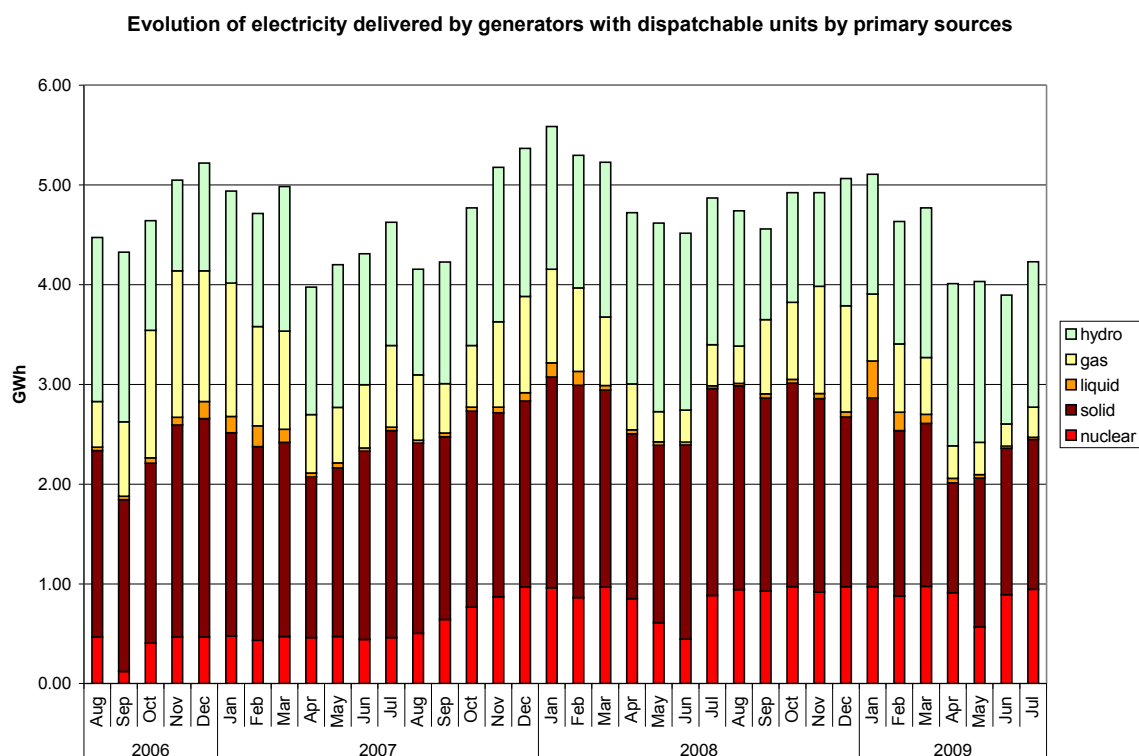
The electricity generated from hydro resources depends on and at the same time influences the energy stored in the main water reservoirs. The following graph presents the evolution of daily amounts of energy storage in July 2009 compared to daily values in 2007 and 2008 and to minimum, maximum and median values during 2000-2006.

Yearly evolution of daily values of energy stored in the main water reservoirs



Source: Monthly reports of S.C. Hidroelectrica S.A. – processed by MG

The evolution of delivered electricity structure, starting with August 2006, is the following:



Source: Monthly reports of generators – processed by MG

The following table presents the main data regarding the physical balance of electricity for July 2009 and for the first 7 months of 2009, compared to data for similar periods of 2008:

No.	Indicator	MU	July 2008	July 2009	%	Jan-Jul 2008	Jan-Jul 2009	%
0	1	2	3	4	$5=4/3*100$	6	7	$8=7/6*100$
1	Generated electricity	TWh	5.24	4.52	86.29	37.75*	33.05	87.56
2	Delivered electricity	TWh	4.87	4.23	86.92	34.86*	30.68	88,02
3	Import	TWh	0.09	0.02	22.74	0.49	0.45	91.51
4	Export	TWh	0.46	0.19	40.47	3.36	2.26	67.34
5	Internal consumption	TWh	4.50	4.07	90.33	31.99*	28.87	90.24
6	Consumption of household consumers on the regulated market	TWh	0.79*	0.85	107.59	5.99*	6.41	107.01
7	Consumption of non-households consumption	TWh	3.12	2.65	84.94	21.11	17.63	83.51
7.1	<i>on the regulated market</i>	TWh	1.12*	1.02	91.07	7.68*	7.28	94.79
7.2	<i>on the competitive market</i>	TWh	2.00	1.63	81.50	13.43	10.35	77.07
8	Transmission – Injection component	TWh	4.79	4.08	85.26	34.20	29.99	87.69
9	Transmission – Extraction component	TWh	4.85	4.17	85.89	34.70	30.56	88.09
10	System services	TWh	4.85	4.17	85.89	34.70	30.56	88.09

11	Actual transmission grid losses	TWh	0.08	0.08	101.07	0.59	0.57	96.12
12	Heat generated for delivery	Tcal	685.25	523.13	76.34	11588.31*	10604.21	91.51
13	Heat in co-generation	Tcal	537.82	390.59	72.62	9398.18*	8729.50	92.88

Note: 1. Data shown in the table neither include the energy produced by the generators who do not own dispatchable units (positions 1 & 2) nor the energy delivered to the consumers directly connected to the power plants (positions 6 & 7).
2. The imported/exported quantities do not comprise transits and cross border exchange of CN Transelectrica SA with neighbor countries in order to ensuring the balance of the national energy system.
3. The electricity considered for transmission tariff – injection component do not comprise the electricity sold by generators for covering the transmission losses.
* Data published into Report on monitoring results of the electricity market – July 2008 were modified due to some corrections made by market participants

4. Transactions' structure on the wholesale electricity market

The size of wholesale market depends on the sum of all transactions performed by the market players, exceeding the quantities physically transmitted from generation to consumption; the total transactions include also resale transactions made in order to match the contractual obligations and to obtain financial benefit.

Therefore, the wholesale electricity market includes: regulated contracts and bilateral negotiated contracts between generators and suppliers, regulated contracts for covering the network losses, bilateral negotiated contracts generator-generator and supplier-supplier, as well as contracts concluded on centralized markets: CMBC (centralized market of bilateral contracts), CMBC-CN (centralized market of partially standardised bilateral contracts, with continuous negotiation) and on the Power floor of RCE (Romanian Commodities Exchange), transactions on DAM (day-ahead market) and on BM (Balancing Market).

The volumes traded and the average prices on each type of contracts and on the main components of the wholesale market are presented in the table below for July 2009 compared to the volumes of the month before and July 2008:

TRANSACTIONS ON THE WHOLESALE MARKET	June 2009	July 2009	July 2008
1. BILATERAL CONTRACTS' MARKET			
traded volume (GWh)	4822	5248	5526
% from internal consumption (%)	127.6	129.0	122.7
average price (lei/MWh)	154.20	156.91	145.33
1.1. Sales on regulated contracts			
traded volume (GWh)	2107	2194	2410
% from internal consumption (%)	55.7	53.9	53.5
average price (lei/MWh)	150.70	154.58	146.30
1.2. Sales on negotiated contracts*			
traded volume (GWh)	2715	3054	3116
% from internal consumption (%)	71.8	75.1	69.2
average price (lei/MWh)	156.91	158.57	144.58
2. EXPORT			
traded volume** (GWh)	155	185	458
% from internal consumption (%)	4.1	4.6	10.2
average price (lei/MWh)	152.82	158.12	188.97***
3. CENTRALISED MARKETS OF CONTRACTS			
traded volume (GWh)	435	469	692
% from internal consumption (%)	11.5	11.5	15.4
average price (lei/MWh)	188.38	191.57	178.63

4. DAY AHEAD MARKET			
traded volume (GWh)	616	636	394
% from internal consumption (%)	16.3	15.6	8.8
average price (lei/MWh)	139.11	153.23	194.63
5. BALANCING MARKET			
traded volume (GWh)	239	254	198
% from internal consumption (%)	6.3	6.2	4.4
upward volume (GWh)	66	93	104
average negative imbalance price(lei/MWh)	241.12	231.84	236.78
downward volume (GWh)	173	161	94
average positive imbalance price (lei/MWh)	96.18	97.72	78.16
INTERNAL CONSUMPTION (includes distribution and transmission losses) (GWh)	3779	4067	4503

Note: * Contracts of supply to consumers and contracts of export are not included

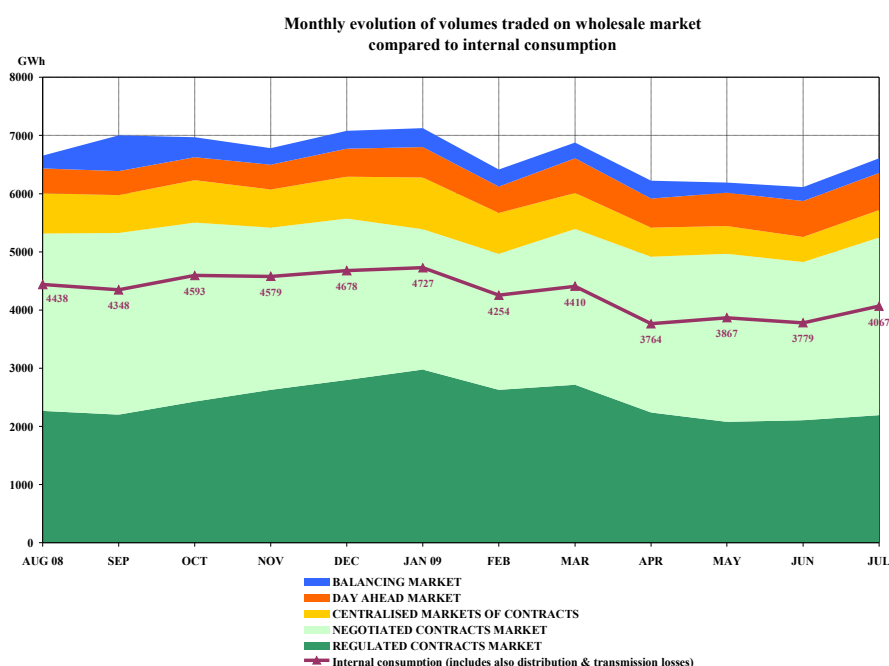
** Export volumes correspond to the quantities for which CN Transelectrica SA applied extraction component of transmission tariff for export, which in some cases are different to those reported as traded by participants

***Prices in July 2008 are calculated as average of prices reported by the participants; all prices include injection component of transmission tariff, most of them include the extraction component, system service and market administration tariffs and only few of them include value of interconnection capacity.

The percentage of electricity quantities from the internal consumption (see table from above) offers a dimensional reference for each of the specified markets.

The relevance of comparison between the above prices is affected by the fact that, in 2008, the value of injection component of the transmission tariff was not included in all categories of prices; thus, the average selling price on DAM/BM totally included this tariff component, the average selling price for negotiated contracts included it only partially, while the average selling price for regulated contracts did not include it at all. In 2008, the prices for export trades were not reported in an unified manner, but as the *Note* (***) above. Starting with January 2009, all prices are including only the injection component of the transmission tariff, in this way being comparable within a month and making possible the comparison with the previous month.

