REPORT ON MONITORING RESULTS OF THE

ELECTRICITY MARKET

JANUARY 2008

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

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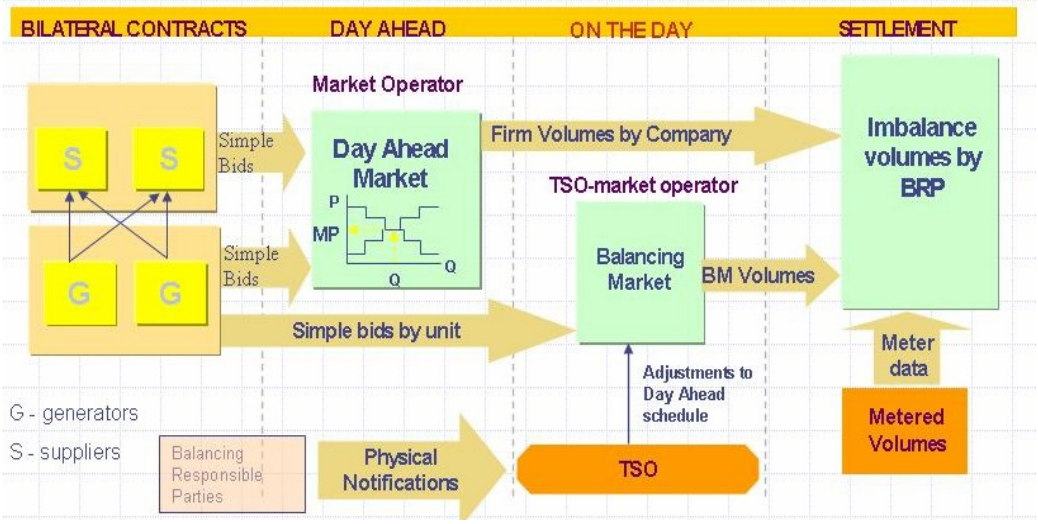
I. MAIN EVENTS IN THE DEVELOPMENT OF THE ROMANIAN ELECTRICITY MARKET

- **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 disolved;
- **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 negociation;
- **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 January 2008 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 Petrobrazi	
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	Generators acting also as suppliers on the competitive market
19	SC CET Arad SA	
20	SC Electrocentrale Deva SA	
21	SC Hidroelectrica SA	
22	RAAN	
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 Distributie SA	Operators of the distribution network
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	
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 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	

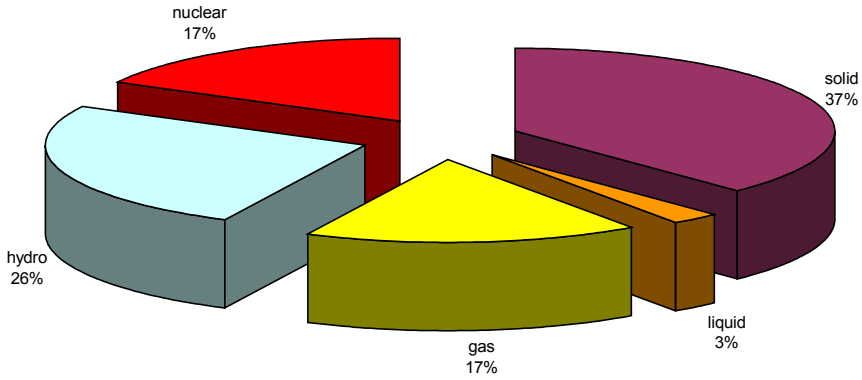
No.	Name
F	***Electricity Suppliers acting exclusively on the wholesale market***
1	SC Atel Energy Romania SRL
2	SC CEZ Trade Romania SRL
3	SC EFT Romania SRL
4	SC Elizor Prest SRL
5	SC Encaz SRL
6	SC Energy Market Consulting SRL
7	SC E.ON Energy Trading AG
8	SC Ezpada SRL
9	SC Korlea Invest SRL
10	SC Re Energie SRL
11	SC Romelectro SA
12	SC Sempra Energy Europe Ltd
13	SC Sindserv SA
14	SC Statkraft Romania SRL
15	SC Ten Transilvania SRL
16	SC Uniwatt Plus SRL

