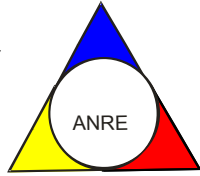




**ROMANIAN ENERGY REGULATORY AUTHORITY**  
**ELECTRICITY MARKET DEPARTMENT**



**REPORT ON MONITORING RESULTS OF THE**  
**ELECTRICITY MARKET**  
**JUNE 2008**

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

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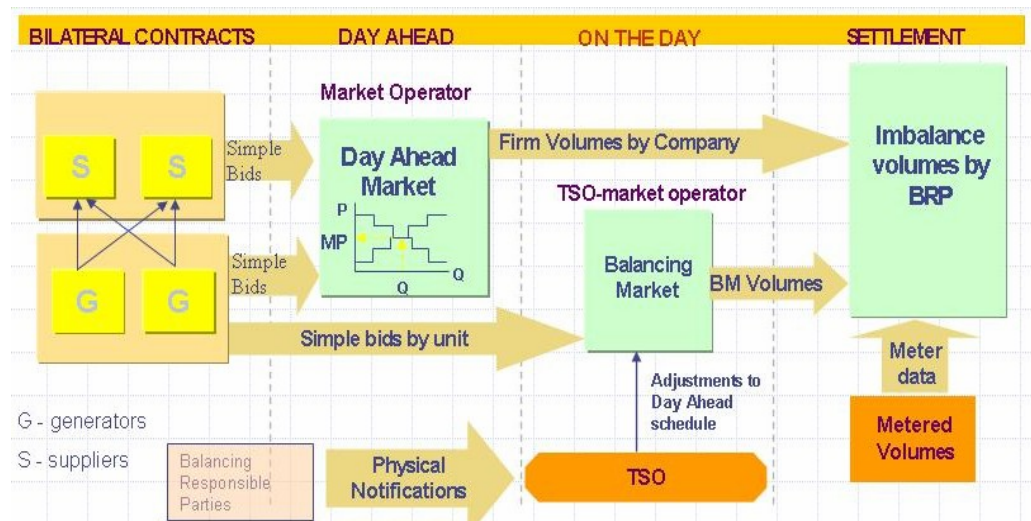
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## I. MAIN EVENTS IN THE DEVELOPMENT OF THE ROMANIAN ELECTRICITY MARKET

- **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.

## II. WHOLESALE ELECTRICITY MARKET

### 1. Structure of the wholesale electricity market



## 2. Participants on the wholesale electricity market

The market participants\* in June 2008 are presented below split into categories:

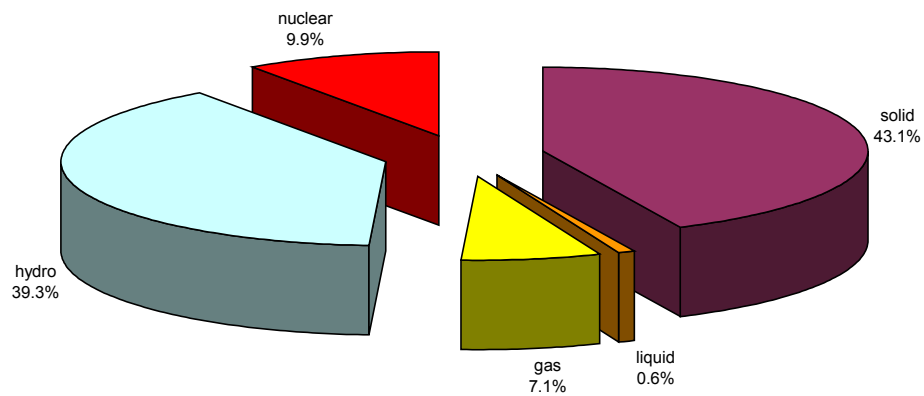
No.	Name	Comments
<b>A Electricity generators operating dispatching units</b>		
1	SC CET Bacău SA	
2	SC CET Braşov SA	
3	SC CET Govora SA	
4	SC CET Iaşi SA	
5	SC CET Oradea SA	
6	SC Electrocentrale Bucureşti SA	
7	SC Electrocentrale Galaţi SA	
8	SC Dalkia Termo Prahova SRL	
9	SNP Petrom Sucursala Petrobrazii	
10	SC Termica SA Suceava	
11	SC Termoelectrica SA	
12	SC Termoficare 2000 SA Piteşti	
13	SC Termon Oneşti SA	
14	SC Uzina Termică Giurgiu SA	
15	SN Nuclearelectrica SA	
16	SC CE Rovinari SA	
17	SC CE Turceni SA	
18	SC CE Craiova SA	
19	SC CET Arad SA	
20	SC Electrocentrale Deva SA	
21	SC Hidroelectrica SA	
22	RAAN	Generators acting also as suppliers on the competitive market
<b>B Transmission System Operator</b>		
1	CN TRANSELECTRICA SA	Balancing Market Operator
<b>C DAM Operator</b>		
1	SC OPCOM SA	Operator of the Green Certificates Market, Bilateral Contracts Market and Settlement Administrator
<b>D Distribution network operators</b>		
1	SC CEZ Distributie SA	
2	SC ENEL Distributie Banat SA	
3	SC ENEL Distributie Dobrogea SA	
4	SC E.ON Moldova Distributie SA	
5	SC FDFEE Muntenia Sud SA	
6	SC FDEE Electrica Distributie Muntenia Nord SA	
7	SC FDEE Electrica Distributie Transilvania Sud SA	
8	SC FDEE Electrica Distributie Transilvania Nord SA	
<b>E Incumbent suppliers</b>		
1	SC CEZ Vanzare SA	
2	SC ENEL Energie SA	
3	SC E.ON Moldova Furnizare SA	
4	SC FDFEE Muntenia Sud 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
<b>F Electricity Suppliers acting exclusively on the wholesale market</b>	
1	SC Atel Energy Romania SRL
2	SC CEZ Trade Romania SRL
3	SC EFT Romania SRL
4	SC Elizor Prest SRL
5	SC Encaz SRL
6	SC Energy Market Consulting SRL
7	SC E.ON Energy Trading AG
8	SC Ezpada SRL
9	SC Grivco SA
10	SC Inteltra SRL
11	SC Korlea Invest SRL
12	SC Re Energie SRL
13	SC Romelectro SA
14	SC Semptra Energy Europe Ltd
15	SC Statkraft Romania SRL
16	SC Ten Transilvania SRL
17	SC Uniwatt Plus SRL
<b>G Electricity Suppliers</b>	
1	SC Alro SA
2	SC Also Energy SA
3	SC Arelco Distributie 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 Elcomex EN SRL
10	SC Electrica SA
11	SC Electricom SA
12	SC Electromagnetica SA
13	SC Energy Holding SRL
14	SC Energy Network SRL
15	SC Enex SRL
16	SC Ennet Grup SRL
17	SC Enol Grup SA
18	SC EURO-PEC SA
19	SC Fidelis Energy SRL
20	SC General Com Invest SRL
21	SC Gevco SRL
22	SC Green Energy SRL
23	SC Hydroconstructia SA
24	SC ICCO Electric SRL
25	SC ICPE Electrocond Technologies SA
26	SC Interagro SA
27	SC Luxten LC SA
28	SC Petprod SRL
29	SC Tinmar Ind SA
30	SC Total Electric Oltenia SA
31	SC Transenergo Com SA
32	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](http://www.ope.ro).

### 3. Generation structure of National Energy System on resources types

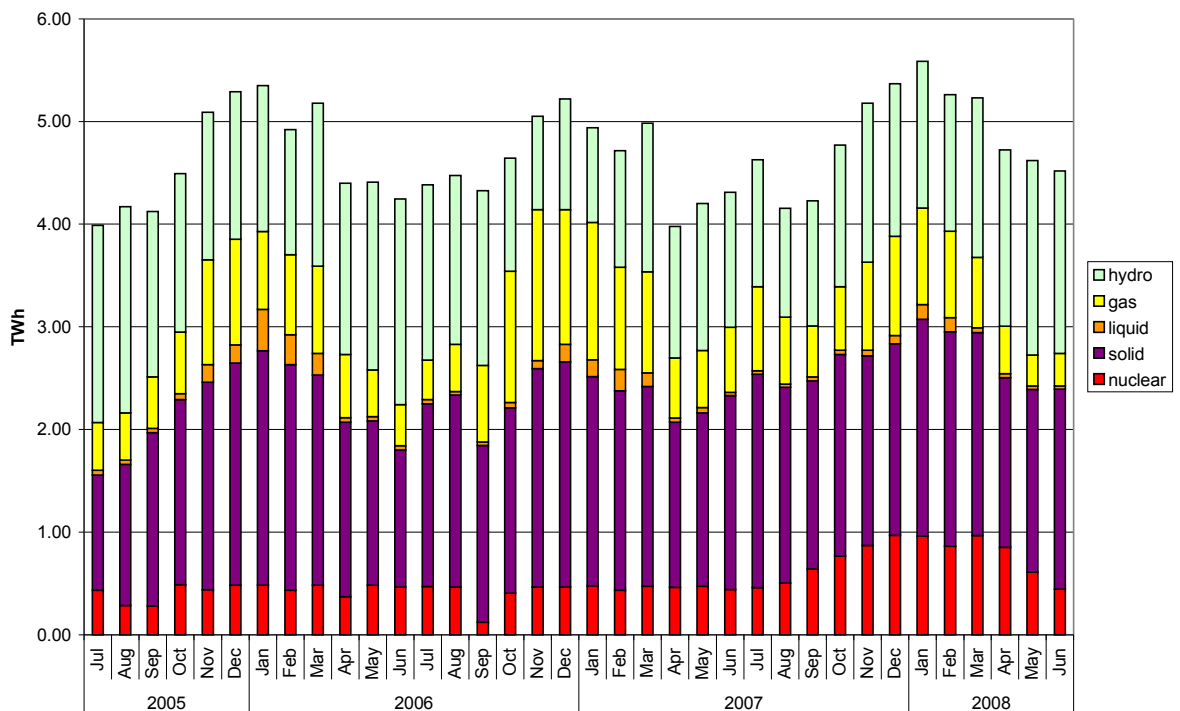
Electricity structure by primary sources (delivered by generators with dispatchable units)  
- June 2008 -



Source: Monthly reports of generators – processed by MG

The evolution of delivered electricity structure, starting with July 2005, is the following:

Evolution of electricity delivered by generators with dispatchable units by primary sources