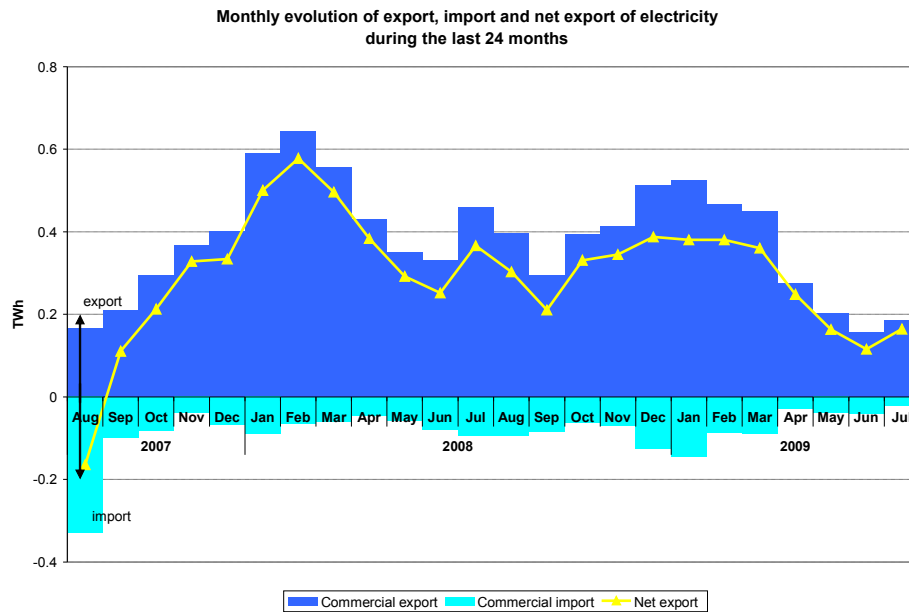
The evolution of the relation between the volumes sold on each market and the estimated internal consumption, for August 2008 – July 2009, is presented below:



Source: Monthly reports of wholesale market participants, SC Opcom SA and CN Transelectrica SA – processed by MG

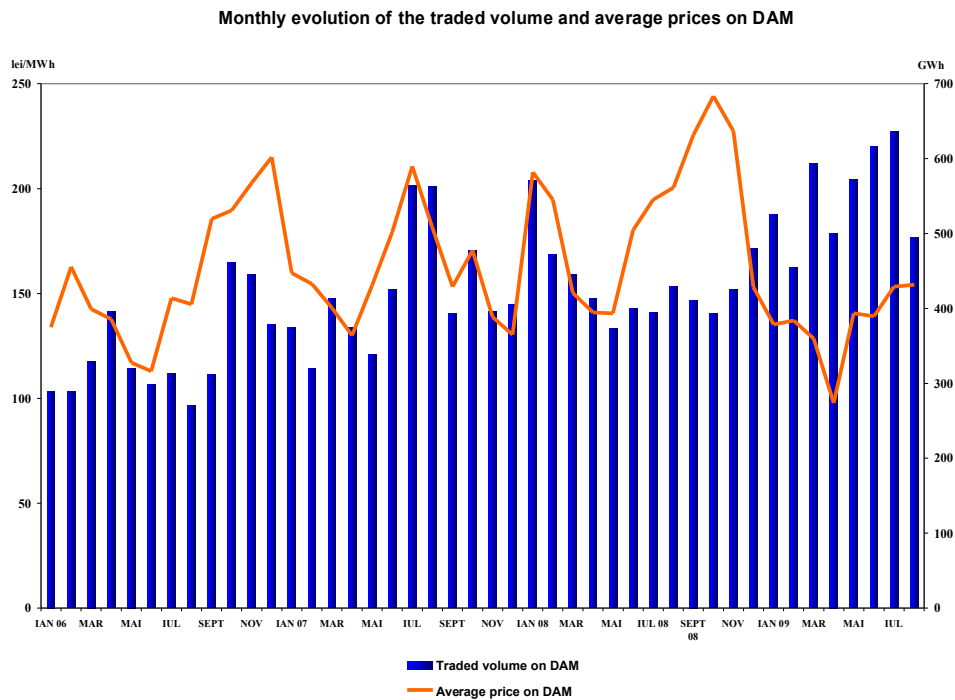
Note: In the above graph, the volumes traded on negotiated contracts' market do not include the export trades

The following graph represents the monthly values of commercial export (quantities for which the extraction component of transmission tariff was applied), commercial import (quantities for which the injection component of transmission tariff was applied) and the net export (export minus import) in the last 24 months:



Source: Monthly reports of CN Transelectrica SA – processed by MG

The following graph presents the volumes and the monthly average prices on DAM starting with January 2006.



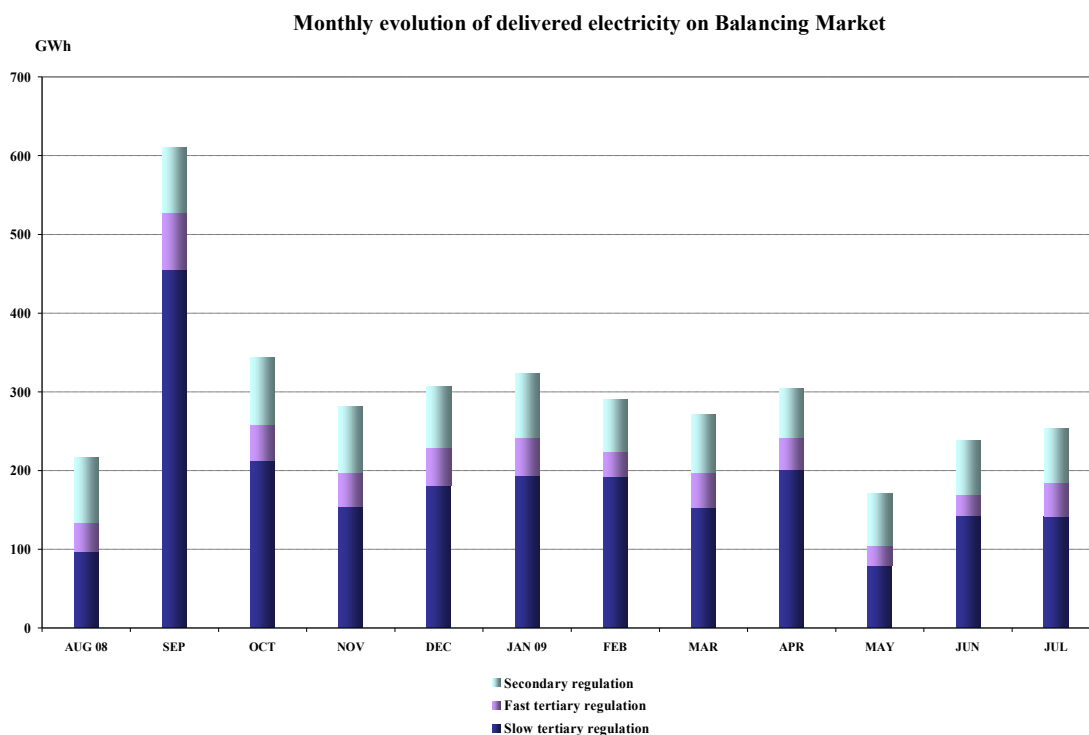
Source: Monthly reports of SC Opcom SA and CN Transelectrica SA – processed by MG

Balancing electricity is determined by the dispatch orders (accepted offers) received by generators. After settlement, the actual electricity delivered by generators on balancing market is determined based on the measured (approved) values; the relation between the accepted and delivered electricity in July 2009 is presented in the following table:

July 2009	Dispatch order (GWh)	Delivered electricity (GWh)	Deviation (%)
Secondary regulation	70	70	0
<i>upward</i>	28	28	0
<i>downward</i>	42	42	0
Fast tertiary regulation	51	42	17
<i>upward</i>	33	29	12
<i>downward</i>	18	14	25
Slow tertiary regulation	155	142	9
<i>upward</i>	41	36	11
<i>downward</i>	114	106	8
TOTAL	276	254	
<i>upward</i>	102	93	
<i>downward</i>	174	161	
INTERNAL CONSUMPTION		4067	
<i>% share of traded volumes from internal consumption</i>		6.2%	

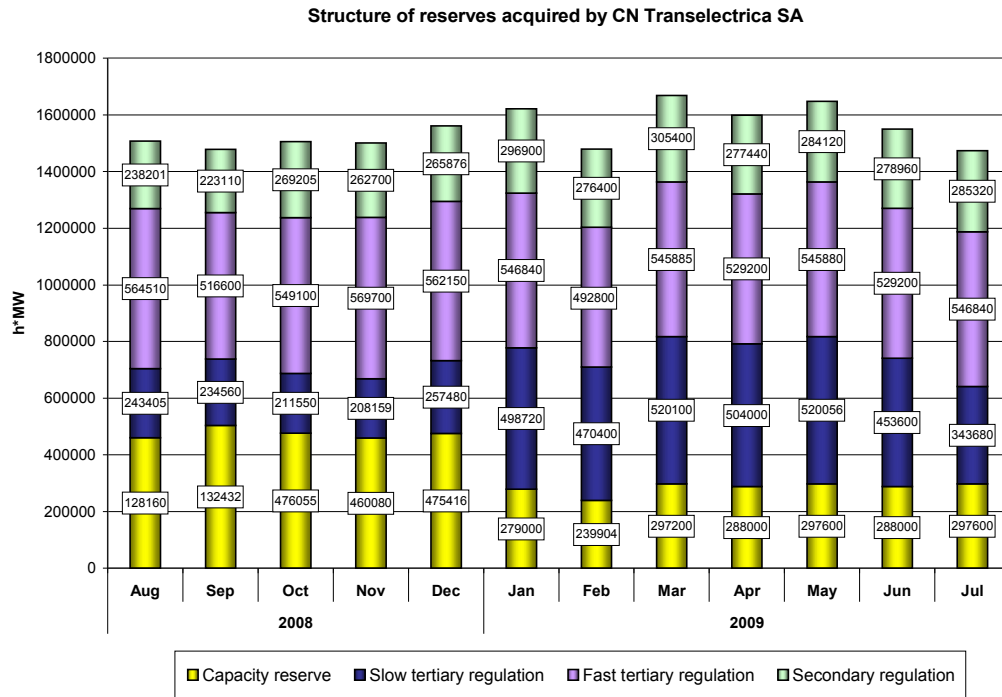
Source: Monthly reports of CN Traselectrica SA – processed by MG

The structure of balancing electricity delivered in the system on each type of regulation between August 2008 – July 2009 is presented in the graph below:



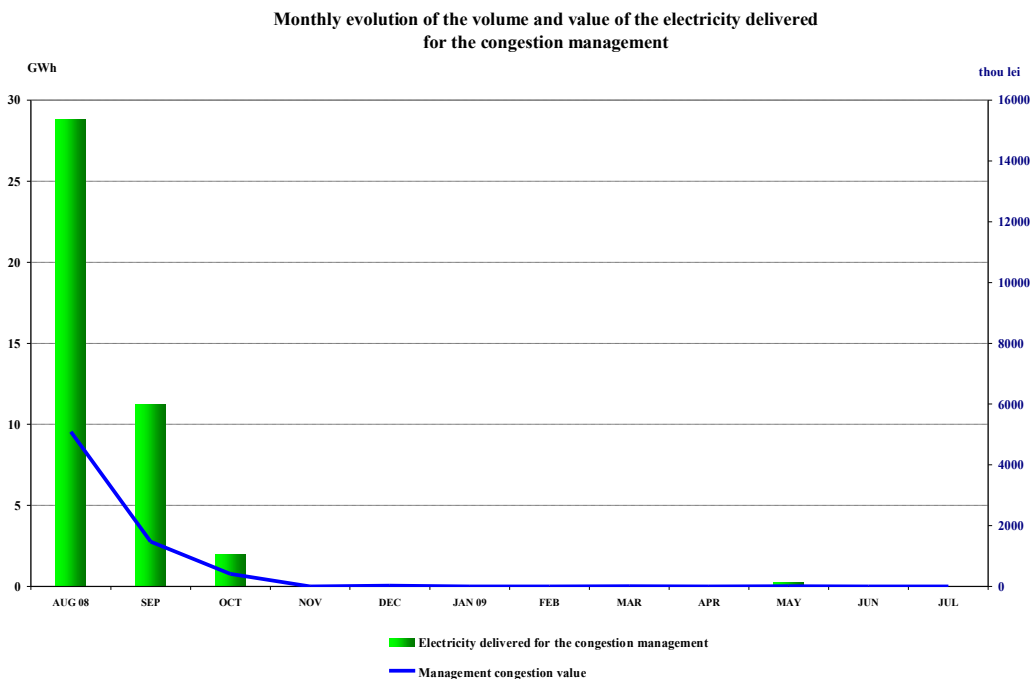
Source: Monthly reports of CN Traselectrica SA – processed by MG

For comparison, the following graph presents the evolution of reserves (ancillary services, i.e. obligations of generators to maintain their contracted capacities available for dispatching/offering on BM) acquired/paid by CN Traselectrica SA during August 2008 – July 2009.



Source: Monthly reports of CN Tranelectrica SA – processed by MG

The following graph presents the last 12-months evolution of electricity traded by CN Tranelectrica SA on the Balancing Market for covering the electricity used for congestion management (in order to solve the congestions occurred within the transmission grid) and the evolution of the values of these transactions.