No.	Name
G	***Electricity Suppliers***
1	SC Alro SA
2	SC Also Energ SA
3	SC Arelco Distributie SRL
4	SC Beny Alex SRL
5	SC Biol Energy SRL
6	SC BMI Iaşi SA
7	SC Buzmann Industries SRL
8	SC EFE Energy SRL
9	SC EGL Gas & Power Romania SA
10	SC Elcomex EN SRL
11	SC Electrica SA
12	SC Electricom SA
13	SC Electromagnetica SA
14	SC Energy Holding SRL
15	SC Energy Network SRL
16	SC Enex SRL
17	SC Ennet Grup SRL
18	SC Enol Grup SA
19	SC EURO-PEC SA
20	SC Fidelis Energy SRL
21	SC General Com Invest SRL
22	SC Gevco SRL
23	SC Green Energy SRL
24	SC Grivco SA
25	SC Hidroconstructia SA
26	SC ICCO Electric SRL
27	SC ICPE Electrocond Technologies SA
28	SC Interagro SA
29	SC Izochem Trading SRL
30	SC Luxten LC SA
31	SC Petprod SRL
32	SC Tinmar Ind SA
33	SC Total Electric Oltenia SA
34	SC Transenergo Com SA
35	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

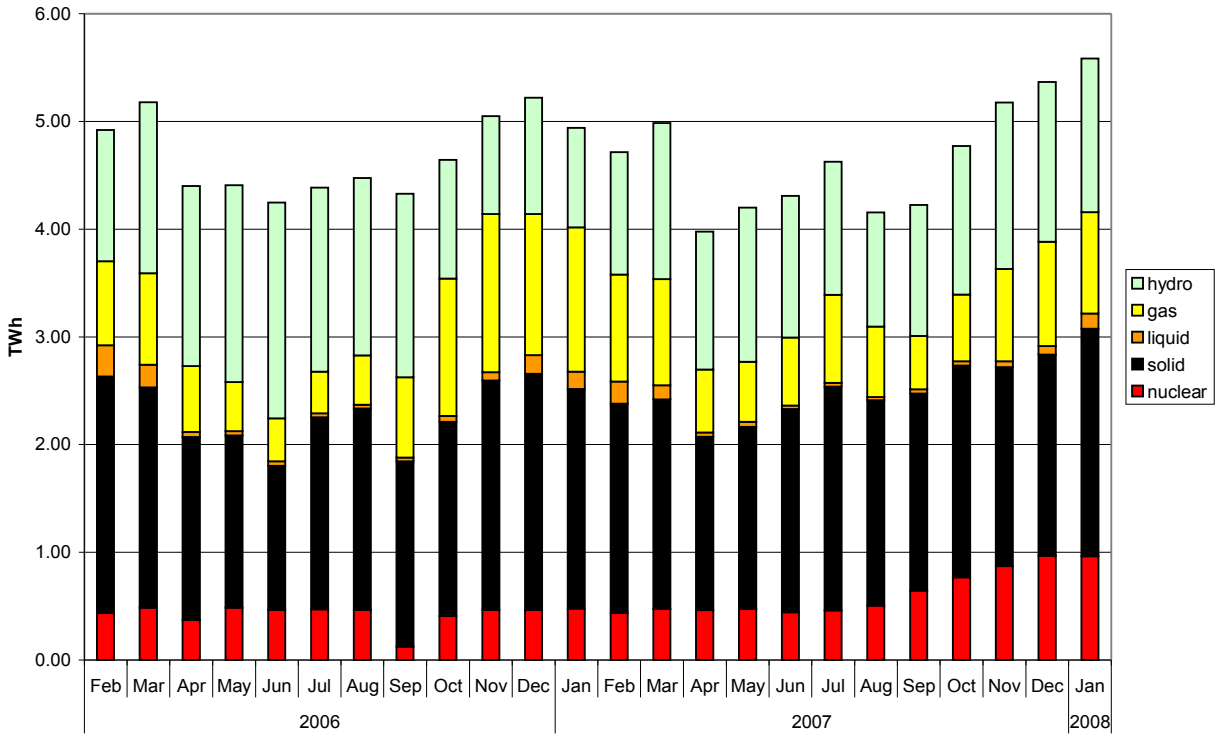
Electricity structure by primary sources (delivered by generators with dispatchable units)
- January 2008 -



Source: Monthly reports of generators – processed by MG

The evolution of delivered electricity structure, starting with February 2006, 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 January 2008 compared with data for January 2007:

No.	Indicator	UM	January 2007	January 2008	%
0	1	2	3	4	5=4/3*100
1	Generated electricity	TWh	5.452	6.136	112.5
2	Delivered electricity	TWh	4.941	5.585	113.0
3	Import	TWh	0.040	0.090	224.9
4	Export	TWh	0.333	0.590	177.3
5	Internal consumption	TWh	4.648	5.085	109.4
6	Electricity supplied on the regulated market	TWh	1.961	2.144	109.3
6.1	Of which electricity supplied to households	TWh	0.835	0.938	112.3
7	Electricity supplied on the competitive market	TWh	1.753	1.871	106.7
8	Transmission – Injection component	TWh	4.836	5.544	114.6
9	Transmission – Extraction component	TWh	4.866	5.582	114.7
10	System services	TWh	4.918	5.582	113.5
11	Actual transmission grid losses	TWh	0.063	0.105	166.2
12	Heat generated for delivery	Tcal	2762	3325	120.4
13	Heat in co-generation	Tcal	2306	2557	110.9

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.