Source: Monthly reports of generators – processed by MG

The following table presents the main data regarding the physical balance of electricity for June 2008 and January- June 2008, compared with data for similar period of time of 2007:

No.	Indicator	UM	June 2007	June 2008	%	Jan-Jun 2007	Jan-Jun 2008	%
0	1	2	3	4	$5=4/3*100$	6	7	$8=7/6*100$
1	Generated electricity	TWh	4.67	4.84	103.62	29.65	32.46	109.48
2	Delivered electricity	TWh	4.31	4.52	104.84	27.13	29.93	110.35
3	Import	TWh	0.09	0.08	85.50	0.57	0.40	69.65
4	Export	TWh	0.22	0.33	150.11	1.68	2.90	171.95
5	Internal consumption	TWh	4.18	4.27	102.04	26.01	27.43	105.47
6	Electricity supplied on the regulated market	TWh	1.87	1.83	0.98	11.24	11.81	105.1
6.1	Of which electricity supplied to households	TWh	0.76	0.81	106.6	4.77	5.20	109.0
7	Electricity supplied on the competitive market	TWh	1.83	1.92	104.9	10.80	11.43	105.8
8	Transmission – Injection component	TWh	4.24	4.42	104.33	26.75	29.41	109.95
9	Transmission – Extraction component	TWh	4.30	4.50	104.65	26.91	29.84	110.92
10	System services	TWh	4.30	4.50	104.65	27.24	29.84	109.58
11	Actual transmission grid losses	TWh	0.08	0.09	105.98	0.41	0.51	124.44
12	Heat generated for delivery	Tcal	699.16	705.84	100.96	10303.85	10816.29	104.97
13	Heat in co-generation	Tcal	513.13	567.67	110.63	8573.28	8777.09	102.38

Note: 1. Data shown in the table neither includes the energy produced by the generators who do not own dispatchable units nor the energy delivered to the consumers directly connected to the power plants.

2. The imported/exported quantities do not comprise the unscheduled crossborder exchange with neighbor countries for ensuring the balance of the national energy system.

3. The electricity considered for transmission tariff – injection component include neither the electricity sold by generators for covering the transmission losses nor the electricity imported by competitive suppliers and used for the same purpose by Transelectrica, due to the exceptions applied for G payment obligations.

#### 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 on each type of contracts and on the main components of the wholesale market are presented in the table below for June 2008 compared to the volumes of June 2007:

<b>TRANSACTIONS ON THE WHOLESALE MARKET</b>	<b>UM</b>	<b>June 2007</b>	<b>June 2008</b>
0	1	2	3
<b>1. BILATERAL CONTRACTS' MARKET</b>	GWh	<b>4257</b>	<b>5566</b>
1.1. Sales on regulated contracts	GWh	1993	2257
1.2. Sales on negotiated contracts *	GWh	2045	2979
1.3. Export	GWh	220	330
<b>2. CONTRACTS ON CENTRALISED MARKETS</b>	GWh	<b>571</b>	<b>674</b>
<b>3. DAY AHEAD MARKET</b>	GWh	<b>425</b>	<b>400</b>
<b>4. BALANCING MARKET (all the transactions)</b>	GWh	<b>312</b>	<b>222</b>
4.1. Upward	GWh	195	109
4.2. Downward	GWh	117	113
<b>INTERNAL CONSUMPTION (includes distribution and transmission losses)</b>	GWh	<b>4180</b>	<b>4265</b>

\* the sales to final consumers are not included

The following table presents the average prices and volumes of electricity traded on the main components of the wholesale market and contract types on the first semester of 2008 compared with the first semester of 2007:

<b>TRANSACTIONS ON THE WHOLESALE MARKET</b>	<b>UM</b>	<b>First sem. 2007</b>	<b>First sem. 2008</b>
0	1	2	3
<b>1. BILATERAL CONTRACTS' MARKET (without export)</b>			
- Traded volume	GWh	27193	31195
- Average price	lei/MWh	144.63	142.30
<b>1.1. Sales on regulated contracts</b>			
- Traded volume	GWh	14841	14368
- Average price	lei/MWh	161.04	146.34
<b>1.2. Sales on negotiated contracts *</b>			
- Traded volume	GWh	12351	16826
- Average price	lei/MWh	136.89	138.86
<b>2. CONTRACTS ON CENTRALISED MARKETS</b>			
- Traded volume	GWh	2530	4627
- Average price	lei/MWh	161.93	175.88
<b>3. DAY AHEAD MARKET</b>			
- Traded volume	GWh	2246	2675
- Average price	lei/MWh	153.78	172.07
<b>4. BALANCING MARKET (all the transactions)</b>	GWh	1593	1587
- Traded volume - upward	GWh	684	825
- Negative imbalance settlement price	lei/MWh	204.18	256.81
- Traded volume - downward	GWh	909	763
- Positive imbalance settlement price	lei/MWh	67.17	67.7
<b>INTERNAL CONSUMPTION (includes distribution and transmission losses)</b>	GWh	26009	27432

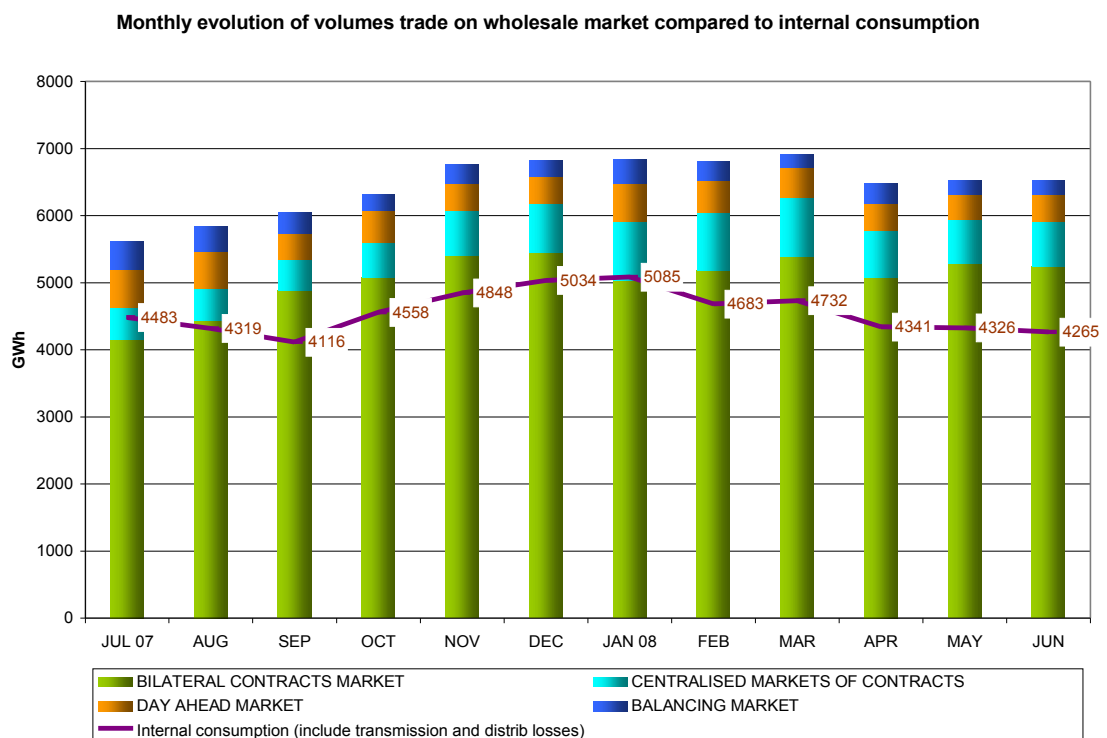
\* the sales to final consumers are not included

Notes:

The average prices do not include VAT, excise or other taxes and were calculated by weighting the prices with corresponding sold quantities which were reported monthly by the market participants.

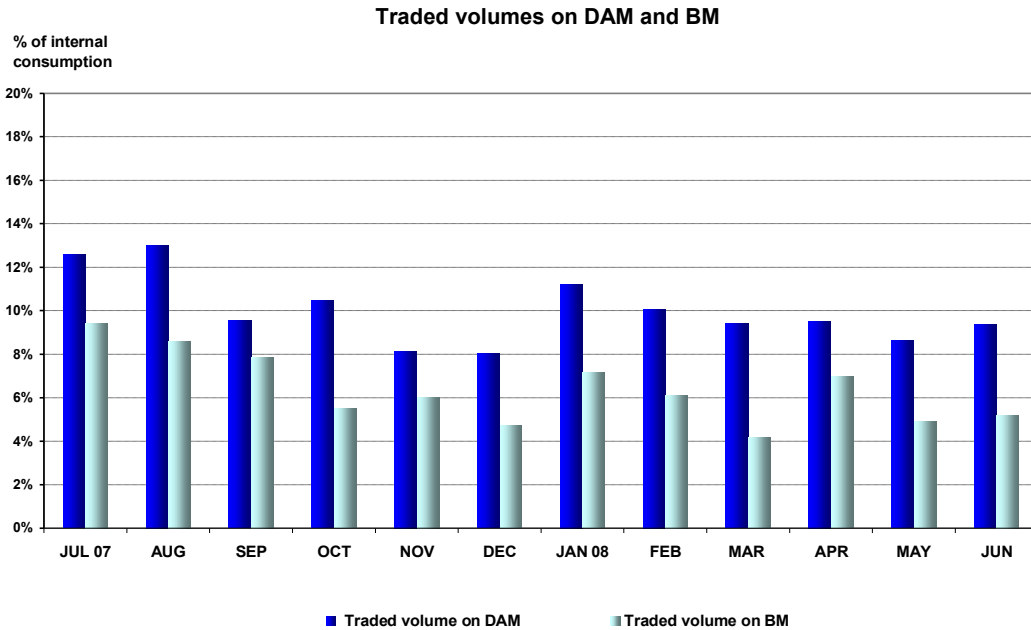
The average prices of bilateral contracts' market were calculated based on 97.5% from the total quantities traded during the first semester of 2007 (this percent represents the quantities for which the market participants reported also the price). Similarly, the price for the first semester of 2007 of contracts concluded on centralised markets is calculated based on those transactions which had the price reported (97.3% from total transactions). For the first semester of 2008, the average prices are calculated based on all the traded quantities for each specific contract type.