Source: Monthly reports of CN Tranelectrica SA – processed by MG

5. Trading structure on the wholesale electricity market of different participant categories Generators

The structure of electricity sales obligations contracted before delivery day by the electricity generators with dispatchable units in July 2009 compared to previous month and July 2008 was the following:

- GWh -

Transaction type	June 2009	July 2009	July 2008
0	1	2	3
Regulated to incumbents, thermal generators	858.12	894.45	1039.62
Regulated to incumbents, hydro generator	336.42	289.80	274.15
Regulated to incumbents, nuclear generator	375.35	490.23	494.01
Regulated for distribution losses, thermal generators	200.97	210.41	238.99
Regulated for distribution losses, hydro generator	73.97	62.40	78.19
Regulated for distribution losses, nuclear generator	108.14	144.54	144.61
Regulated for transmission losses, thermal generator	73.43	70.74	79.90
Regulated, to other generators (with return of obligation within a year)	80.63	31.17	60.27
Regulated to other generators, activated on request, with option premium	0.00	0.00	0.00
Negotiated, to distributors	0.00	0.00	0.00
Negotiated, to other generators	148.18	193.82	125.47
Negotiated, to suppliers	939.56	1090.97	1277.77
Contracts concluded on centralized markets (CMBC, CMBC-NC, RCE)	431.09	465.35	663.77
Supply to consumers (regulated and competitive)	177.69	197.72	293.55
Export	103.16	102.54	128.34
DAM	324.88	290.79	219.99
Total	4231.58	4534.92	5118.64

Source: Monthly reports of generators – processed by MG

Suppliers

In July 2009, 64 companies having as main activity the supply of electricity concluded transactions on the electricity market; from these, 23 suppliers traded electricity exclusively on the wholesale market and 41 suppliers on both retail and wholesale markets (in this category are also included the 7 incumbent suppliers).

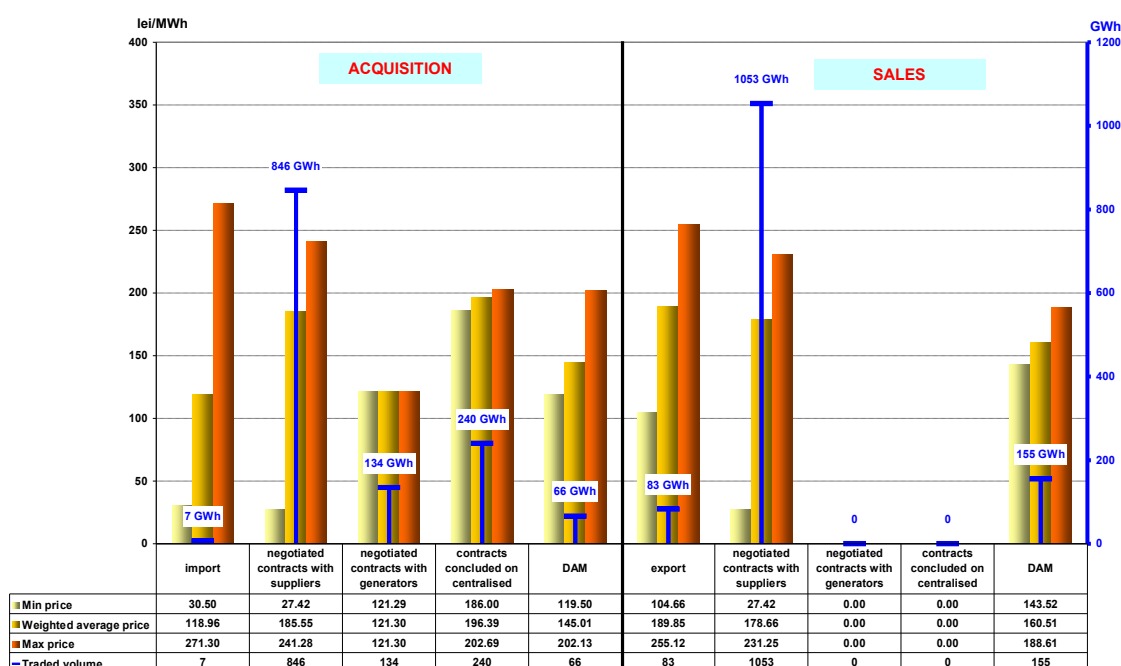
Suppliers acting exclusively on WEM

The following table shows the activity for July 2009 compared to July 2008 of the suppliers acting exclusively on WEM, acquisitions and sales being split by categories of markets/participants:

- GWh -

Transactions' structure of suppliers acting exclusively on WEM	July 2008	July 2009
Acquisitions		
Import	3.74	6.88
Negotiated contracts with suppliers	675.18	845.83
Negotiated contracts with generators	273.09	134.49
Contracts concluded on centralized markets	132.49	240.22
DAM	40.30	65.97
Sales		
Export	306.60	82.72
Negotiated contracts with suppliers	740.90	1053.16
Negotiated contracts with generators	48.91	-
Contracts concluded on centralized markets	-	-
DAM	29.15	155.05

In addition to the data from the table above, the following graph presents the minimum, average and maximum actual prices by categories of transactions completed by the suppliers acting exclusively on WEM (traders) in July 2009:

Transactions concluded by suppliers acting exclusively on WEM
 - July 2009 -


Source: Monthly reports of the competitive suppliers – processed by MG

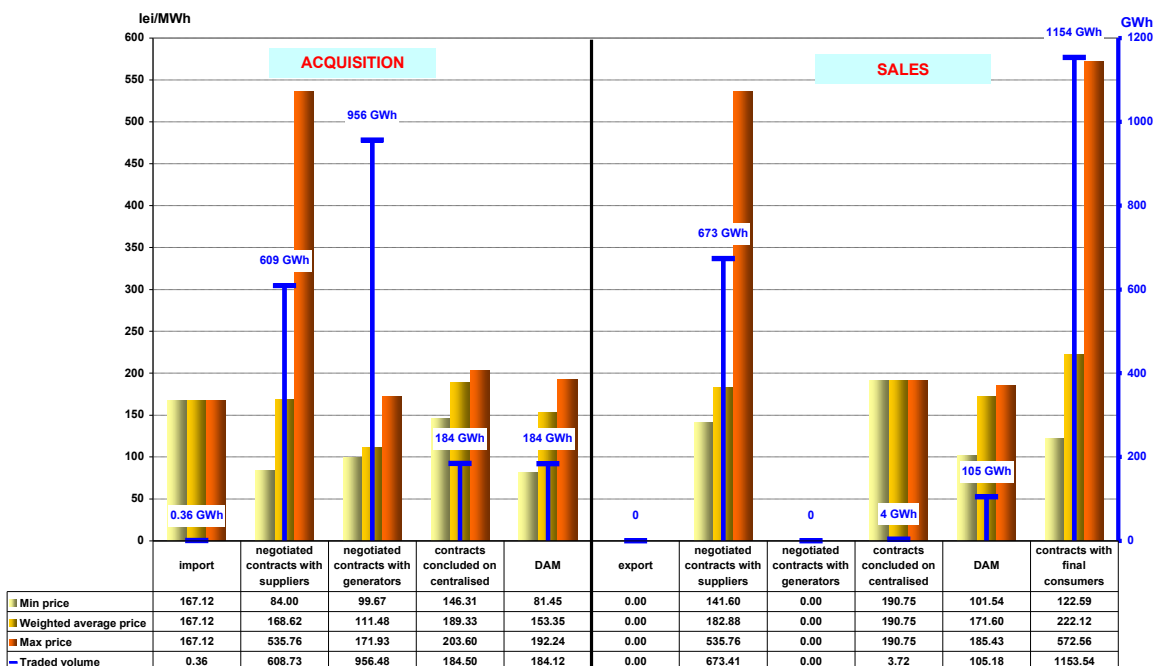
Active suppliers on REM (the incumbent suppliers are not included)

The following table presents aggregated information on transactions volume and structure for suppliers providing electricity to final consumers, on the competitive market, for July 2009 and July 2008.

- GWh -

Transactions' structure of suppliers providing electricity to final consumers (the incumbent suppliers are not included)	July 2008	July 2009
Acquisitions		
Import	57.99	0.36
Negotiated contracts with suppliers	751.38	608.73
Negotiated contracts with generators	1004.75	956.48
Contracts concluded on centralized markets	414.54	184.50
DAM	129.53	184.12
Sales		
Export	23.37	-
Negotiated contracts with suppliers	858.78	673.41
Negotiated contracts with generators	2.32	-
Contracts concluded on centralized markets	28.8	3.72
DAM	74.10	105.18
Final consumers	1388.53	1153.54

In addition to the data from the table above, the following graph presents the sales structure and the minimum, average and maximum actual prices by categories of transactions completed by suppliers providing electricity to final consumers in July 2009:

Transactions concluded by suppliers providing electricity to final consumers
 (incumbent suppliers not included)
 - July 2009 -


Source: Monthly reports of the competitive suppliers – processed by MG

Incumbent suppliers

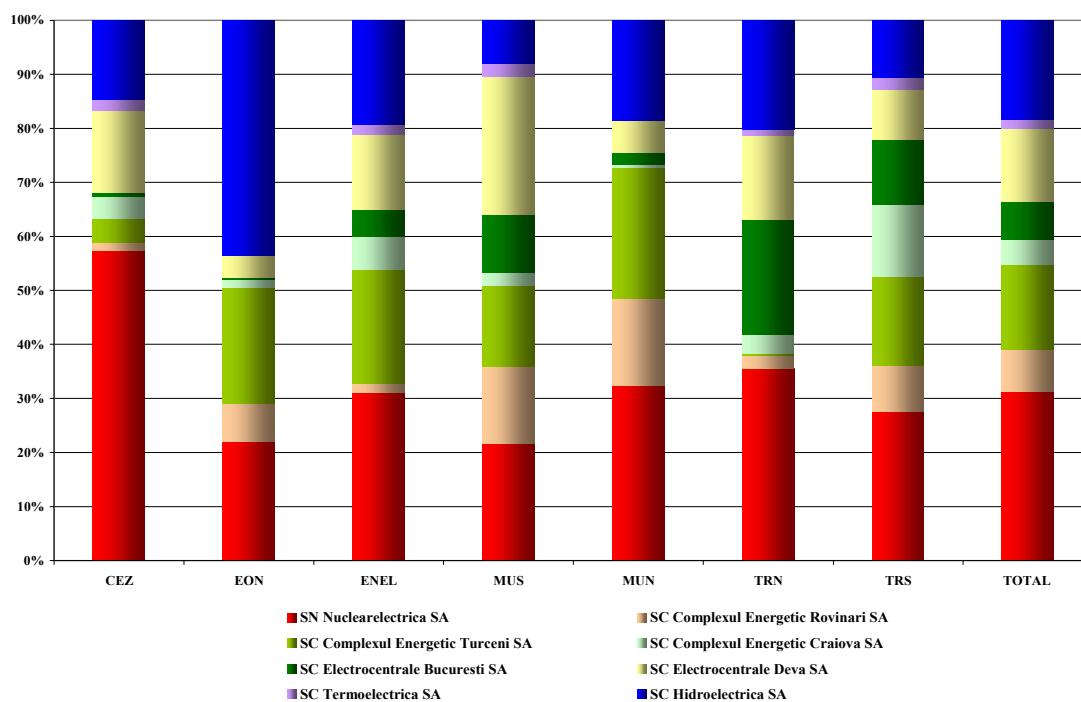
Electricity acquisition structure of incumbent suppliers (before the delivery day), for supplying the regulated market consumers, is presented in the table below, for July 2009 compared to the situation of July 2008:

- GWh -

Acquisition structure of incumbent suppliers for regulated REM component	July 2008	July 2009
Regulated contracts with generators	1829.28	1710.68
Negotiated contracts	27.53	43.90
Contracts concluded on centralized markets	4.20	-
DAM	93.41	148.96

The structure of the electricity purchased by the incumbent suppliers from the main generators on regulated contracts is presented in the following graph for July 2009:

Electricity aquisition from main generators, on regulated contracts, of incumbent suppliers for delivering electricity to final consumers on regulated market
- July 2009 -