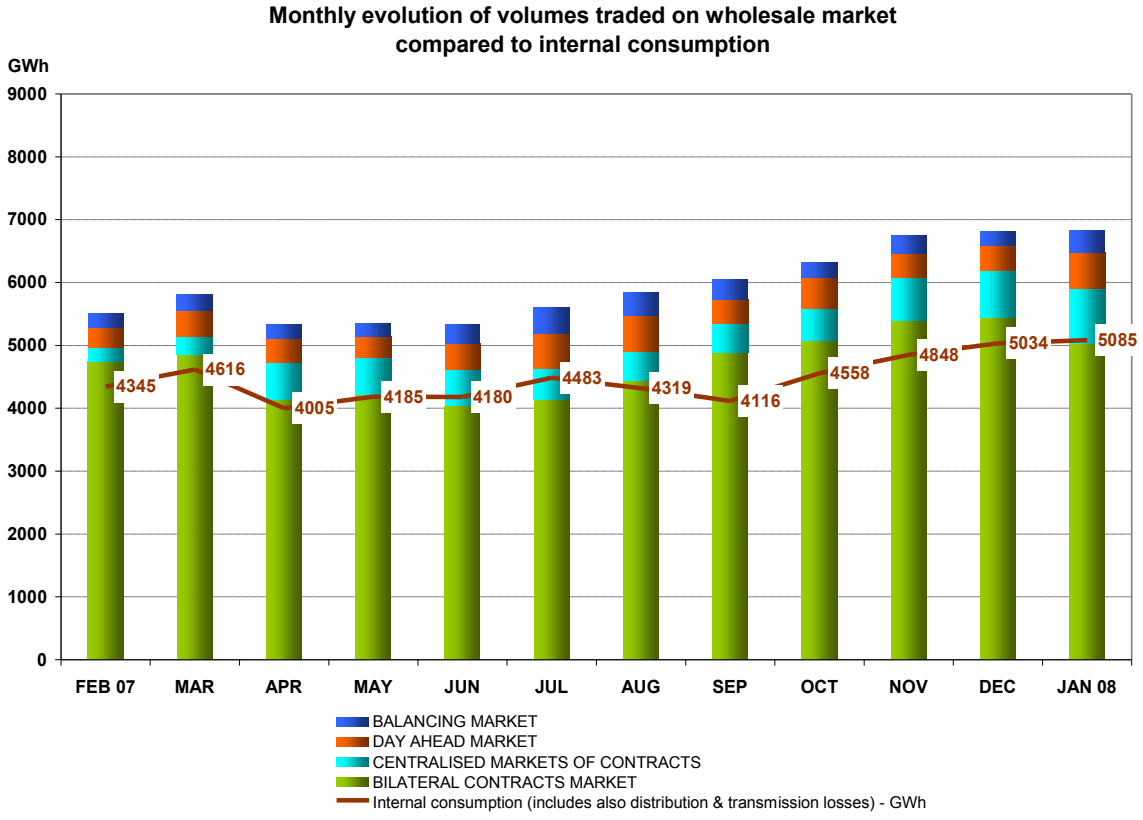
Therefore, the wholesale electricity market includes: regulated contracts and bilateral negociated contracts between generators and suppliers, regulated contracts for covering the network losses, bilateral negociated contracts generator-generator and supplier-supplier, as well as contracts concluded on centralized markets: CMBC (centralized market of bilateral contracts), CMBC-CN (centralized market of partially stardardised 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 January 2008 compared to the volumes of January 2007:

TRANSACTIONS ON THE WHOLESALE MARKET	UM	January 2007	January 2008
0	1	2	3
1. BILATERAL CONTRACTS' MARKET	GWh	**5546**	**5623**
1.1. Sales on regulated contracts	GWh	*3160*	*2563*
1.2. Sales on negociated contracts *	GWh	*2053*	*2470*
1.3. Export	GWh	*333*	*590*
2. CONTRACTS ON CENTRALISED MARKETS	GWh	**254**	**869**
3. DAY AHEAD MARKET	GWh	**374**	**571**
4. BALANCING MARKET (all the transactions)	GWh	**343**	**365**
4.1. Upward	GWh	*162*	*289*
4.2. Downward	GWh	*181*	*76*
INTERNAL CONSUMPTION (includes distribution and transmission losses)	GWh	**4648**	**5085**

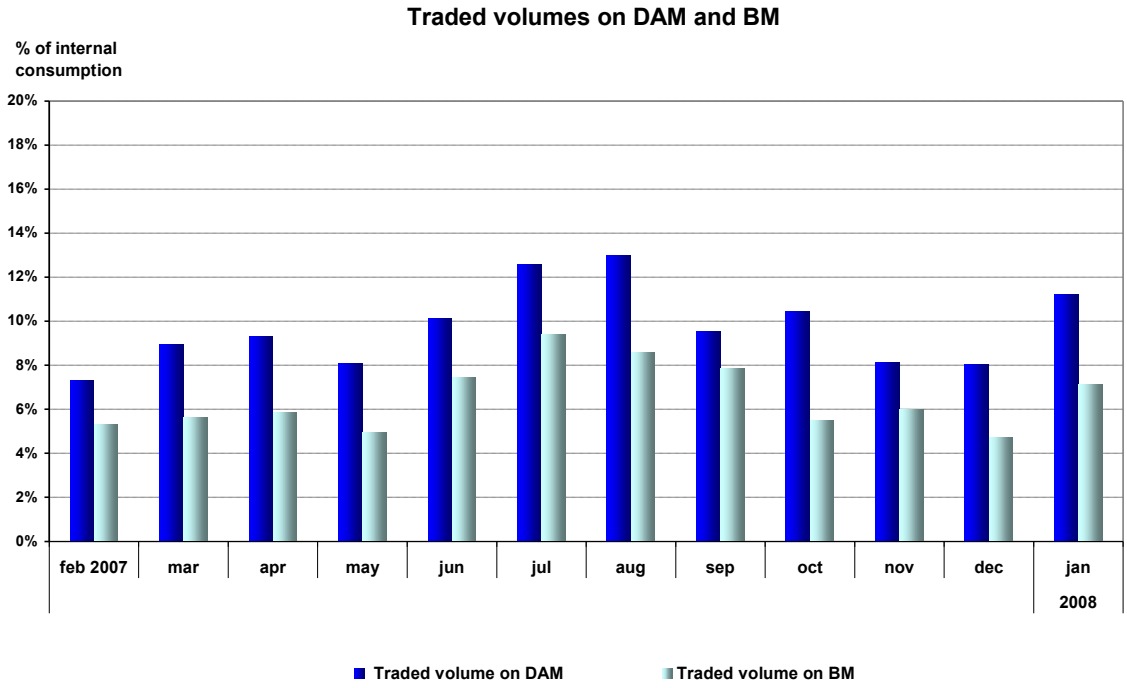
* the sales to final consumers are not included

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



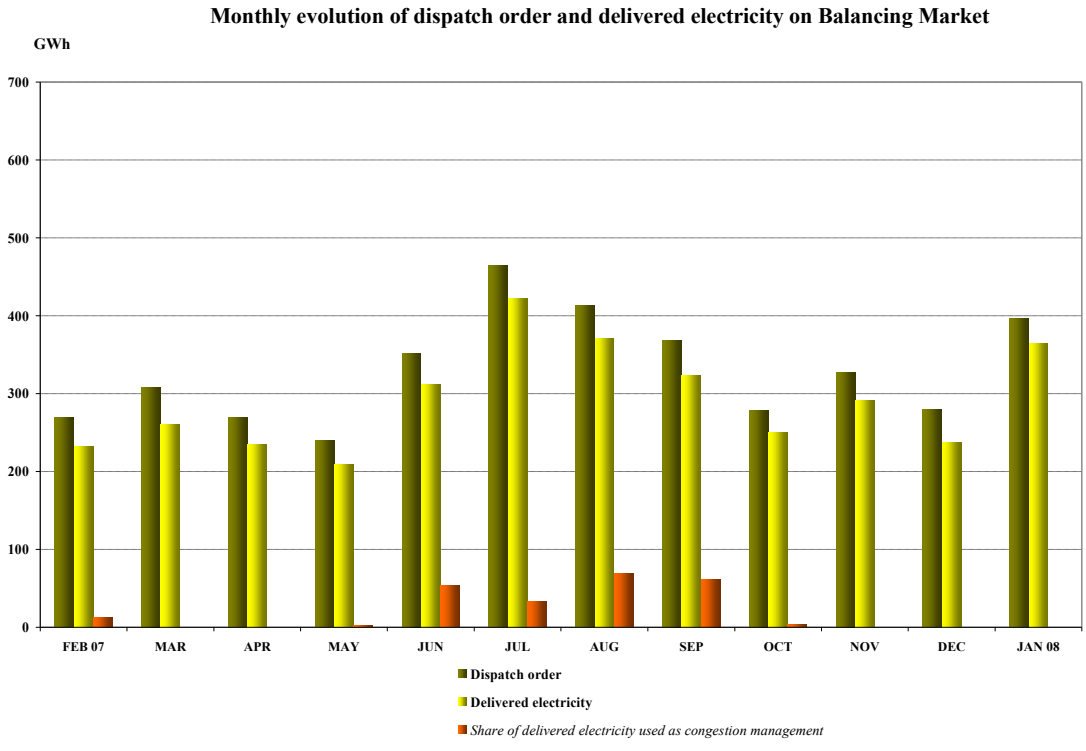
Source: Monthly reports of wholesale market participants, SC Opcom SA and CN Transelectrica SA – processed by MG