The evolution of the relation between the volumes sold on each market and the estimated internal consumption, for July 2007 – June 2008, is presented below:



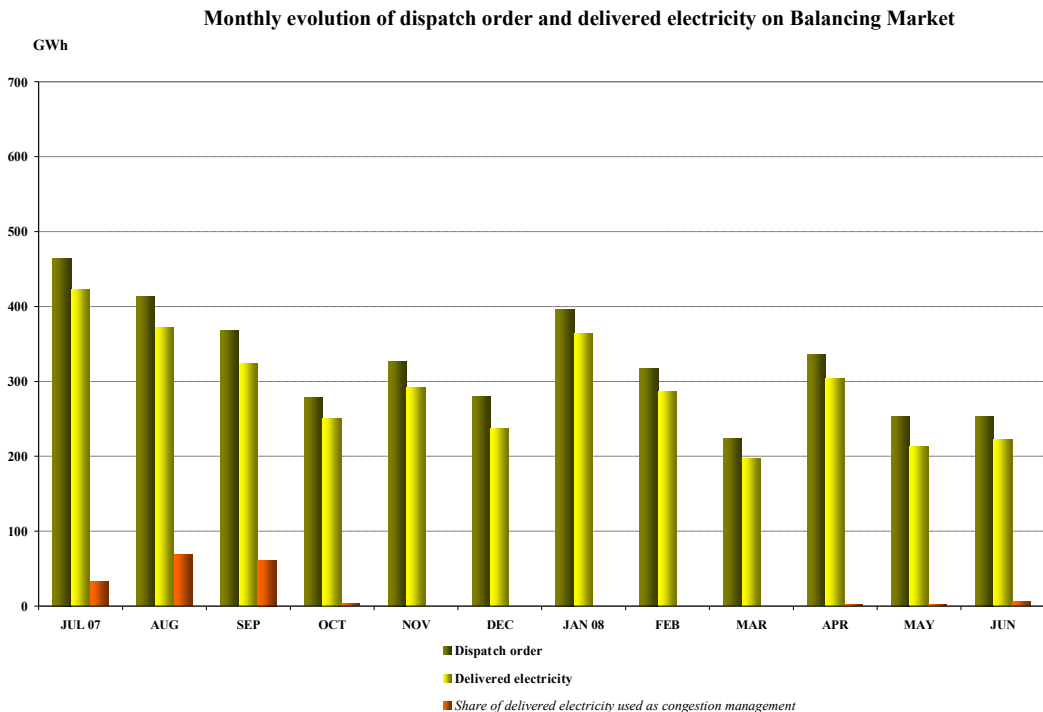
Source: Monthly reports of wholesale market participants, SC Opcom SA and CN Transelectrica SA – processed by MG

The following graph presents the evolution on 12 month-period of volumes traded on DAM, compared to volumes traded on BM (expressed as percentages from the internal consumption) in order to evaluate the relationship between those two types of traded volumes.



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

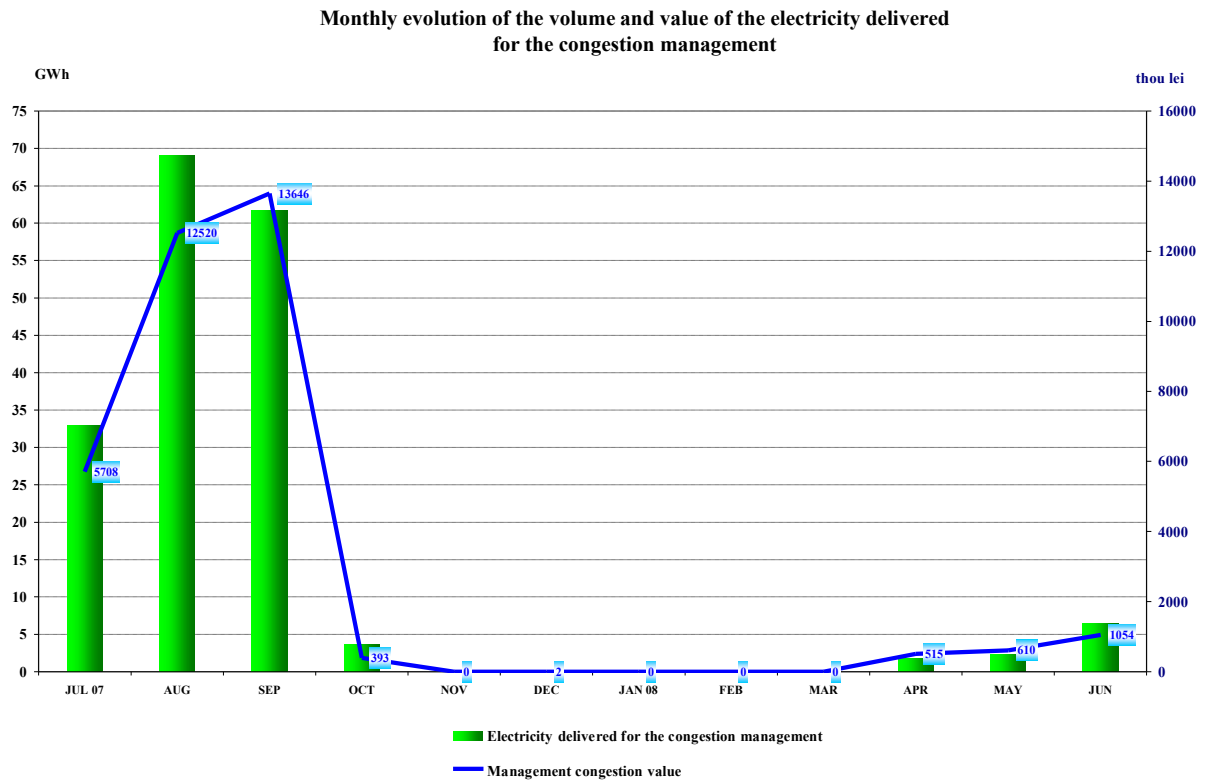
Balancing electricity is determined by the dispatch orders (accepted offers) received by generators. After settlement, the actual electricity delivered by generators on the balancing market is determined based on the measured (approved) values; the relation between the accepted and delivered electricity during July 2007 – June 2008 is presented in the following graph:



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

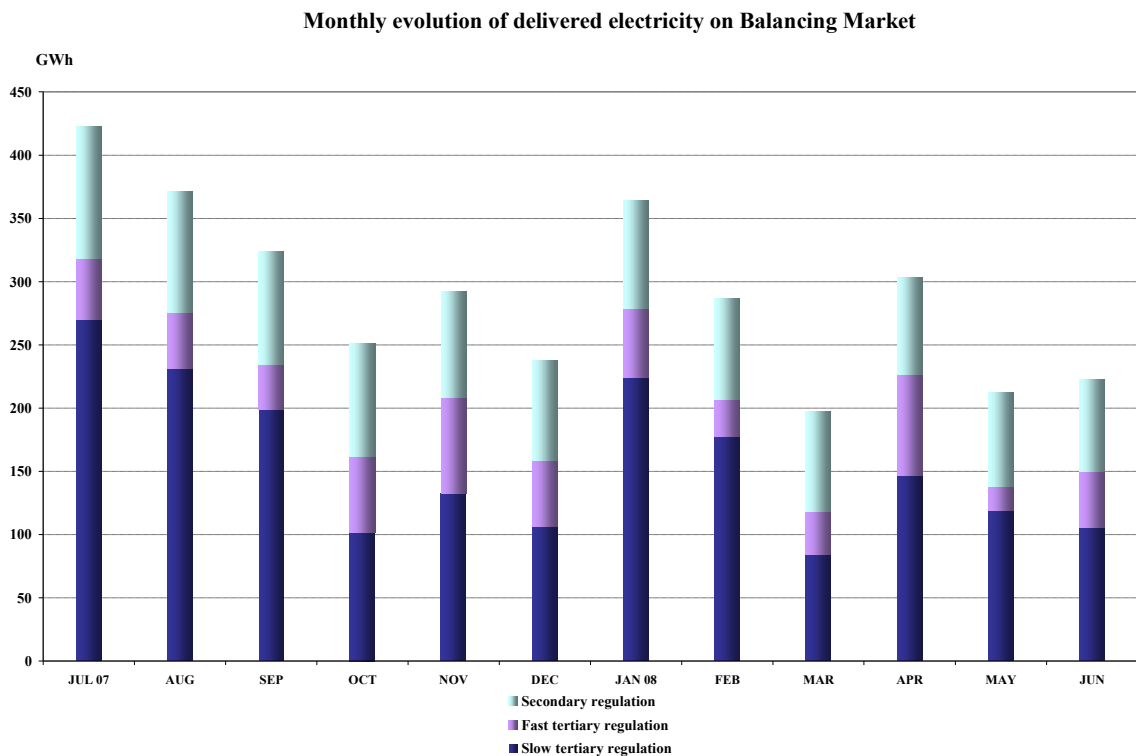
The above graph also presents the energy used for congestion management compared to the volumes traded on BM; this energy represents the quantity purchased by the transmission operator on the balancing market in order to solve the congestions appeared in the transmission network.

The following graph presents the monthly evolution and the values of transactions made by CN Transelectrica SA for the electricity used for congestion management, starting with July 2007.