Source: Monthly reports of the incumbent suppliers – processed by MG

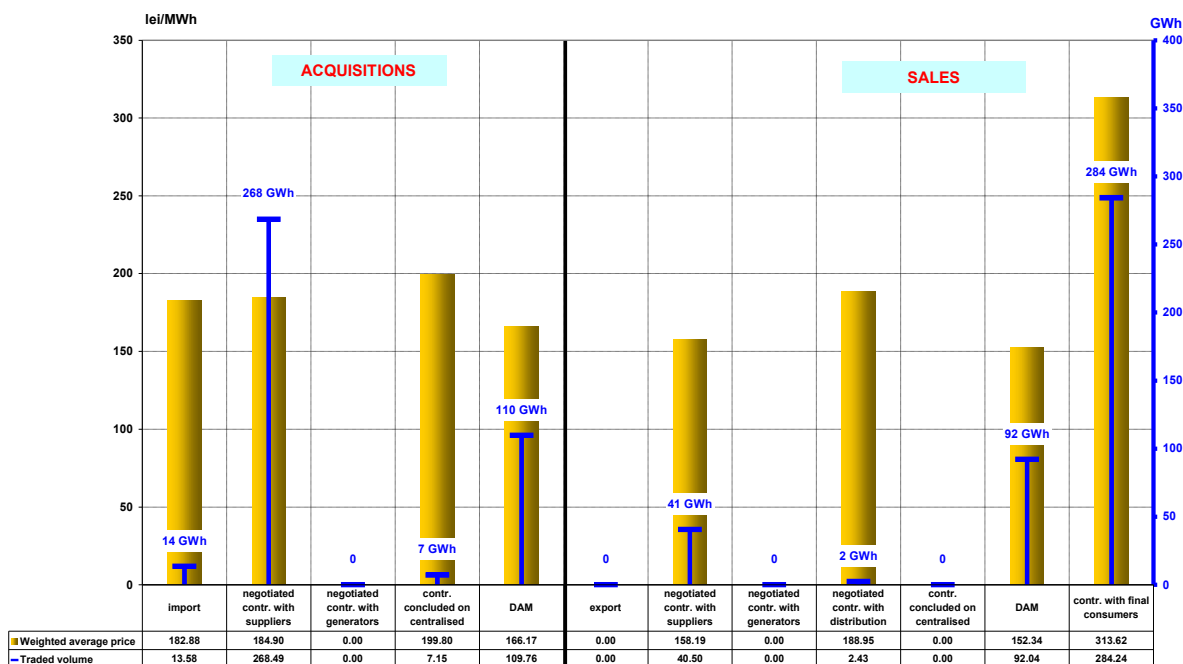
Likewise to the situation presented for the regulated REM, the table below presents the structure of incumbent suppliers' transactions (before the delivery day), corresponding to the competitive REM (energy supplied at negotiated prices to the consumers who renounced to regulated tariffs) for July 2009 compared to July 2008:

- GWh -

Transactions' structure of incumbent suppliers for competitive REM component	July 2008	July 2009
Acquisitions		
Import	30.62	13.58
Negotiated contracts with suppliers	207.23	268.49
Negotiated contracts with generators	-	-
Contracts concluded on centralized markets	112.03	7.15
DAM	57.73	109.76
Sales		
Negotiated contracts with suppliers	66.75	40.50
Negotiated contracts with distributors	-	2.43
DAM	42.61	92.04
Final consumers	318.42	284.24

The structure by types of sources/destinations of the traded volumes combined with the actual average prices of the incumbent suppliers corresponding to the competitive segment of REM is presented in the following graph for July 2009:

Transactions concluded by incumbent suppliers providing electricity on the competitive component of REM - July 2009 -



Source: Monthly reports of the incumbent suppliers– processed by MG

Main distribution operators

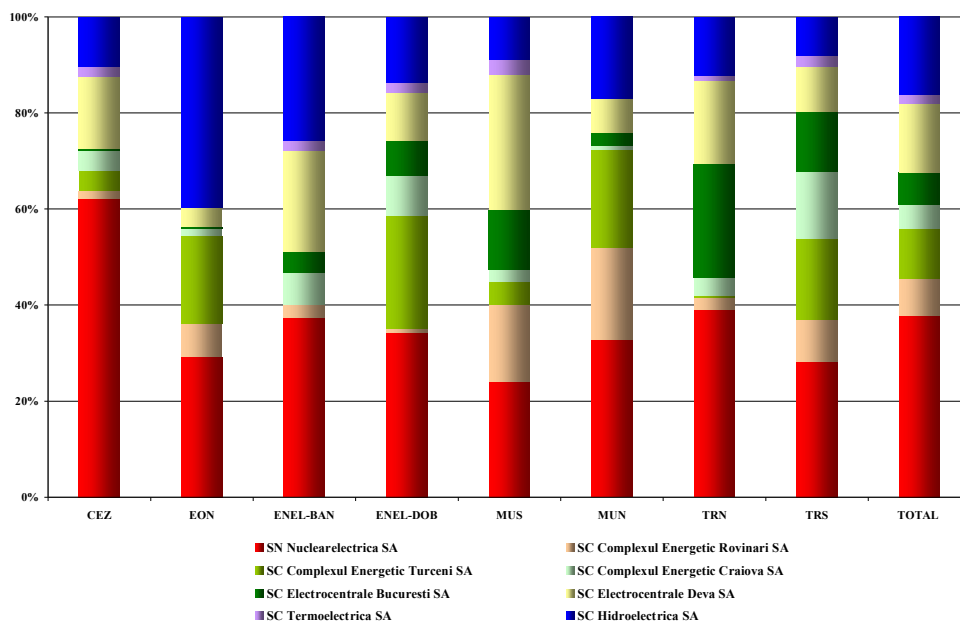
The following table shows the electricity acquisition structure of main distribution operators (before the delivery day), for covering the distribution network losses, for July 2009 compared to July 2008:

- GWh -

Acquisition structure	July 2008	July 2009
Regulated contracts with generators	461.78	417.35
Negotiated contracts with suppliers	-	2.43
Contracts concluded on centralized markets	-	-
DAM	11.30	38.59

The electricity purchased by the 8 distribution operators from the main generators on regulated contracts, for covering their network losses is presented in detail in the following graph, for July 2009:

Electricity acquisition of distribution operators from main generators, on regulated contracts, for covering the distribution losses
- July 2009 -



Source: Monthly reports of the distribution operators – processed by MG

6. Concentration indicators on the wholesale electricity market and its components

According to the economic theory and the EU documents, the following market concentration indicators may be defined:

- HHI, Herfindahl-Hirschman Index = sum of square market shares (%) of participants:

The indicator values signify:

HHI < 1000	non-concentrated market;
1000 < HHI < 1800	moderately concentrated market;
HHI > 1800	highly concentrated market.

- C3 = sum of market shares of the main three participants in the market:

The indicator values signify:

40% < C3 < 70%	moderately concentrated market;
C3 > 70%	highly concentrated market.

These concentration indicators may be defined for the wholesale market (electricity market or ancillary services market) or for each of its components where direct competition takes place.

Concentration indicators and market shares of the electricity generators

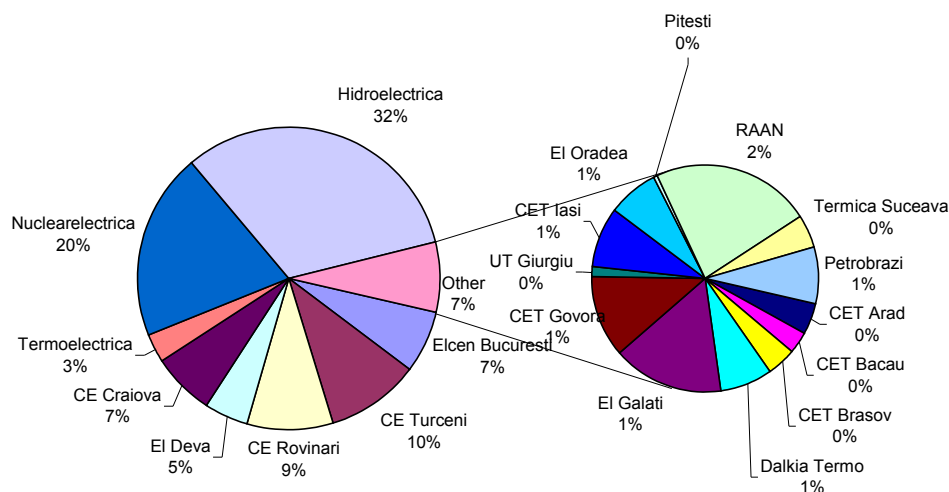
The market structure regarding the electricity generation offers an initial basis for analyzing the possible competitiveness level of the electricity market.

The following table presents the concentration indicators of electricity generation for July 2009, calculated based on electricity delivered into the networks by the generators with dispatchable units.

Concentration indicators - July 2009 -	C1 (%)	C3 (%)	HHI
Value	34	68	2007

The market shares of the electricity generators, taking into account all components of the wholesale electricity market, are presented in the following graph, during the first 7 months of 2009. These market shares are calculated based on the electricity delivered into networks.

**Market shares of generators with dispatchable units by delivered electricity
January - July 2009**



Source: Monthly reports of generators – processed by MG

A component of the WEM where direct competition between generators exists is the Balancing Market (BM). The values of concentration indicators on this market in July 2009 are determined based on effectively delivered electricity, for each type of regulation defined within the Commercial Code, and they are presented in the following table:

Structure/concentration indicators on BM - July 2009 -	Regulation					
	Secondary		Fast tertiary		Slow tertiary	
	upward	downward	upward	downward	upward	downward
C1 (%)	62	63	43	43	43	61
C3 (%)	92	91	82	69	80	85
HHI	4316	4446	2824	2483	2667	4134

The competition between generators is also present when speaking about the ensuring the reserves necessary for security of supply in the NES. Due to the fact that generators have different levels of capabilities for ensuring this type of service, this market has an important regulated component.

The relationship between regulated and competitive components on the Ancillary Services Market (ASM) as well as the main concentration indicators on each type of reserve (secondary, fast tertiary and slow tertiary) are presented in the following table for July 2009:

Concentration indicators on ASM - July 2009 -		Secondary reserve	Fast tertiary reserve	Slow tertiary reserve	Capacity reserve
regulated component	contracted quantity (h*MW)	285320	546840	260400	0
	C1 (%)	61.0	80.0	51.4	0
	C3 (%)	92.2	90.8	100	0
competitive component	contracted quantity (h*MW)	0	0	83280	297600
	C1 (%)	0	0	43.4	60.0
	C3 (%)	0	0	100	100
	HHI	0	0	3540	4461

Concentration Indexes for the Day Ahead Market

Day Ahead Market (DAM) is a voluntary market, opened both for buying and selling for all types of market participants: generators, suppliers, grid operators, under applicable regulations.

The concentration indicators on DAM reflects the level of competition between sellers and between buyers respectively, the dynamics of both influencing the price level. The following table presents C1, C3 and HHI for buying and for selling side of DAM in July 2009, based on quantities traded by participants on this market.

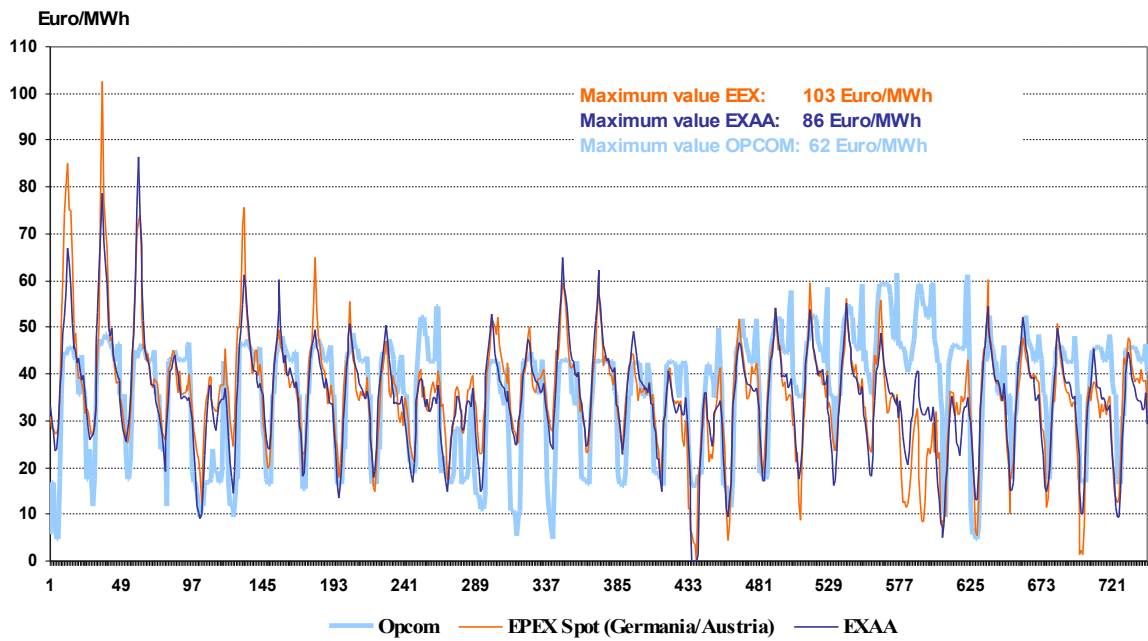
Concentration indicators on DAM - July 2009 -	C1 (%)	C3 (%)	HHI
Buying transactions	19	41	893
Selling transactions	14	36	710

7. Price evolution on wholesale electricity market

SC Opcom SA is the administrator of DAM. The MCP on DAM represents a reference value for the prices on the bilateral contracts. The evolution of hourly and daily average prices on DAM in July 2009 is presented in the following graphs, along with the prices on EEX and EXXA.