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

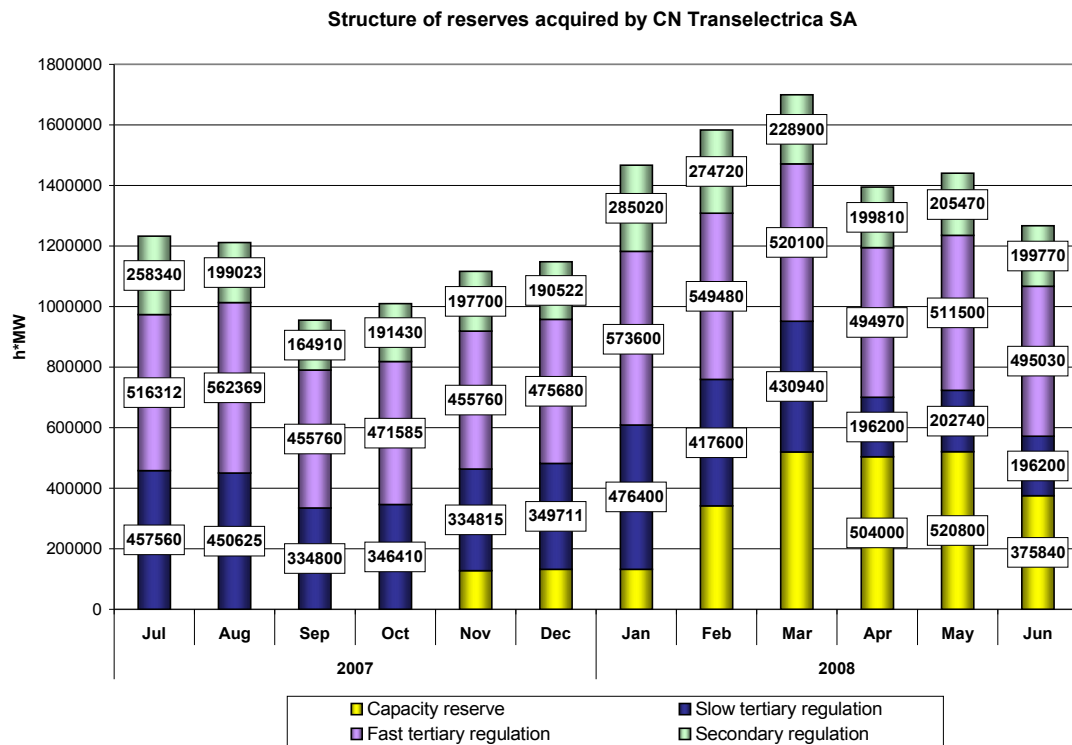
The structure of balancing electricity delivered in the system on each type of regulation for the period July 2007 – June 2008 is presented in the graph below:



Source: Monthly reports of CN Transelectrica 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 Tranelectrica SA during July 2007- June 2008:



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

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

### Generators

In June 2008, the structure of electricity sales obligations contracted before delivery day by the electricity generators with dispatchable units was the following:

Transaction type	MU	June 2007	June 2008
0	1	2	3
Regulated to incumbents, thermal generators	GWh	1177.29	1014.02
Regulated to incumbents, hydro generator	GWh	217.42	387.07
Regulated to incumbents, nuclear generator	GWh	208.24	310.30
Regulated for distribution losses, thermal generators	GWh	178.47	247.84
Regulated for distribution losses, hydro generator	GWh	31.58	102.54
Regulated for distribution losses, nuclear generator	GWh	57.07	90.83
Regulated for transmission losses, thermal generator	GWh	75.01	78.66
Regulated, to other generators (with the obligation of return, within a year)	GWh	29.68	26.11
Regulated to other generators, activated on request, with option premium	GWh	0.00	0.00
Negotiated, to incumbents	GWh	37.08	0.00
Negotiated, to distributors	GWh	0.00	0.00

Negotiated. to other generators	GWh	59.03	90.32
Negotiated, to competitive suppliers	GWh	1100.75	1341.52
Contracts concluded on centralized markets (CMBC, CMBC-NC, RCE)	GWh	466.93	587.78
Supply to consumers (negotiated + auction on centralized markets)	GWh	207.52	234.43
Export	GWh	167.58	121.71
DAM	GWh	228.82	161.41
<b>Total</b>	<b>GWh</b>	<b>4242.48</b>	<b>4794.54</b>

Source: Monthly reports of generators – processed by MG

### Suppliers

In June 2008, 56 companies having as main activity the supply of electricity concluded transactions on the electricity market; 17 suppliers out of 56 traded electricity exclusively on the wholesale market (WEM) and 39 suppliers traded electricity on the retail market as well (REM), including the 7 incumbent suppliers trading electricity both on competitive and regulated markets.

#### Suppliers acting exclusively on WEM

The following table shows the activity for June 2008 compared to June 2007 of the suppliers acting exclusively on WEM, acquisitions and sales being split by categories of markets/participants:

- GWh -

<b>Transactions' structure of suppliers acting exclusively on WEM</b>	<b>June 2007</b>	<b>June 2008</b>
<b>Acquisitions</b>		
Import	84.41	4.60
Negotiated contracts with suppliers	102.73	521.50
Negotiated contracts with generators	108.00	241.66
Contracts concluded on centralized markets	18.36	107.54
DAM	30.62	42.06
<b>Sales</b>		
Export	-	184.21
Negotiated contracts with suppliers	237.78	653.57
Negotiated contracts with generators	-	48.25
Contracts concluded on centralized markets	46.80	-
DAM	59.17	30.93

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

The following table presents aggregated information on acquisitions volume and structure for suppliers providing electricity to final consumers, on the competitive market, for June 2008 and June 2007.

- GWh -

<b>Acquisition structure of suppliers providing electricity to final consumers (the incumbent suppliers are not included)</b>	<b>June 2007</b>	<b>June 2008</b>
Import	6.73	49.94
Negotiated contracts with suppliers	455.43	727.31
Negotiated contracts with generators	992.77	1099.91
Contracts concluded on centralized markets	424.09	386.93
DAM	151.04	114.39

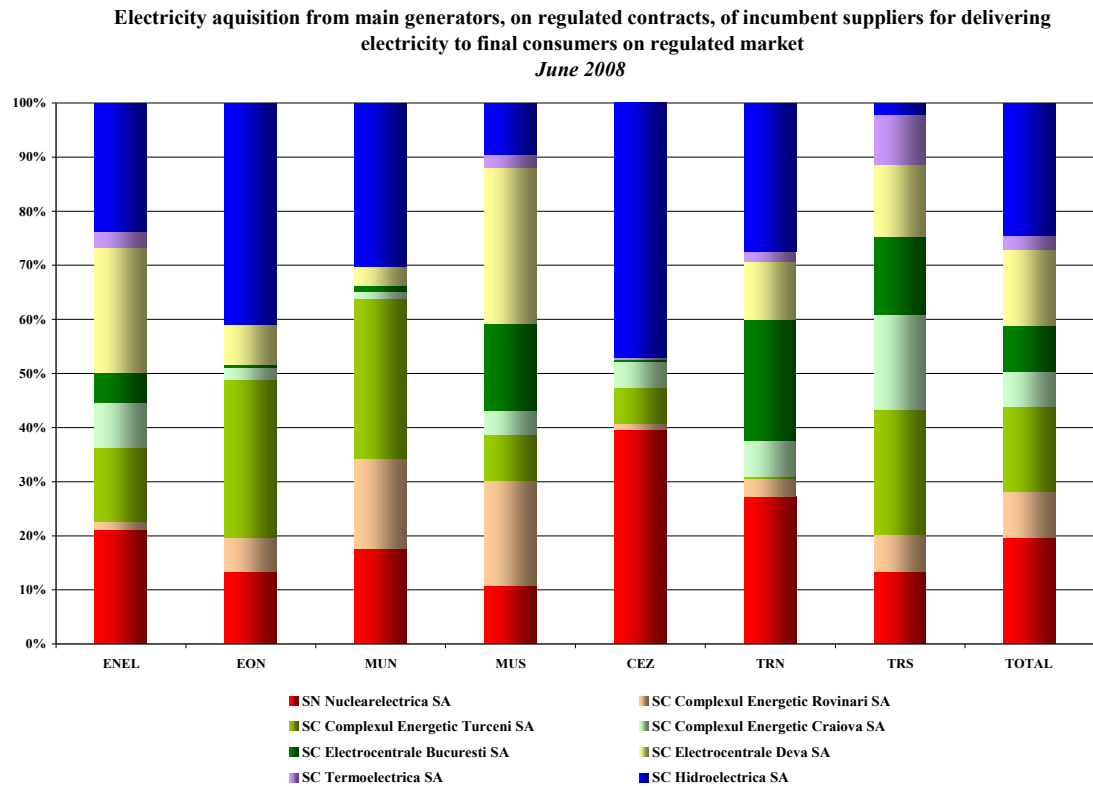
Incumbent suppliers

Electricity acquisition structure of incumbent suppliers (before the delivery day), for supplying the regulated market consumers, is presented in the table below, for June 2008 compared to the situation of June 2007:

- GWh -

Acquisition structure of incumbent suppliers for regulated REM component	June 2007	June 2008
Regulated contracts	1943.95	1741.80
Negotiated contracts	33.19	39.24
Contracts concluded on centralized markets		6.10
DAM	179.75	44.06

The structure of the electricity purchased by the incumbent suppliers from the main generators on regulated contracts is presented in the following graph for June 2008:



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

Likewise to the situation presented for the regulated REM, the table below presents the acquisition structure of incumbent suppliers (before the delivery day), corresponding to the competitive REM (energy supplied at negotiated prices to the consumers who renounced to regulated tariffs) for June 2008 compared to June 2007:

- GWh -

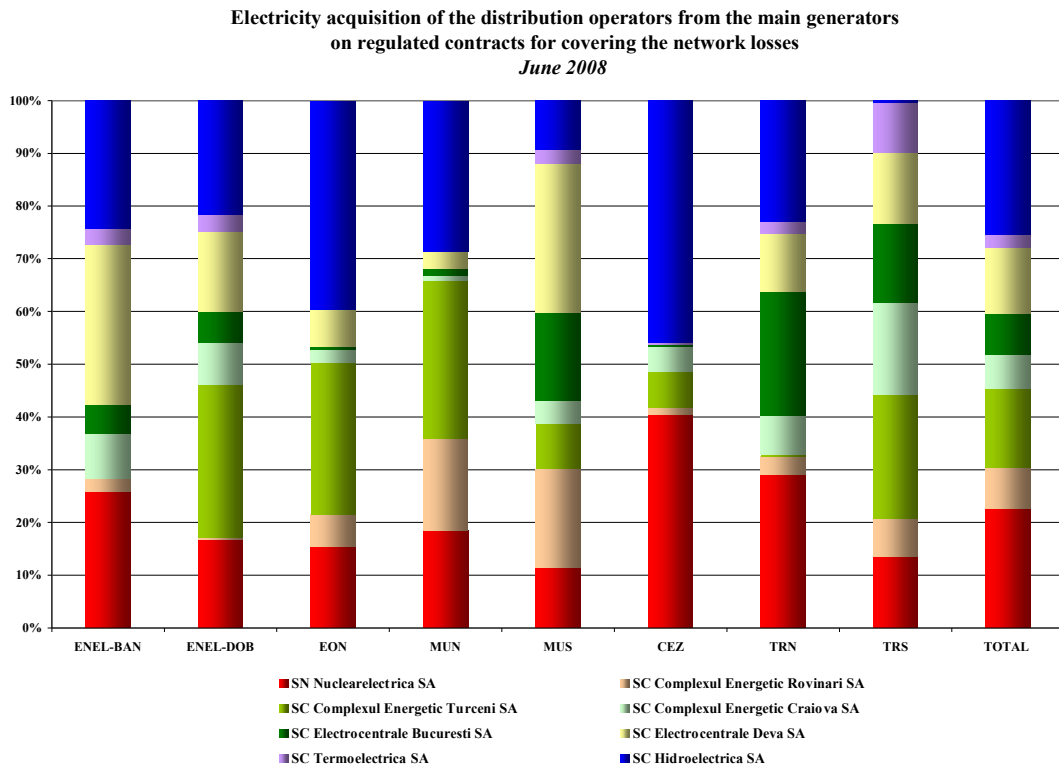
Acquisition structure of incumbent suppliers for competitive REM component	June 2007	June 2008
Import	-	23.37
Negotiated contracts with suppliers	182.72	201.16
Negotiated contracts with generators	39.58	-
Contracts concluded on centralized markets	100.62	86.83
DAM	32.06	78.28

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 June 2008 compared to June 2007:

Acquisition structure	- GWh -	
	June 2007	June 2008
Regulated contracts	257.77	441.53
Negotiated contracts	8.49	-
Contracts concluded on centralized markets		-
DAM	35.76	14.90

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 June 2008:



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	unconcentrated 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.

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

Concentration indicators and market shares of the electricity generators

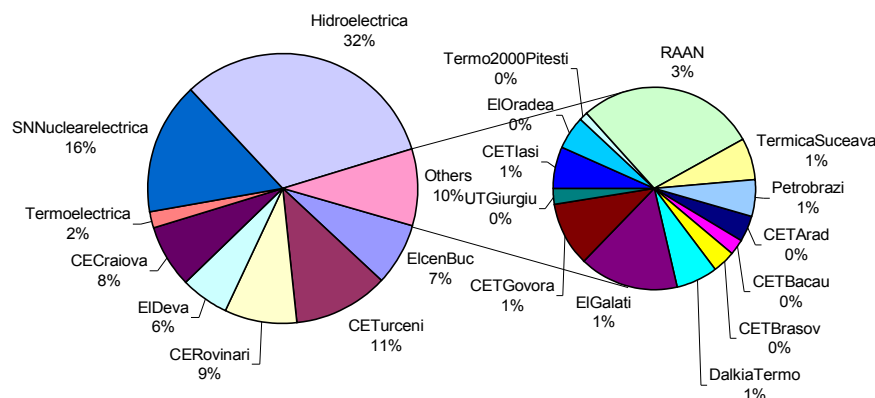
The market structure regarding the electricity generation offers an initial basis for analyzing the possible competitiveness level of the electricity market.

The following table presents the concentration indicators of electricity generation for June 2008, calculated based on electricity delivered into the networks by the generators with dispatchable units.

<b>Indicator</b>	<b>C1</b>	<b>C3</b>	<b>HHI</b>
<b>Value</b>	39%	64%	2104

The market shares of the electricity generators, taking into account all components of the wholesale electricity market, are presented in the following graph, for the first six months of 2008. These market shares are calculated based on the electricity delivered into networks.

Market shares of dispatchable generators by delivered electricity  
January - June 2008



Source: Monthly reports of generators – processed by MG

A component of the WEM where direct competition between generators exists is the BM. The values of concentration indicators on this market for June 2008 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 of BM	Regulation					
	Secondary		Fast tertiary		Slow tertiary	
	upward	downward	upward	downward	upward	downward
<b>C1 (%)</b>	70	71	68	26	50	69
<b>C3 (%)</b>	87	98	90	72	88	91
<b>HHI</b>	5342	5382	4906	2208	3547	5036

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 the generators have different levels of capabilities for ensuring this type of service, this market has a regulated component.

The relationship between regulated and competitive components on the ancillary services market 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 June 2008:

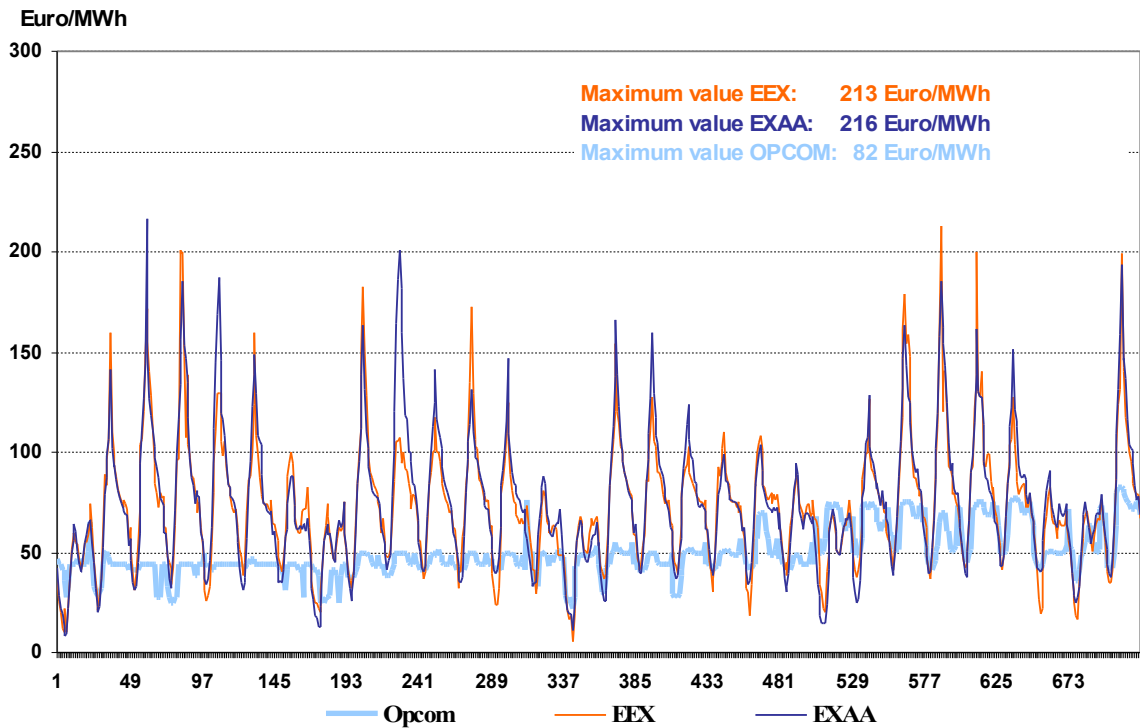
Concentration indicators on ancillary services market		Secondary reserve	Fast tertiary reserve	Slow tertiary reserve	Capacity reserve
regulated component	contracted quantity (h*MW)	199770	495030	196200	-
	C1 (%)	84.4	82.4	78.0	-
	C3 (%)	100	92.2	100	-
competitive component	contracted quantity (h*MW)	-	-	-	375840
	C1 (%)	-	-	-	69.3
	C3 (%)	-	-	-	100
	HHI	-	-	-	5749

## 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 June 2008 is presented in the followings graphs, along with the prices on EEX and EXXA.

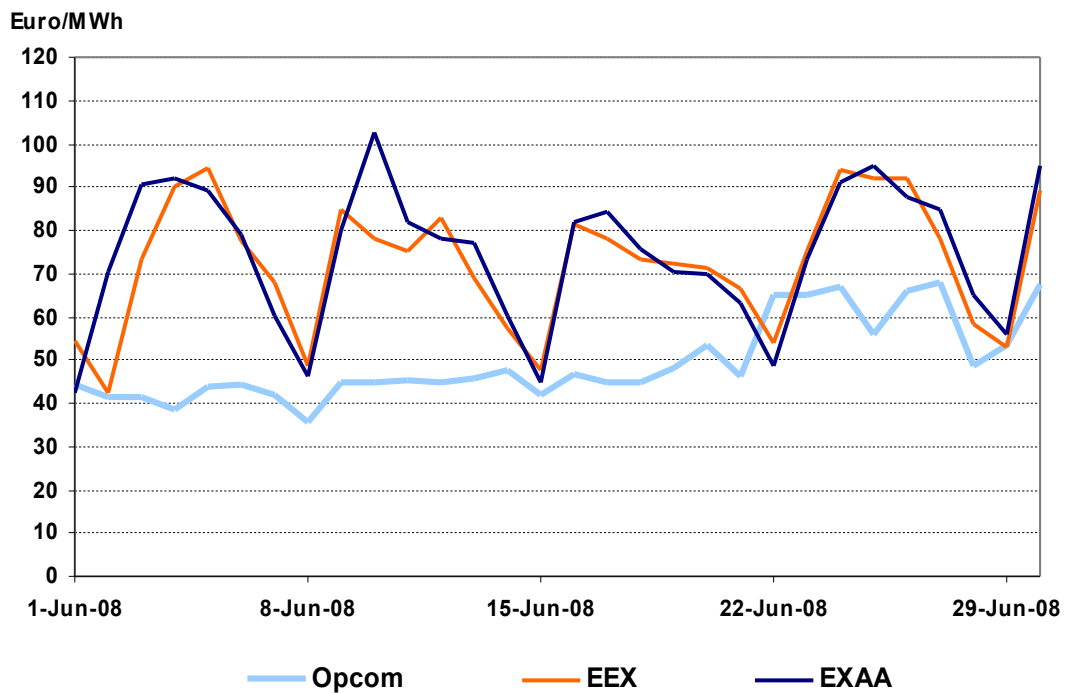
For comparison with prices on the European power exchanges, the spot price on SC Opcom SA is denominated in EUR, taking into consideration the daily exchange rates Euro/leu communicated by the National Bank of Romania.