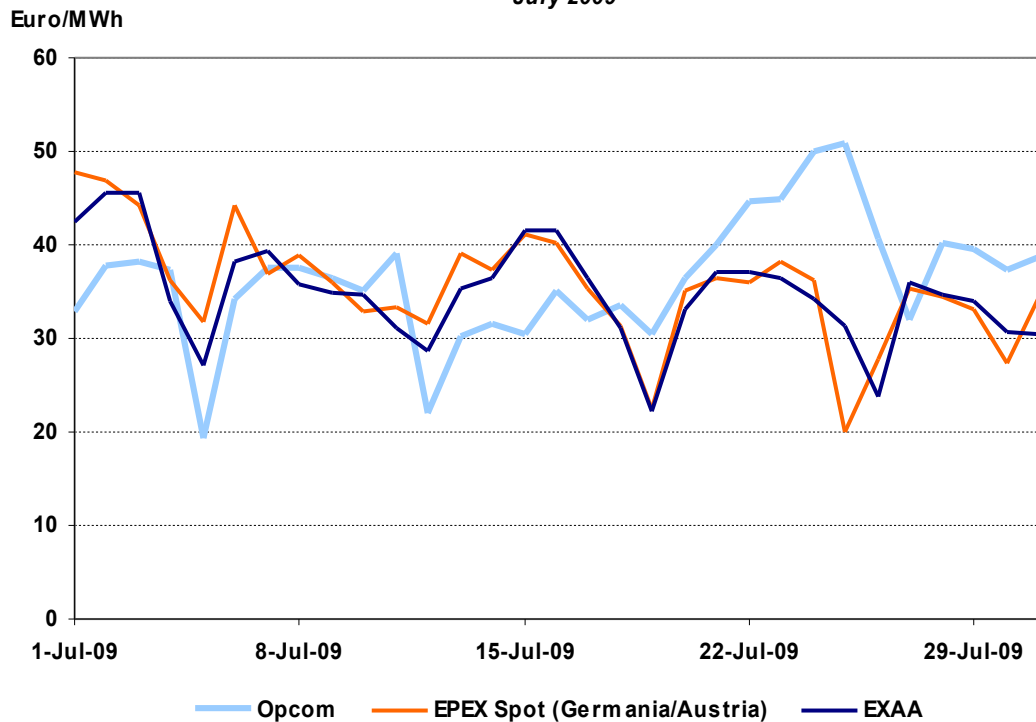
For comparison with prices on the European power exchanges, the spot price on SC Opcom SA is denominated in EUR, taking into consideration the daily exchange rates Euro/leu communicated by the National Bank of Romania.

HOURLY SPOT PRICES
July 2009



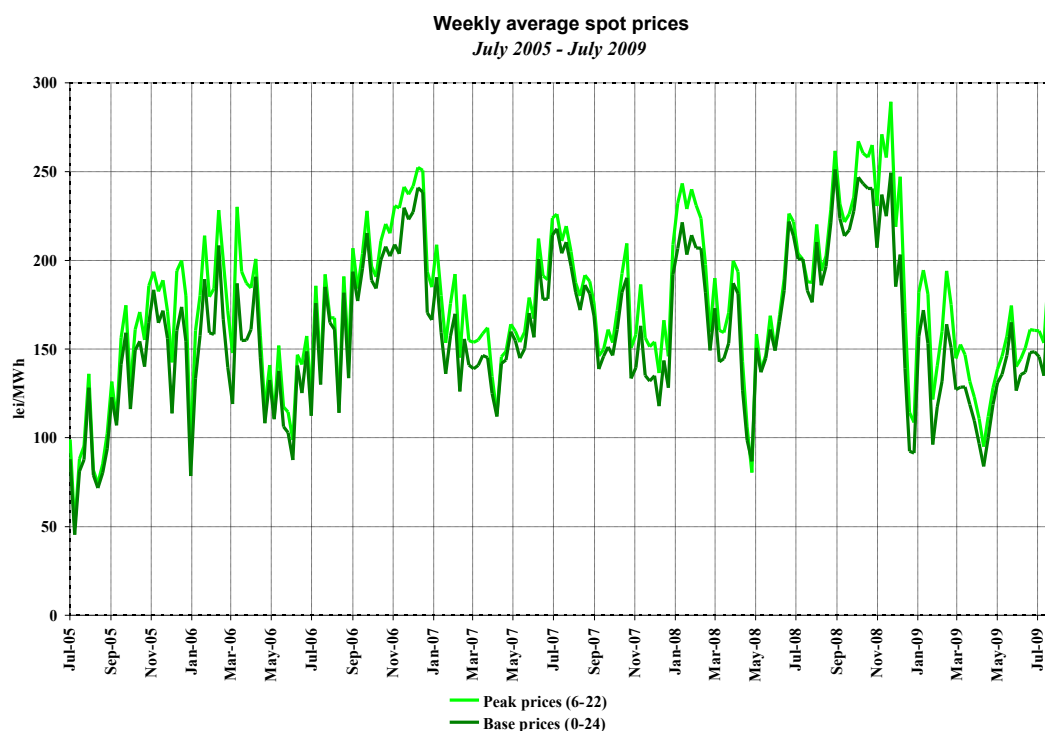
Source: Daily reports of SC Opcom SA and published data of EXAA and EEX
– processed by MG

DAILY AVERAGE SPOT PRICES
July 2009



Source: Daily reports of SC Opcom SA and published data of EXAA and EEX
– processed by MG

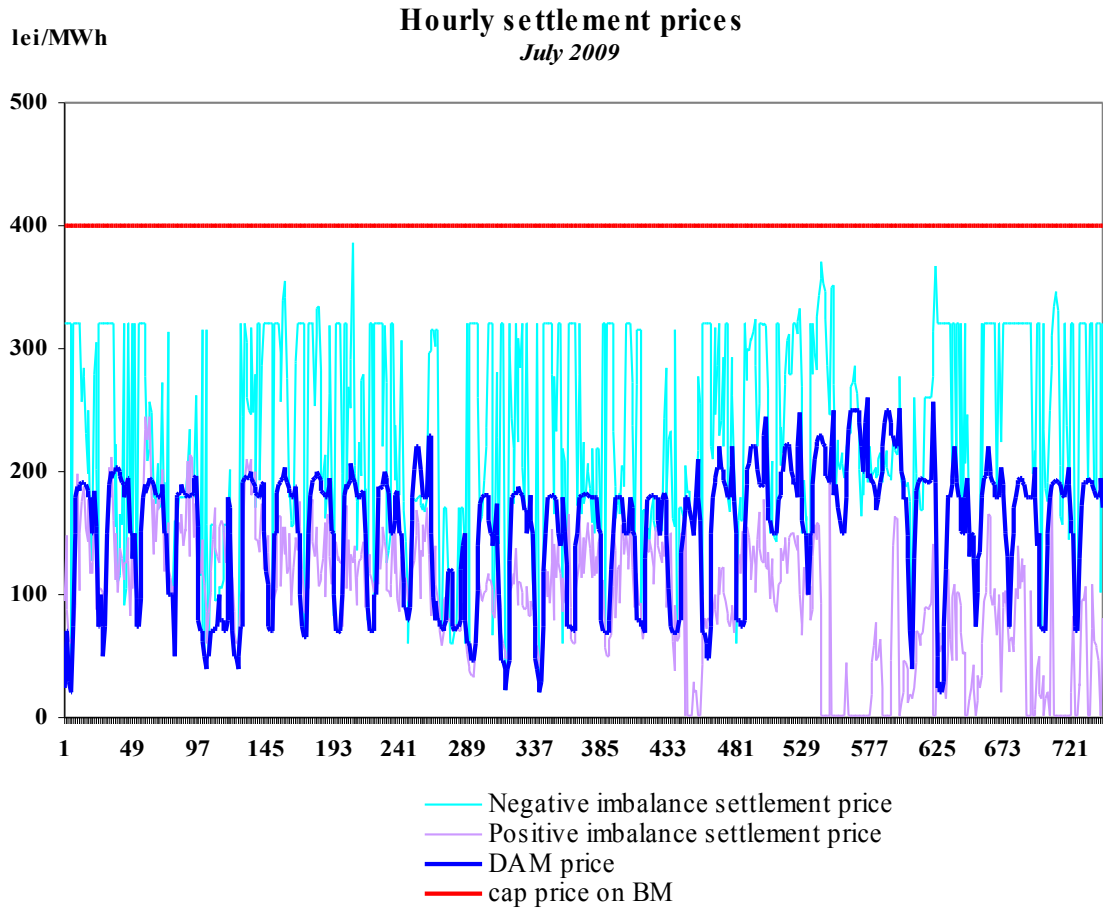
The following graph presents the evolution of weekly average spot prices starting with July 2005:



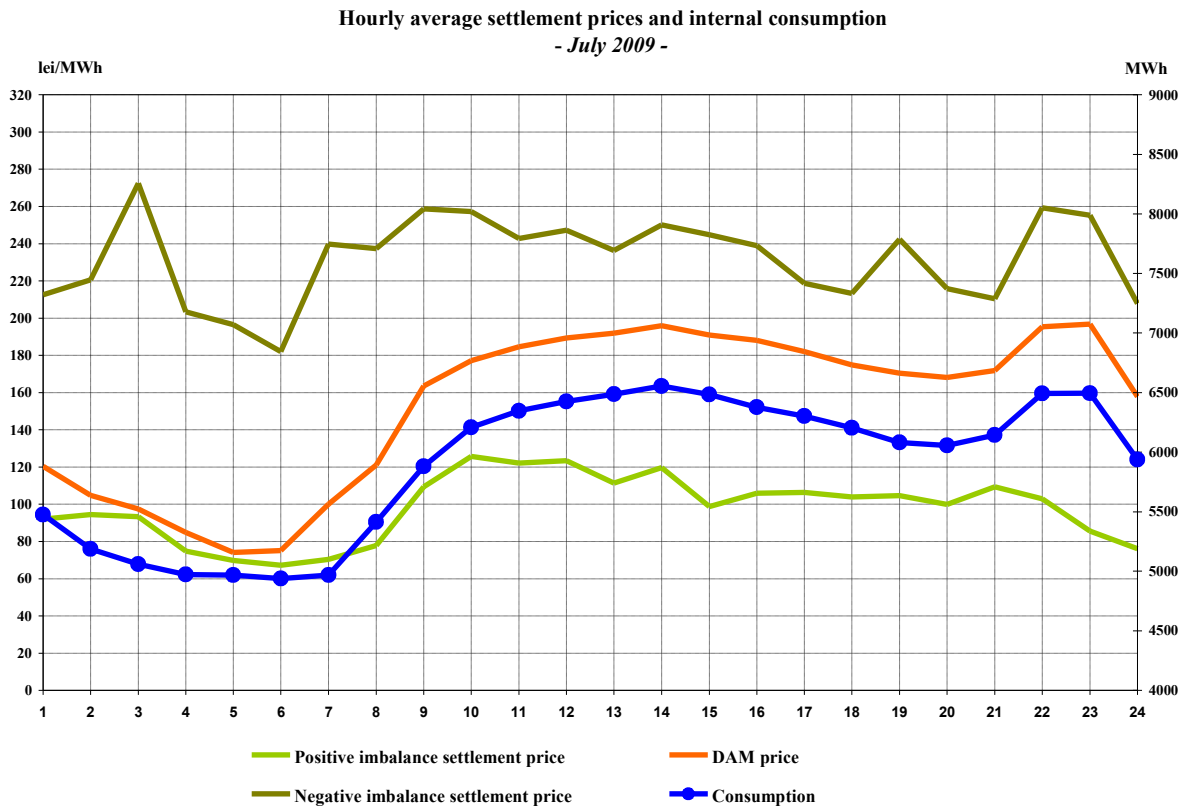
Source: Daily reports of SC Opcom SA – processed by MG

In order to cover the differences between planned/contracted amounts of consumption/generation and the real time consumption, the system operator (CN Transelectrica SA) operates the BM by buying or "selling" electricity at prices determined by the merit order of dispatchable generators' offers. The participants who generate the imbalances, grouped in BRPs, have to bear the imbalances costs. For the negative imbalances, they have to pay the settlement price resulting from the upward bids accepted on the BM, while for the positive imbalances they receive the settlement price resulting from the downward bids accepted on the BM.

The settlement prices (MCP on DAM, negative imbalance settlement price and positive imbalance settlement price) are represented on the same graph, showing the two markets correlation degree. In the first graph the prices are expressed in hourly values, in the second graph in hourly average values compared to internal consumption, and in the last graph in average monthly values.

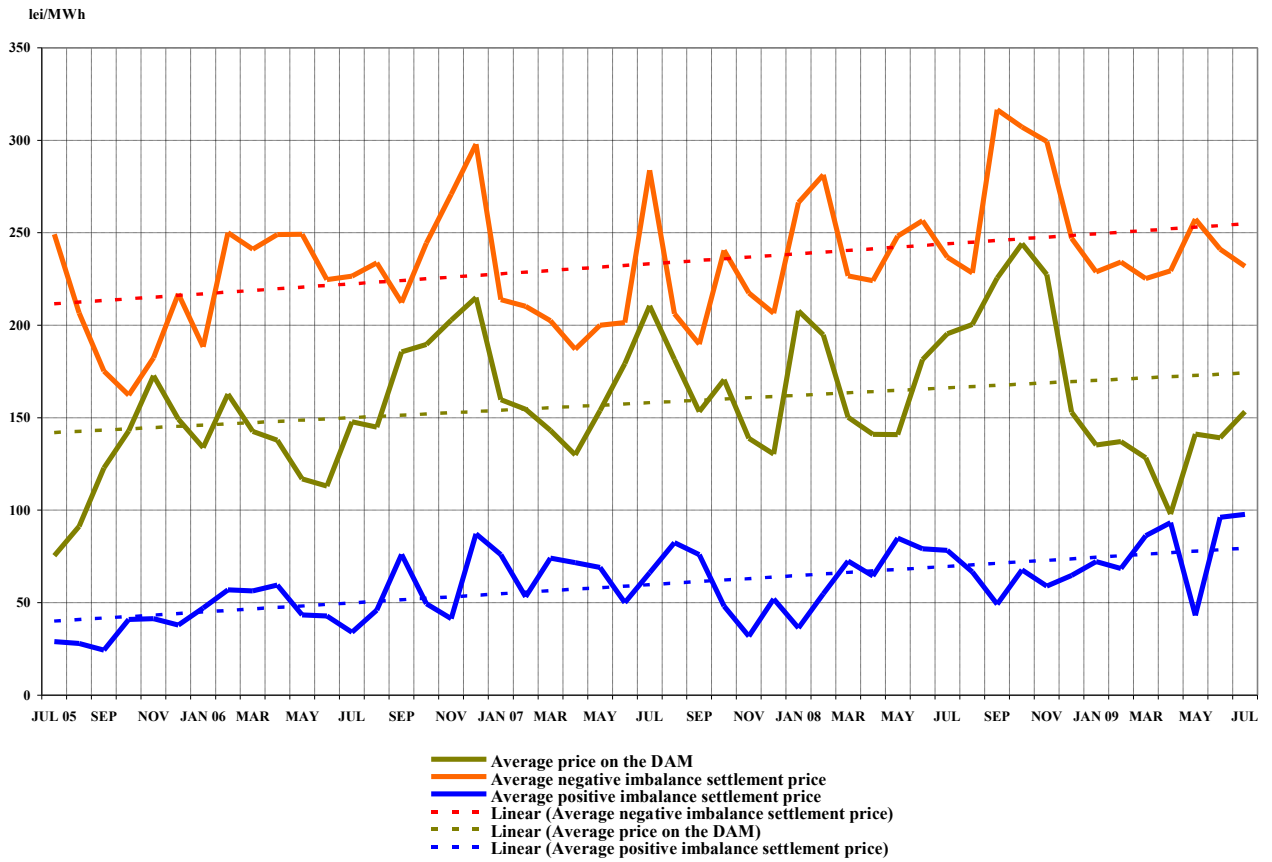


Source: Daily/monthly reports of SC Opcom SA – processed by MG



Source: Monthly reports of SC Opcom SA and CN Transelectrica SA – processed by MG

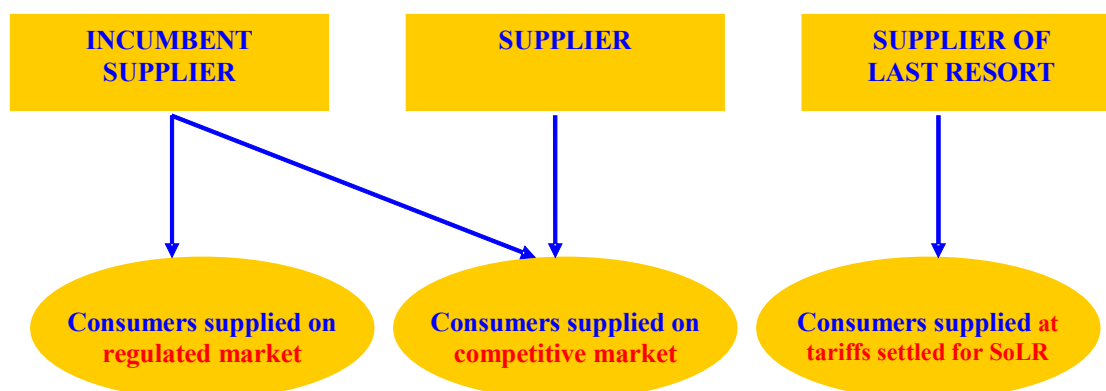
Monthly average prices on DAM and BM
July 2005 - July 2008



Source: Monthly/daily reports of SC Opcom SA – processed by MG

III. RETAIL ELECTRICITY MARKET

1. Structure of the retail electricity market



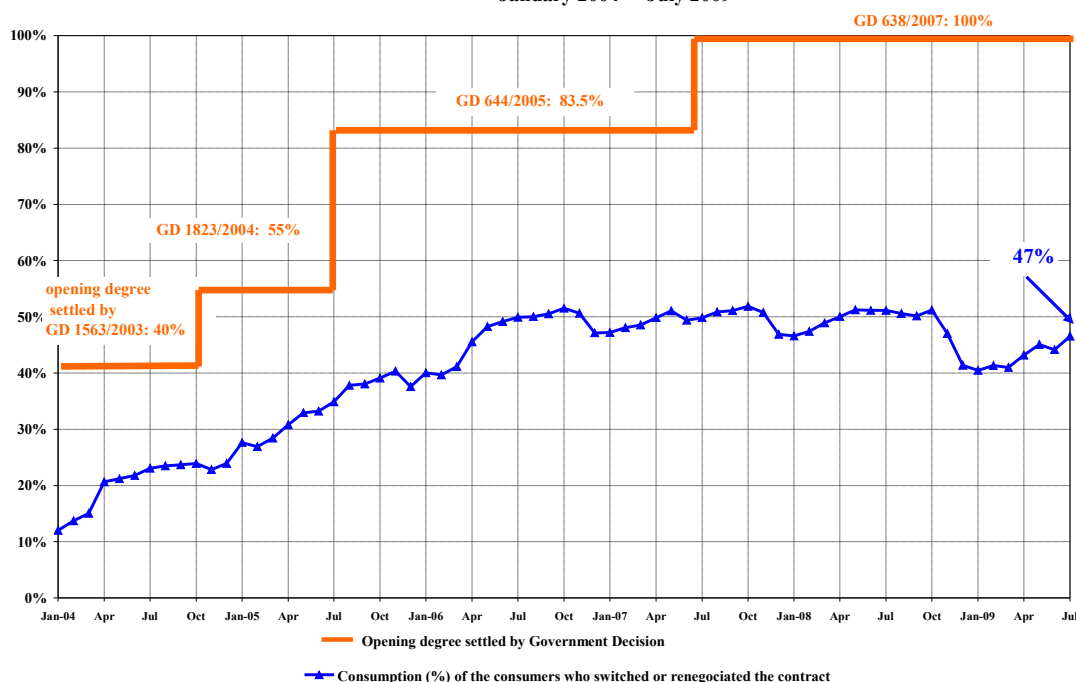
2. Steps in the opening process of the electricity market

Government Decision	Opening degree %	Annual consumption threshold GWh/year
No. 122/2000, published in O.G. 77/21.02.2000	10	100
No. 982/2000, published in O.G. 529/27.10.2000	15	100
No. 1272/2001, published in O.G. 832/21.12.2001	25	40
No. 48/2002, published in O.G. 71/31.01.2002	33	40
No. 1563/2003, published in O.G. 22/12.01.2004	40	20
No. 1823/2004, published in O.G. 1062/16.11.2004	55	1
No. 644/2005, published in O.G. 684/29.07.2005	83.5	-
No. 638/2007, published in O.G. 427/27.06.2007	100	-

3. Electricity market opening degree

The following graph contains the quota of the consumption from total consumption, of the consumers who switched their supplier or renegotiated their contracts with the suppliers operating on the regulated market, during January 2004 – July 2009. The values presented are cumulated from the beginning of the opening process and are presented monthly:

Opening degree evolution for electricity market
January 2004 - July 2009



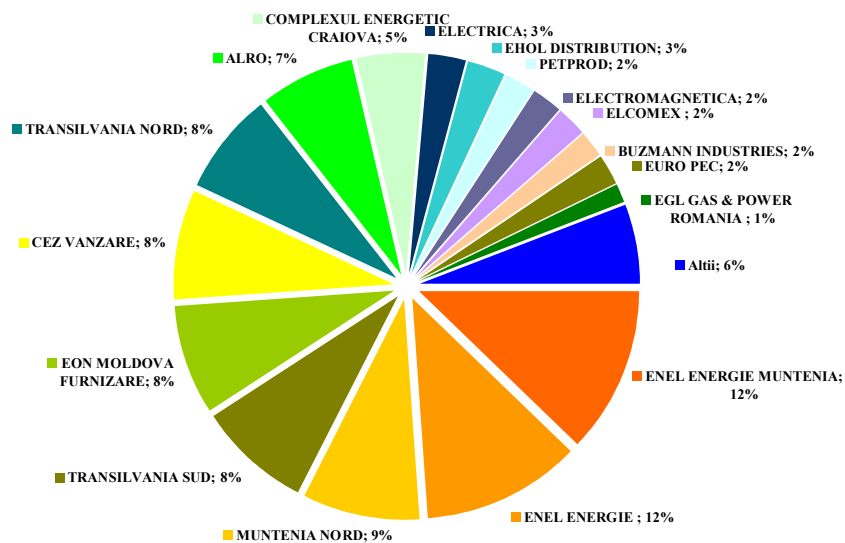
Source: Monthly reports of the final consumers' suppliers – processed by MG

4. Market shares of the electricity suppliers

In the following three graphs there are presented the market shares of electricity suppliers on the retail market, calculated:

- a) for all suppliers (including the incumbents) on REM – based on the electricity supplied to the consumers on regulated tariffs as well as to the consumers who switched their supplier or renegotiated their contract;