### HOURLY SPOT PRICES June 2008



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

### DAILY AVERAGE SPOT PRICES June 2008

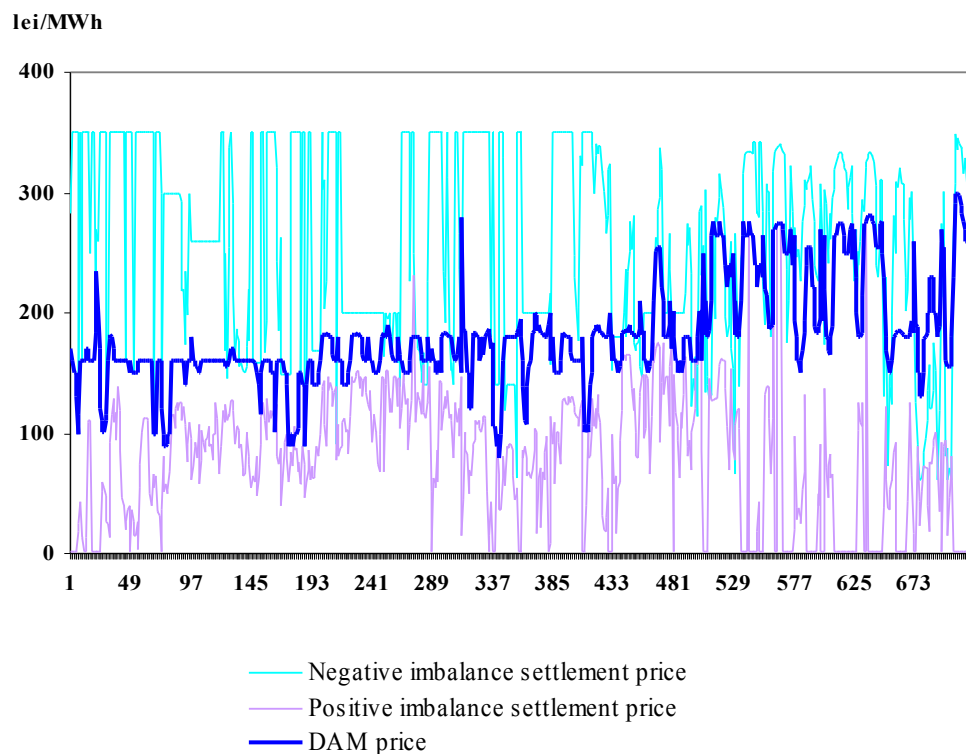


Source: Daily reports of SC Opcom SA and published data of EXAA and EEX  
– processed by MG

In order to cover the differences between planned/contracted amounts of consumption/generation and the real time consumption, the system operator (CN Tranelectrica 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.

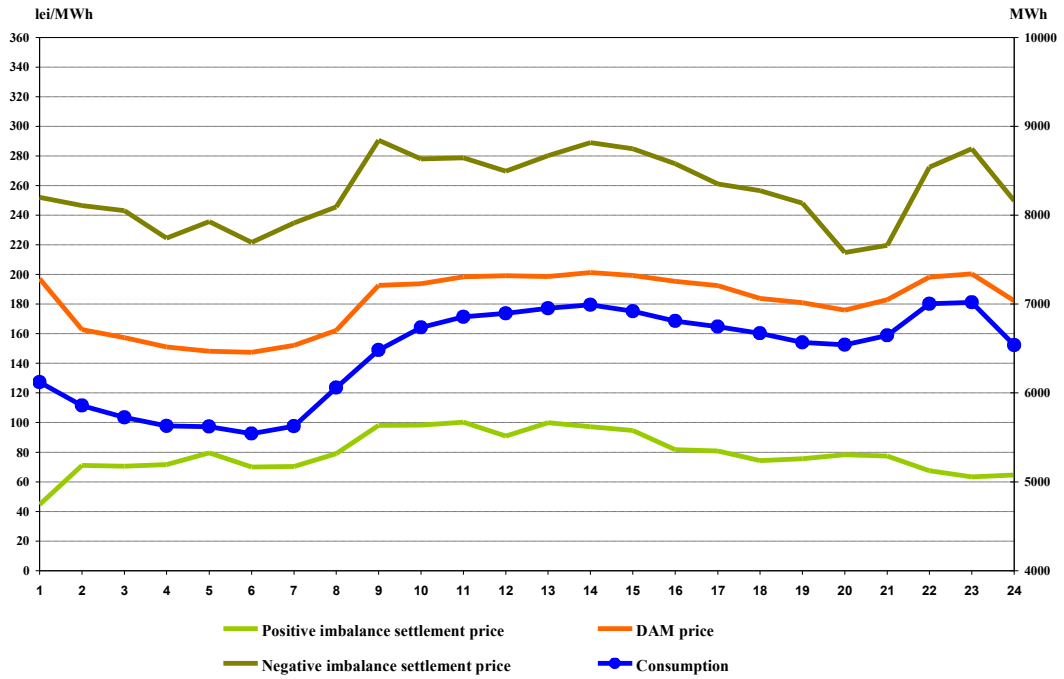
The settlement prices (MCP on DAM, negative imbalance settlement price and positive imbalance settlement price) are represented on the same graph, showing the two markets correlation degree. In the first graph the prices are expressed in hourly values, in the second graph in hourly average values compared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

**Hourly settlement prices**  
**JUNE 2008**



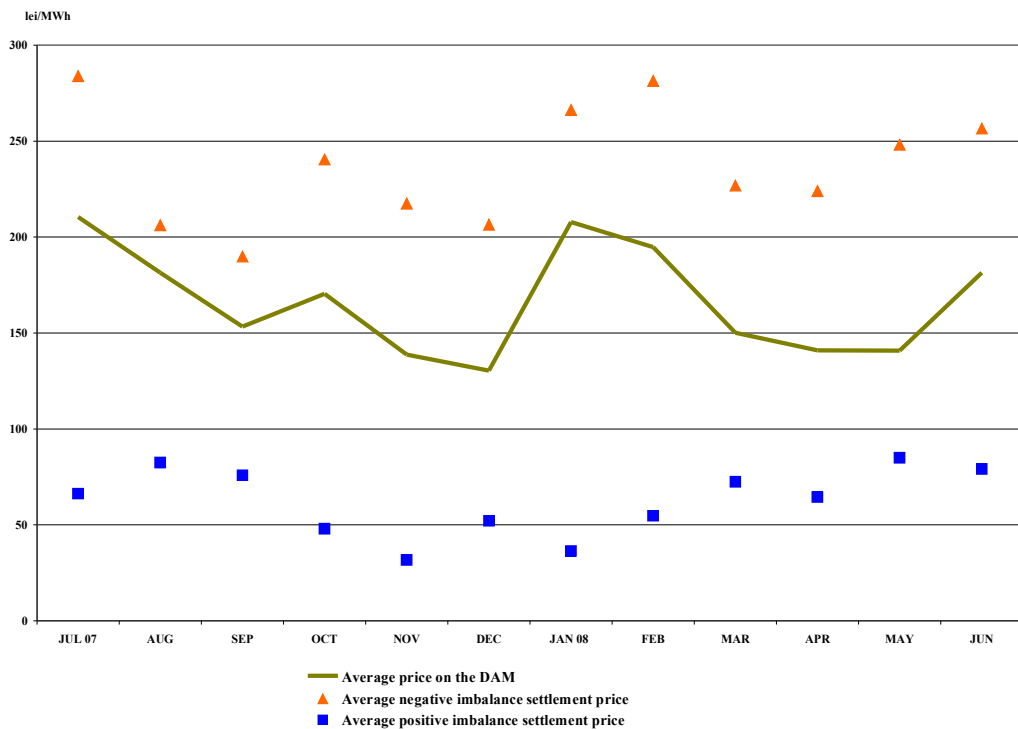
Source: Daily/monthly reports of SC Opcom SA – processed by MG

Hourly average settlement prices and internal consumption  
June 2008



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

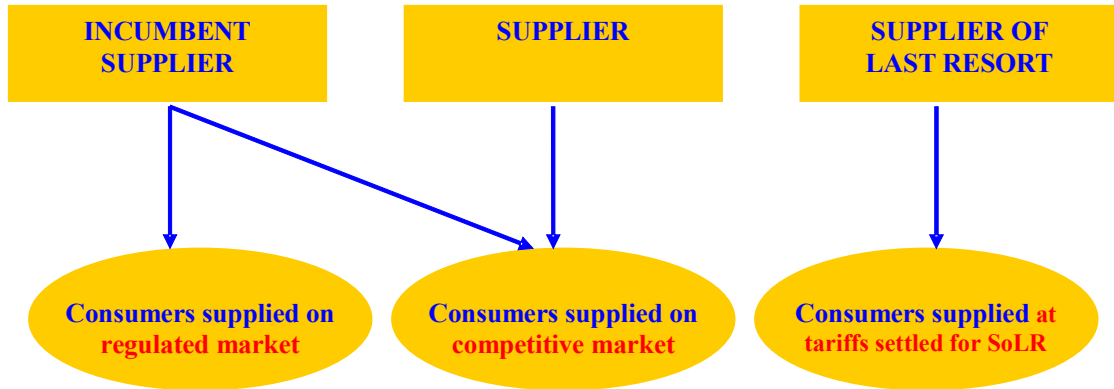
Monthly average prices on DAM and BM  
- July 2007 - June 2008 -



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

### III. RETAIL ELECTRICITY MARKET

#### 1. Structure of the retail electricity market



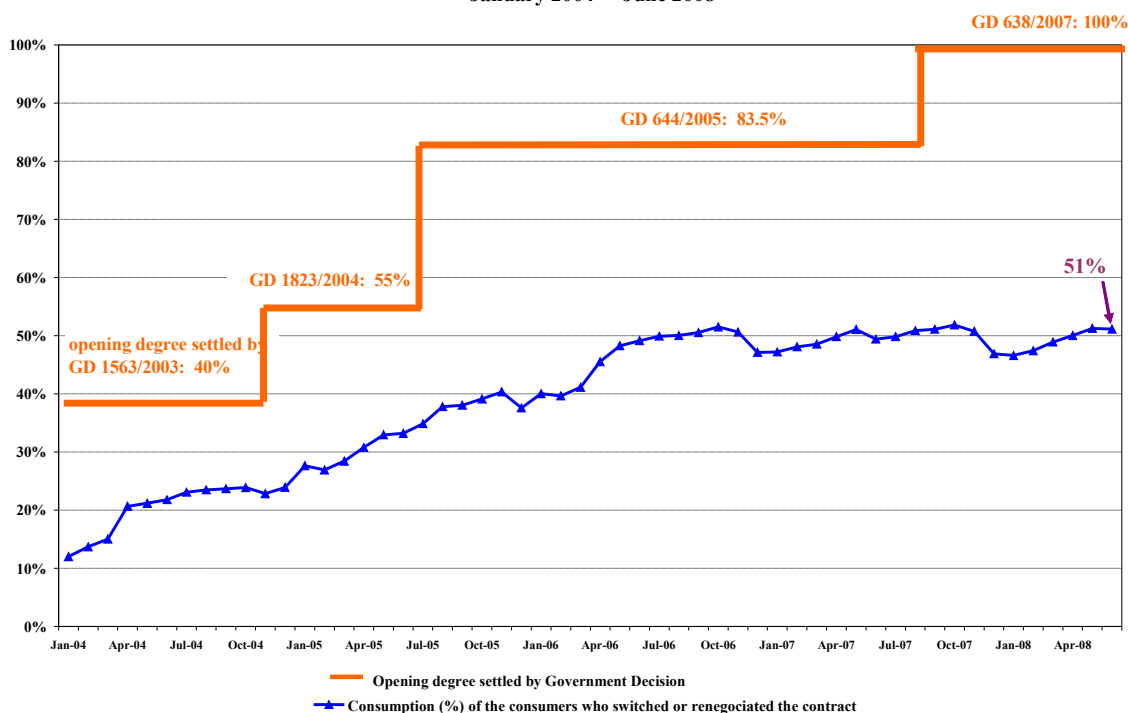
#### 2. Steps in the opening process of the electricity market

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 – June 2008. The values presented are cumulated from the beginning of the opening process and are presented monthly.