Market shares of suppliers for final consumers
- January - July 2009 -

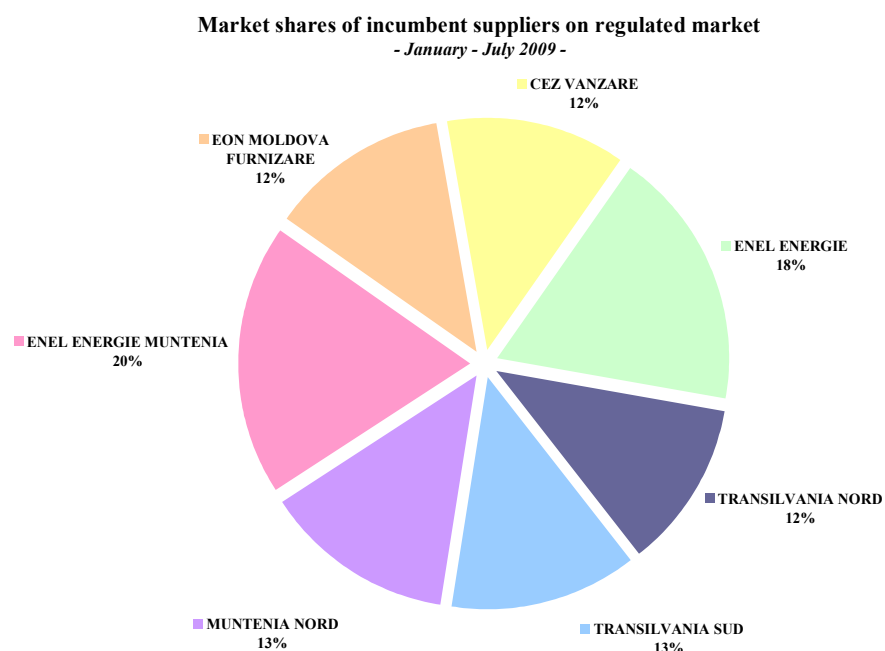


Final consumption: 24042 GWh

Category "Others" includes 29 suppliers with individual market share less than 1%

Source: Monthly reports of the incumbent suppliers – processed by MG

- b) for incumbent suppliers - based on the electricity supplied to the consumers at regulated tariffs,

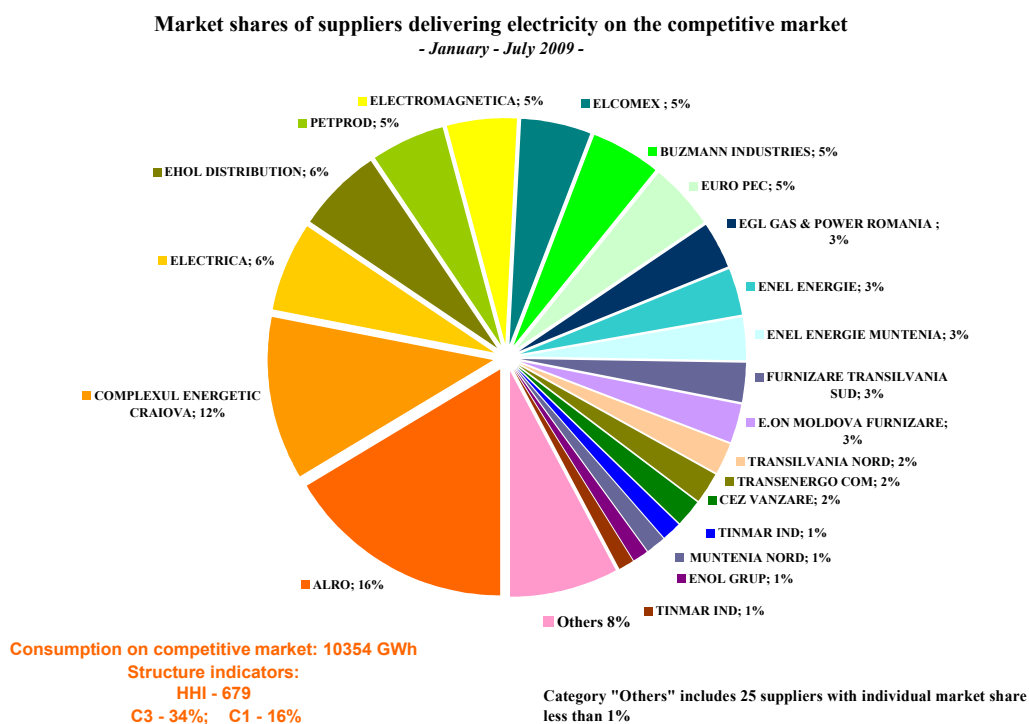


Consumption of consumers supplied at regulated tariffs: 13688 GWh

Source: Monthly reports of the incumbent suppliers– processed by MG

and

- c) for all suppliers (including the incumbents) based on the electricity supplied for the consumers at negotiated prices on competitive component of REM:



Source: Monthly reports of the competitive suppliers– processed by MG

The values of market indicators were calculated without taking into consideration the dominance principle. The delivered electricity used for determining the market share of each supplier comprises the self-consumption of the largest industrial consumer which owns a supply license and based on it acquired its electricity from the WEM as a competitive supplier.

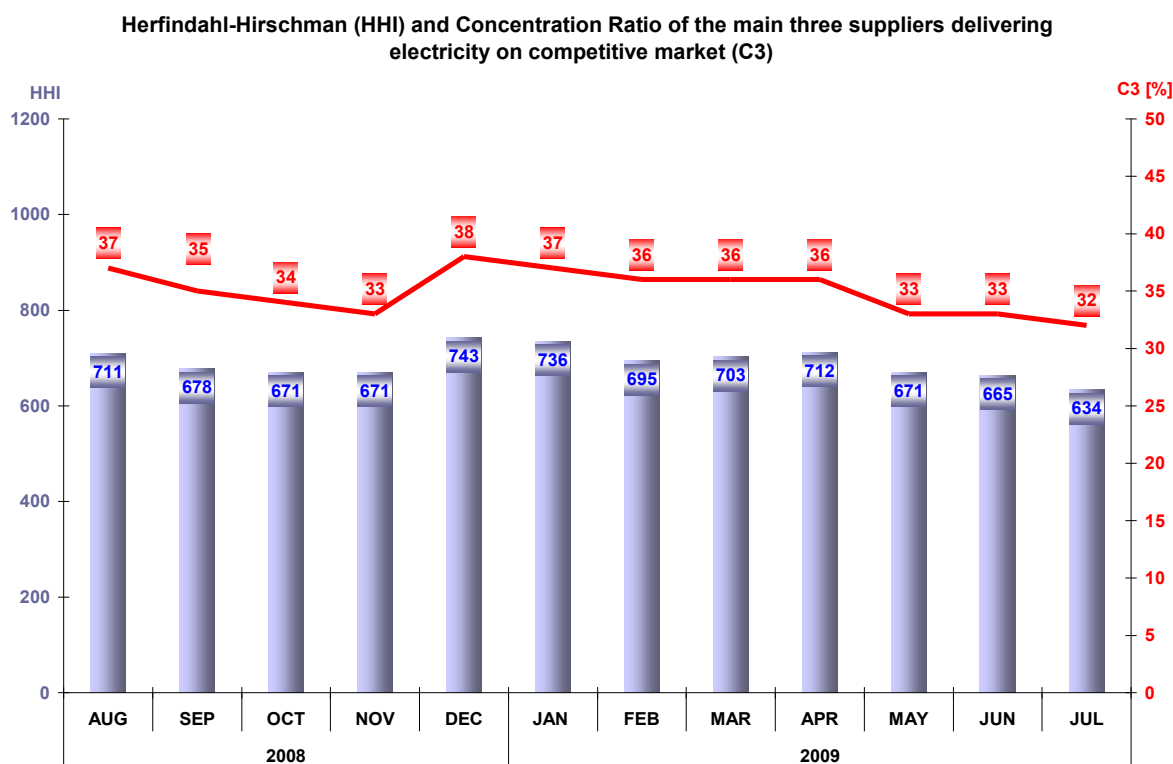
The electricity supplied to the final consumers used for calculating the market share of every supplier includes also the self-consumption of that particular supplier (e.g. consumers with supply license who buy electricity for themselves from WEM as competitive suppliers).

The analysis of the competitive suppliers' activity on the competitive REM component compared to their activity on the WEM is developed based on the weight of the electricity sold to final consumers in total electricity sales. The table below presents the number of suppliers acting on the REM, grouped into categories of sales weight during July 2009:

Number of suppliers - July 2009 -	Share of sales to final consumers from total sales transactions			
	100%	75% - 100%	50% - 75%	<50%
Competitive	9	10	4	11
Incumbent	4	2	0	1

5. Concentration indicators of the competitive retail electricity market

The monthly evolution of concentration indicators (C3, HHI) determined on the competitive component of the REM is presented for August 2008 – July 2009 in the following graph:



Source: Monthly reports of the suppliers – processed by MG

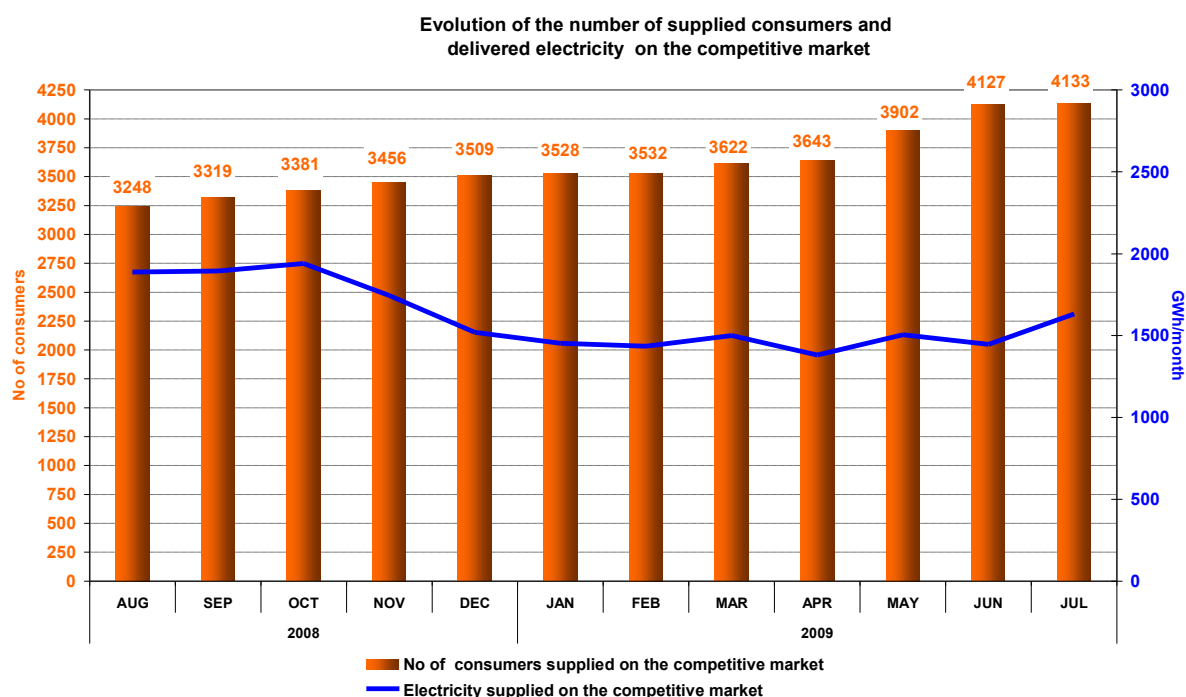
The table below shows the values of structure indicators of competitive component of REM in July 2009 and number of active suppliers, calculated for each consumer category as defined by the European Council Directive no. 90/377/EEC, modified by the Commission Decision no. 2007/394/EC:

Indicators - July 2009	Consumer category								Total REM
	IA	IB	IC	ID	IE	IF	Other		
C1 - % -	30	29	15	14	15	27	30	15	
C3 - % -	69	53	34	36	38	60	62	32	
HHI	1913	1432	758	697	788	1619	1668	634	
Consumption - GWh -	0.1	37	103	320	173	173	826	1633	
No. of SUPPLIERS	10	31	38	39	22	11	12	45	
No. of incumbent suppliers	6	7	7	7	4	2	0	7	
No. of competitive suppliers	3	22	28	30	17	9	9	34	
No. of producers	1	2	3	2	1	0	3	4	