Opening degree evolution for electricity market  
January 2004 - June 2008



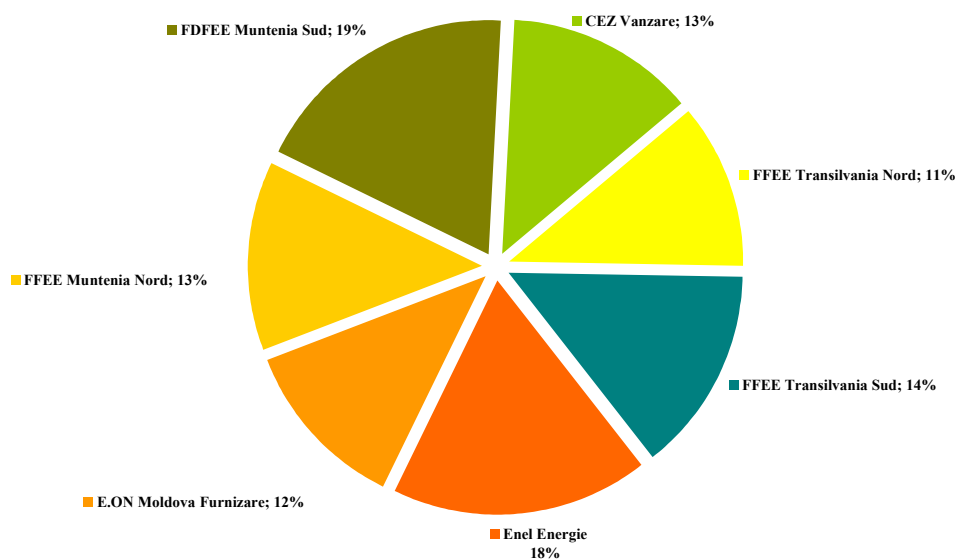
Source: Monthly reports of the final consumers' suppliers – processed by MG

#### 4. Market shares of the electricity suppliers

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

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

Market shares of incumbent suppliers on regulated market  
- Semestre I 2008 -

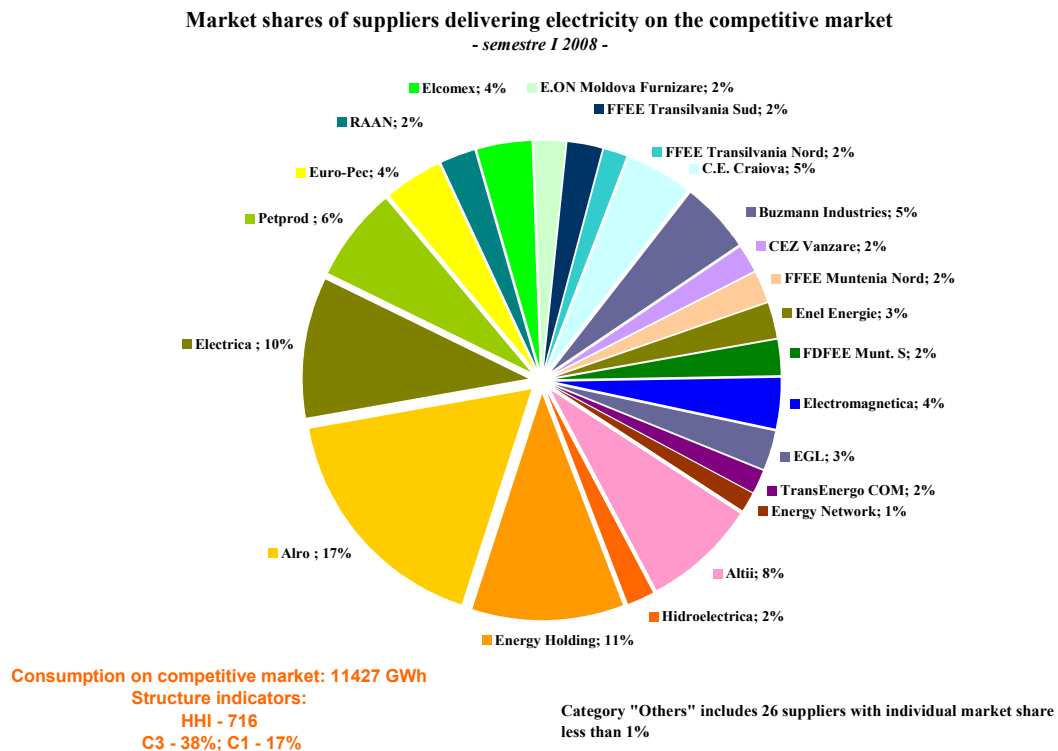


Consumption of consumers supplied at regulated tariffs: 11810 GWh

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

And

b) 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

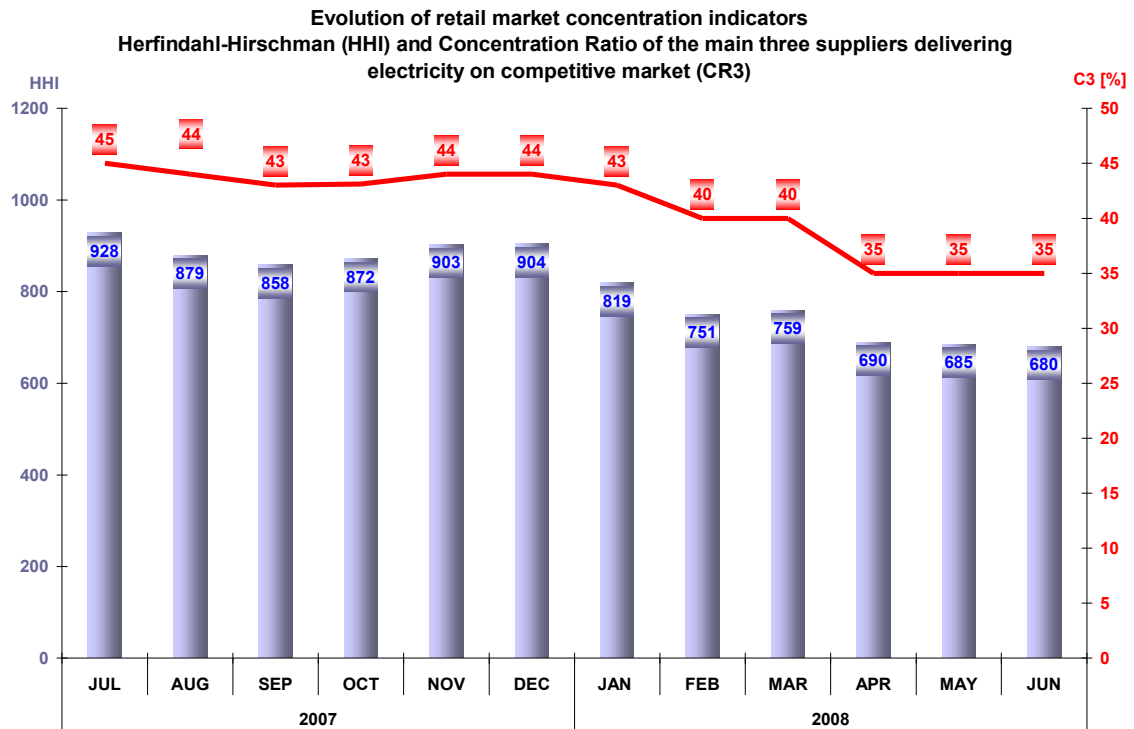
The electricity supplied to the final consumers, used for calculating the market share of every supplier, includes also the self-consumption of that particular supplier (e.g. consumers with supply license who buy electricity for themselves from WEM as competitive suppliers).

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 June 2008.

Number of suppliers - June 2008 -	Share of sales to final consumers from total sales transactions			
	100%	75% - 100%	50% - 75%	<50%
Competitive	4	6	13	9
Incumbent	5	1	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 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 for June 2008, calculated for each consumer category as defined by Directive 377/90:

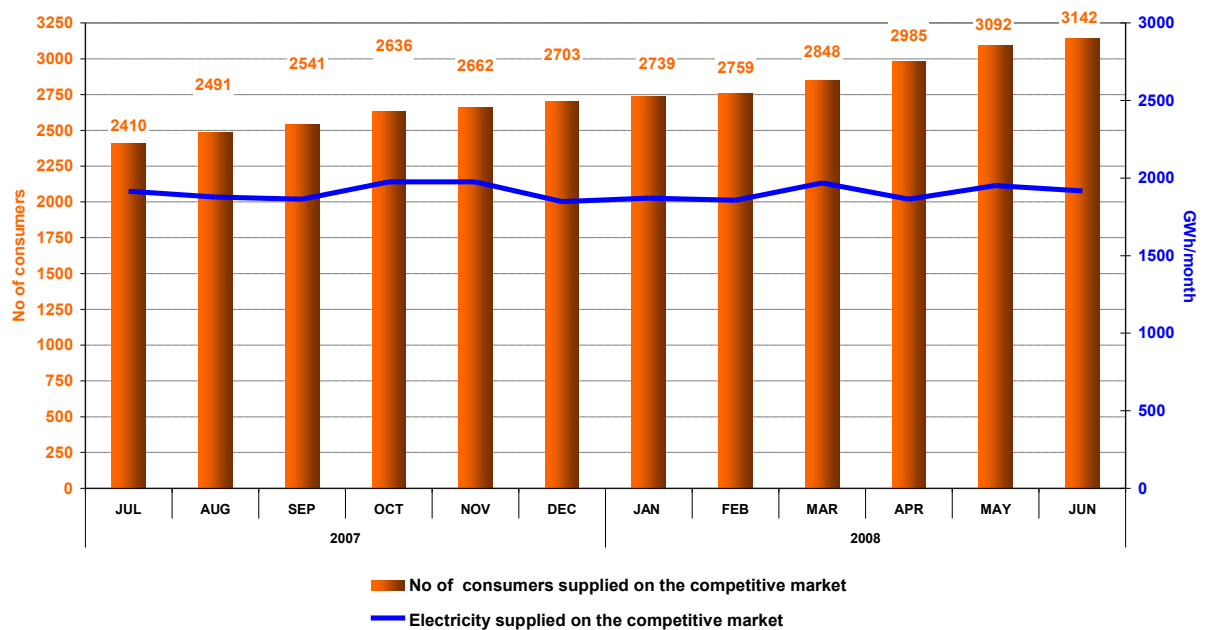
Indicators - June 2008 -	Consumer category							Total
	IA	IB	IC	ID	IE	IF	Others	
C1 -% -	71	26	21	14	20	27	30	17
C3 - % -	84	53	47	33	51	50	58	35
HHI	5196	1366	1071	661	1105	1370	1554	680
No. of incumbent suppliers	7	7	7	7	6	2	2	7
No. of competitive suppliers	4	20	25	31	17	8	12	32
No. of generators acting as suppliers	0	1	3	4	1	0	4	5