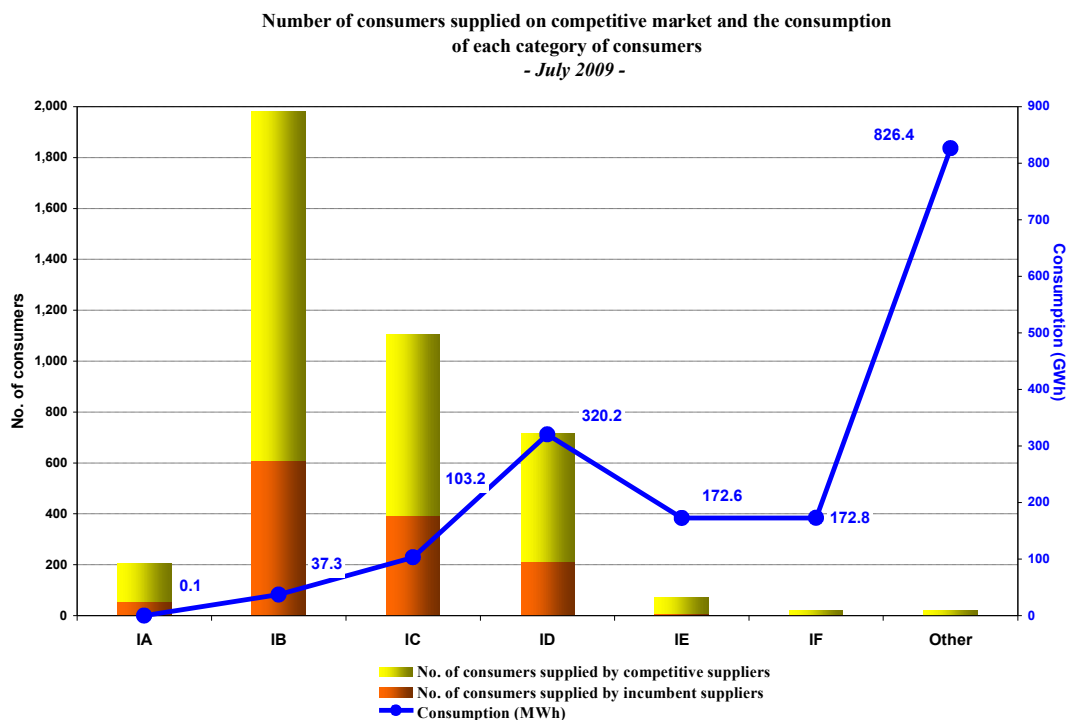
6. Evolution of consumers' number and of electricity delivered

Number of consumers supplied on the competitive market is presented as total value from the beginning of the market opening process; for July 2009 this number is split into categories, according to the provisions of the European Council Directive no. 90/377/EC, with subsequent modifications. The table below presents the bands of consumption of each category of consumers:

Industrial end-user	Annual electricity consumption (MWh)	
	Lowest	Highest
IA		<20
IB	20	<500
IC	500	<2000
ID	2000	<20000
IE	20000	<70000
IF	70000	<=150000
Others	>150000	



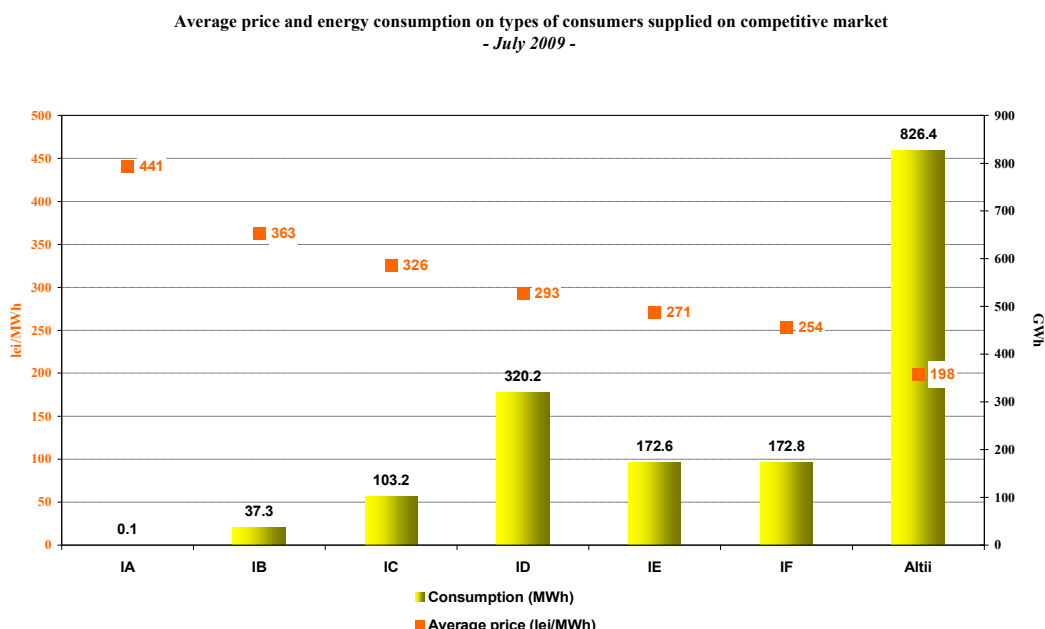
Source: Monthly reports of the competitive suppliers – processed by MG



Source: Monthly reports of the suppliers – processed by MG

7. Average selling prices of consumers supplied on the competitive market

The following graph presents the average selling prices of consumers supplied on the competitive market, based on the structure defined according to the European Council Directive no. 90/377/EC, with the subsequent modifications.



Source: Monthly reports of the competitive suppliers – processed by MG

Note: The average selling price on each category was calculated as weighted average of prices applied by suppliers with quantities supplied, according to the provisions of the European Directive. The average prices do not include VAT, excise or other taxes but include the supplied services (injection and extraction components of transmission, system services, distribution, market settlement, imbalances, BRP aggregated taxes, metering).

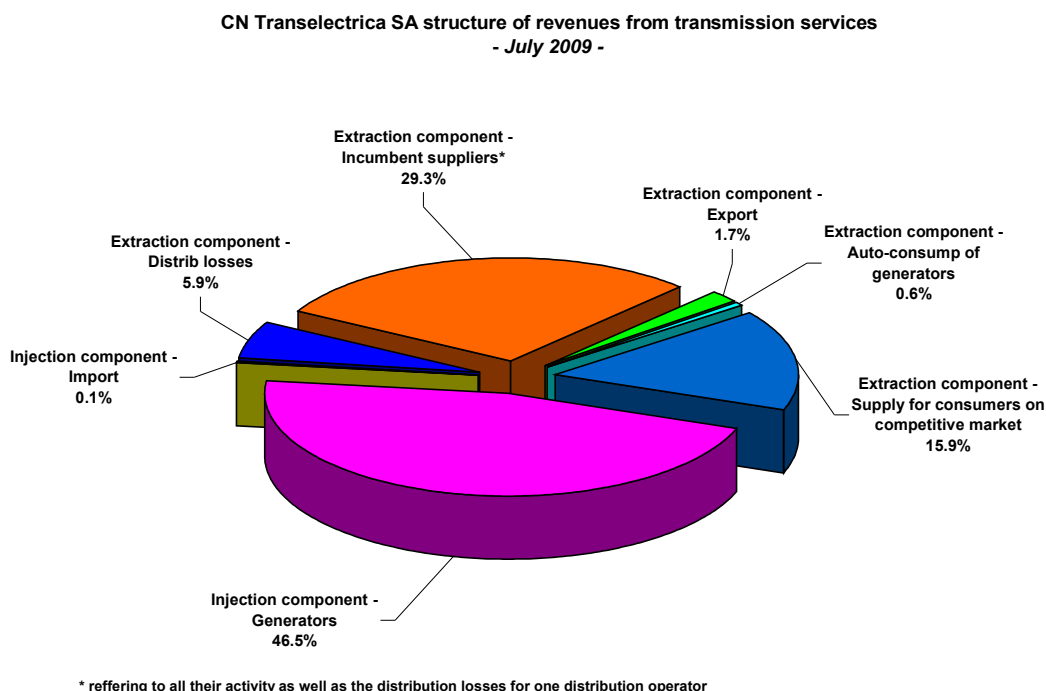
Splitting consumers into categories was based on their annual consumption forecast, according to the provisions of above mentioned Directive.

IV. TRANSMISSION AND SYSTEM OPERATOR C.N. TRANSELECTRICA S.A.

CN Transelectrica SA performs the electricity transmission service at regulated tariffs, which have two components:

- injection component (TG), aimed to determine an optimum geographic positioning of the new power units;
- extraction component (TL), as an incentive for an equilibrate positioning into the territory of the consumers.

The following graph presents the structure of CN Transelectrica SA revenues from performing the transmission services and reflects the structure of its clients benefiting from this type of service in July 2009.

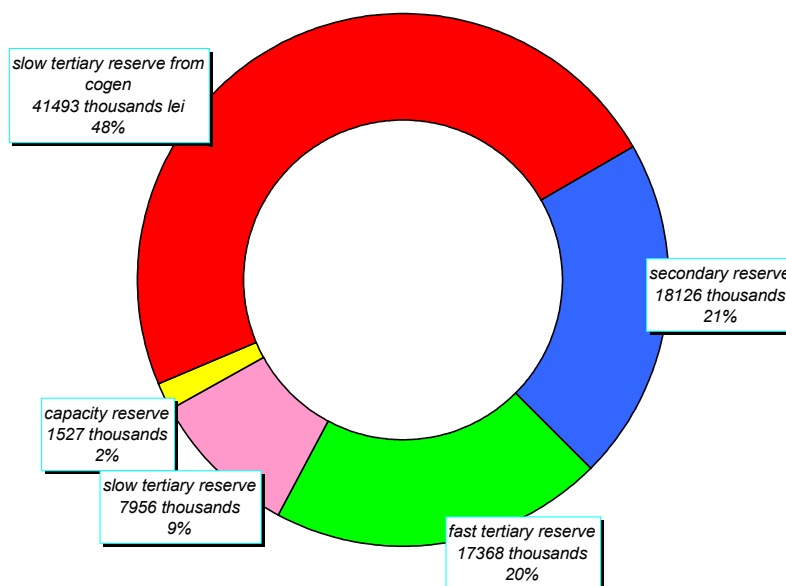


Source: Monthly reports of CN Transelectrica SA – processed by MG

In order to perform the system operator tasks, CN Transelectrica SA assesses and contracts reserves (ancillary services) from qualified generators, which are integrated on BM. The ancillary services used are: reserves for secondary, fast tertiary, slow tertiary regulation and slow tertiary reserve from cogeneration. Starting with July 2007, the rules for capacity reserve entered into force, by determination of the reserve dimensions, the way in which the suppliers of this service are selected and the conditions in which this new type of reserve may be used by CN Transelectrica SA.

The following graph presents the costs of ancillary services CN Transelectrica SA had to pay in July 2009. In order to cover these costs and its own operating costs, TSO applies a regulated tariff for system services.

Structure of CN Transelectrica SA costs with ancillary services acquired from qualified generators
- July 2009 -



Source: Monthly reports of CN Transelectrica SA – processed by MG

V. EVOLUTION OF MARKET RULES IN JULY 2009

- In July 2009, ANRE issued the Order no. 69/2009 for approving the „Regulation of electricity labeling – revision 1”; this regulation describes the way each electricity supplier determines the structure of primary sources used for obtaining the electricity the supplier is selling;
- ANRE also issued the Decisions no. 1614, 1615 and 1616 /2009 for approving the regulated prices and quantities of 3 generators: SC CE Craiova SA, SN Nuclearelectrica SA and SC CE Turceni SA.

VI. EXPLANATIONS AND ABBREVIATION

1. Explanations

- **Self-consumption of generators** – in the graph regarding the revenues of CN Transelectrica SA, the self-consumption exclusively represents the generators consumption at consumption places other than the generation sites.
- **Internal consumption** represents the electricity covered by the wholesale market participants and calculated as *Delivered electricity + Import – Export*.
- **Consumption of consumers on regulated market** represents the consumption of consumers supplied at regulated tariffs by the incumbent suppliers.
- **Consumption of consumers on competitive market** represents the consumption of consumers supplied at negotiated prices.
- **Fuel consumption** represents the fuel consumed for generating electricity and heat.
- **Electricity delivered into the grid** includes also the own consumption of auto-generators such as RAAN and SNP Petrom together with the electricity sold by the generators through direct lines or consumed by themselves at other consumption sites.

- **Competitive supplier** represents, within the present document, the supplier which is active on the competitive retail market.

2. Abbreviation

- MG – Monitoring Group
- EEX – European Energy Exchange – Leipzig, Germany, www.eex.de
- EXAA – Energy Exchange Austria, www.exaa.at
- DAM – Day Ahead Market
- BM – Balancing Market
- ASM – Ancillary Services Market
- MCP – Market Clearing Price
- BRP – Balancing Responsible Party
- TG/TL – injection / extraction component of the transmission tariff
- CMBC – centralised market of bilateral contracts
- CMBC-CN – centralised market for partially standardised bilateral contracts with continuous negotiation
- NES – National Energy System
- WEM – wholesale electricity market
- REM – retail electricity market
- RCE – Romanian Commodities Exchange