### 6. Evolution of consumers' number and of the electricity delivered

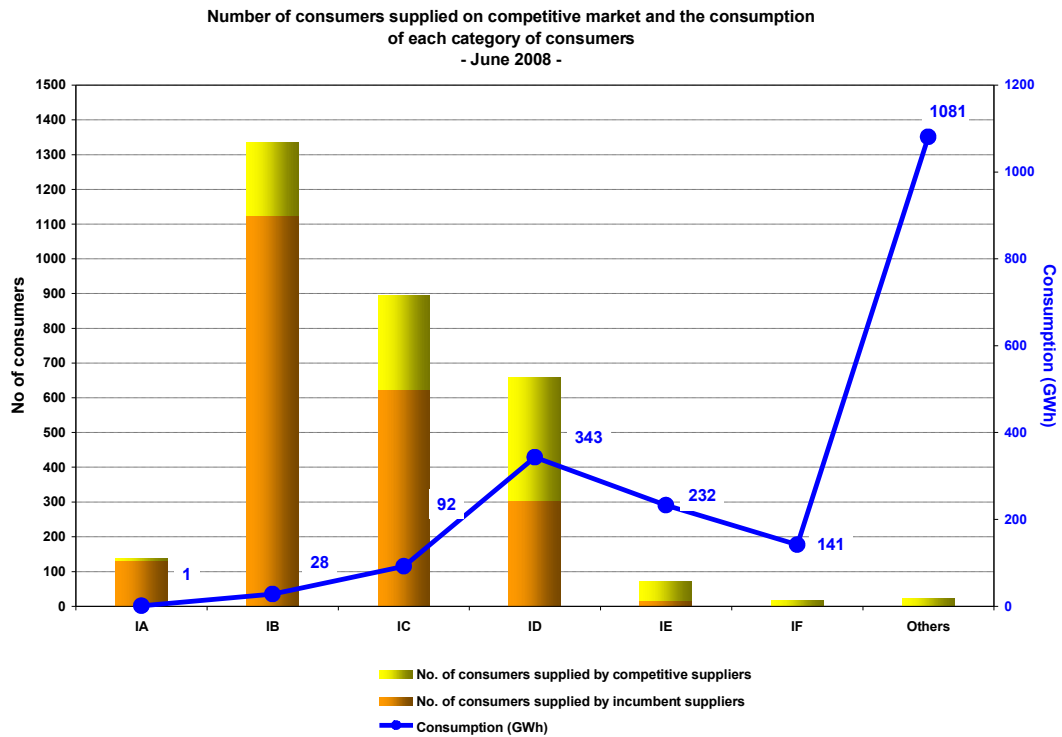
Number of consumers supplied on the competitive market is presented as total value from the beginning of the market opening process; for June 2008 this number is split into categories, according to the provisions of the European Directive 377/90. The table below presents the bands of consumption of each 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	

Evolution of the number of supplied consumers and delivered electricity on the competitive market



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 on competitive market

The following table presents the average selling prices of consumers supplied at negotiated prices, split into categories according to the provisions of European Directive 2007/394/EC which modified the provisions of the European Directive 377/90/EEC in June 2007.

**January-June 2008**

Consumer category	Consumption (MWh)	Average selling price (lei/MWh)
IA	4909	322.03
IB	158745	339.38
IC	542823	304.00
ID	2033980	273.72
IE	1381701	249.99
IF	678967	226.96
Others	6625626	184.30
<b>Total</b>	<b>11426753</b>	<b>218.59</b>

Source: Monthly reports of the suppliers – processed by MG

Notes:

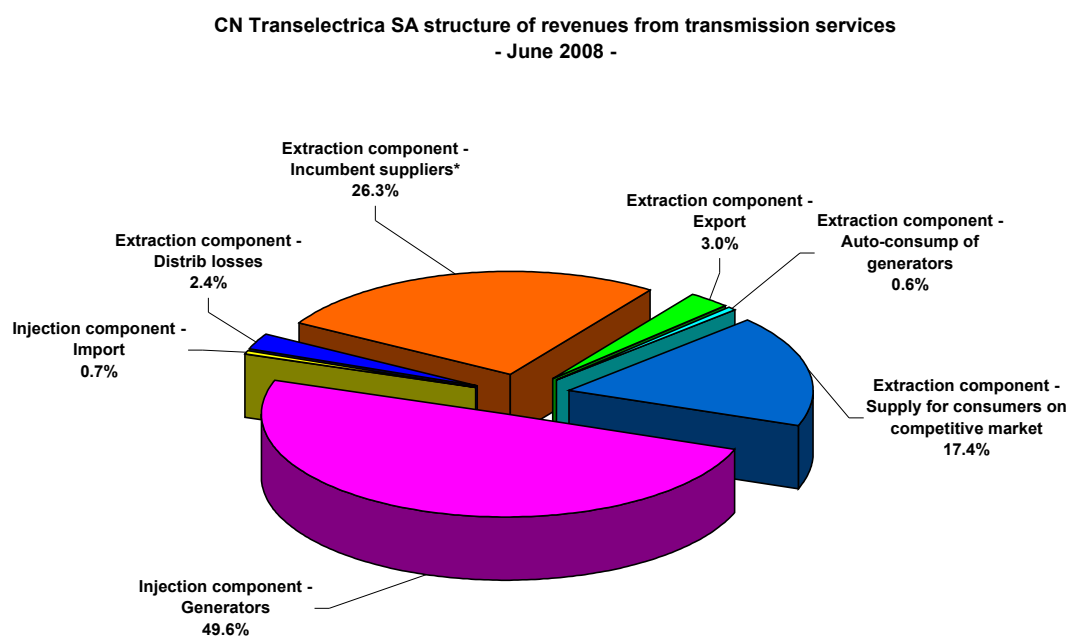
The average selling price on each category was calculated as weighted average of prices used by suppliers with quantities supplied, according to provisions of the European Directive. The average prices do not include VAT, excise or other taxes but include the supplied services (injection and extraction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

#### 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 June 2008.



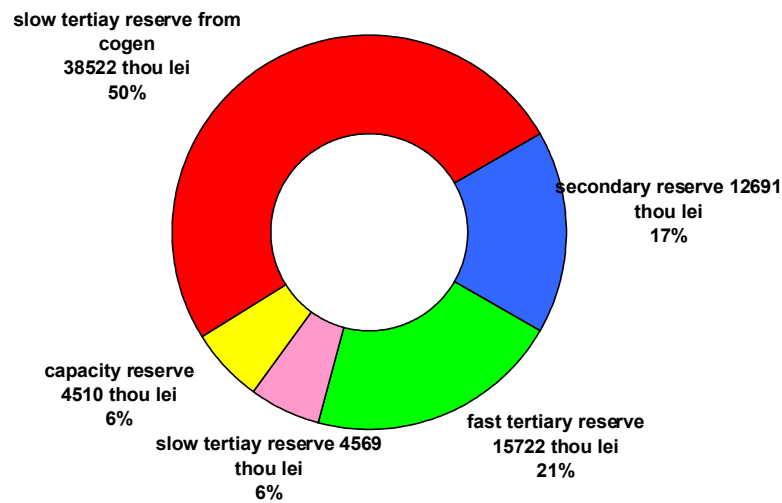
\* referring to all their activity as well as the distribution losses for two distribution operators

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 June 2008. 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  
- June 2008 -



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

## V. EVOLUTION OF MARKET RULES IN JUNE 2008

- A series of regulations with impact on the wholesale electricity market were issued in June 2008:
  - ANRE Order no. 57/2008 regarding the approval of *the Methodology of setting the prices and quantities of electricity sold by generators on regulated contracts as well as the prices for thermal energy produced by co-generation units;*
  - ANRE Order no. 63/2008 for modification of the Order no. 64/2007 regarding the *approval of average tariff and zonal tariffs for transmission, tariff for system services and tariff of the centralised markets operator;*
  - ANRE Order no. 64/2008 for modification of the Order no. 19/2007 regarding the *approval of the Methodology for establishing, implementing and use of the capacity reserve;*
  - ANRE Order no. 60/2008 regarding the *approval of the Methodology of monitoring the retail electricity market;*
  - ANRE Order no. 58/2008 regarding *the assignment of electricity suppliers of last resort between 2008, 1<sup>st</sup> July– 2009, 30<sup>th</sup> June;*
  - ANRE Order no. 65/2008 regarding *the approval of regulated tariffs for electricity supplied by incumbents and suppliers of last resort to captive consumers, others than households and assimilated and approval of tariffs for reactive electricity;*
  - ANRE Order no. 66/2008 regarding *the approval of regulated tariffs for electricity supplied by incumbents and suppliers of last resort to households and assimilated.*

## VI. EXPLANATIONS AND ABBREVIATION

### 1. Explanations

- **Auto-consumption of generators** – in the graph regarding the revenues of CN Transelectrica SA, the auto-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](http://www.eex.de)
- EXAA – Energy Exchange Austria, [www.exaa.at](http://www.exaa.at)
- DAM – Day Ahead Market
- BM – Balancing 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