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

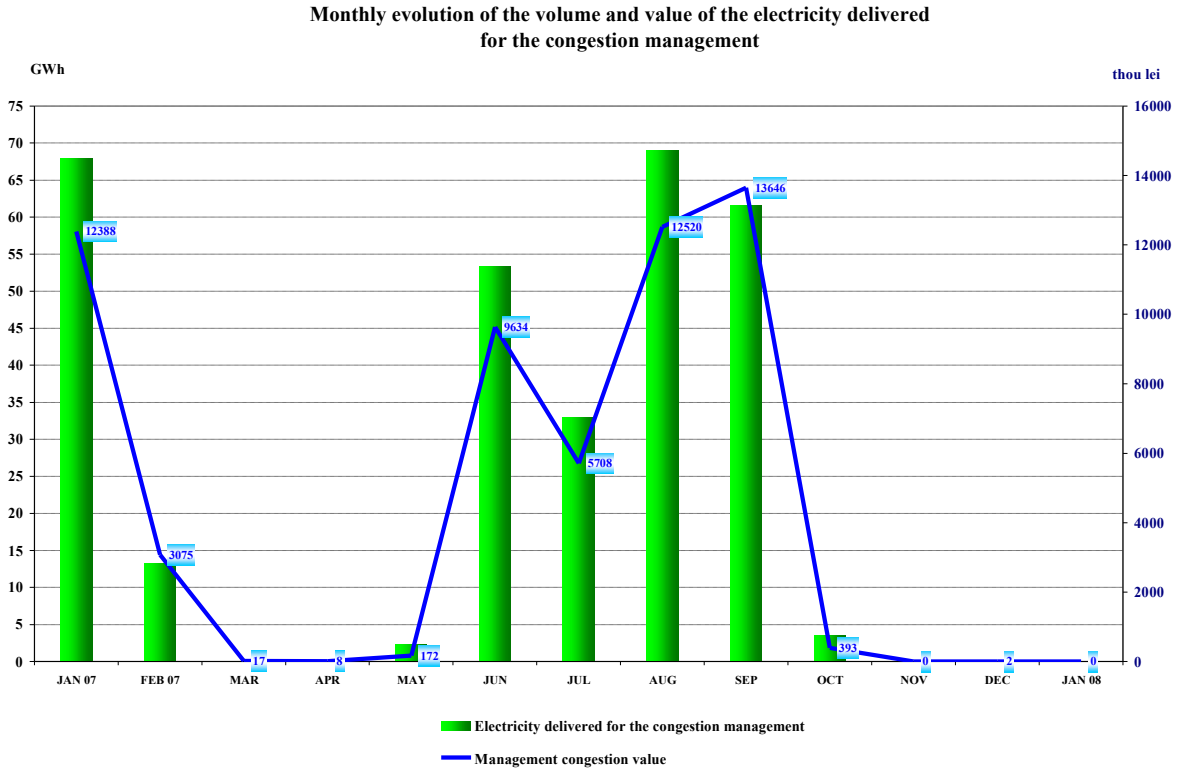
Balancing electricity is determined by the dispatch orders (accepted offers) received by generators. After settlement, the actual electricity delivered by generators based on the measured (approved) values is determined; the comparison of these two rows of data during February 2007 – January 2008 is presented in the following graph:



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

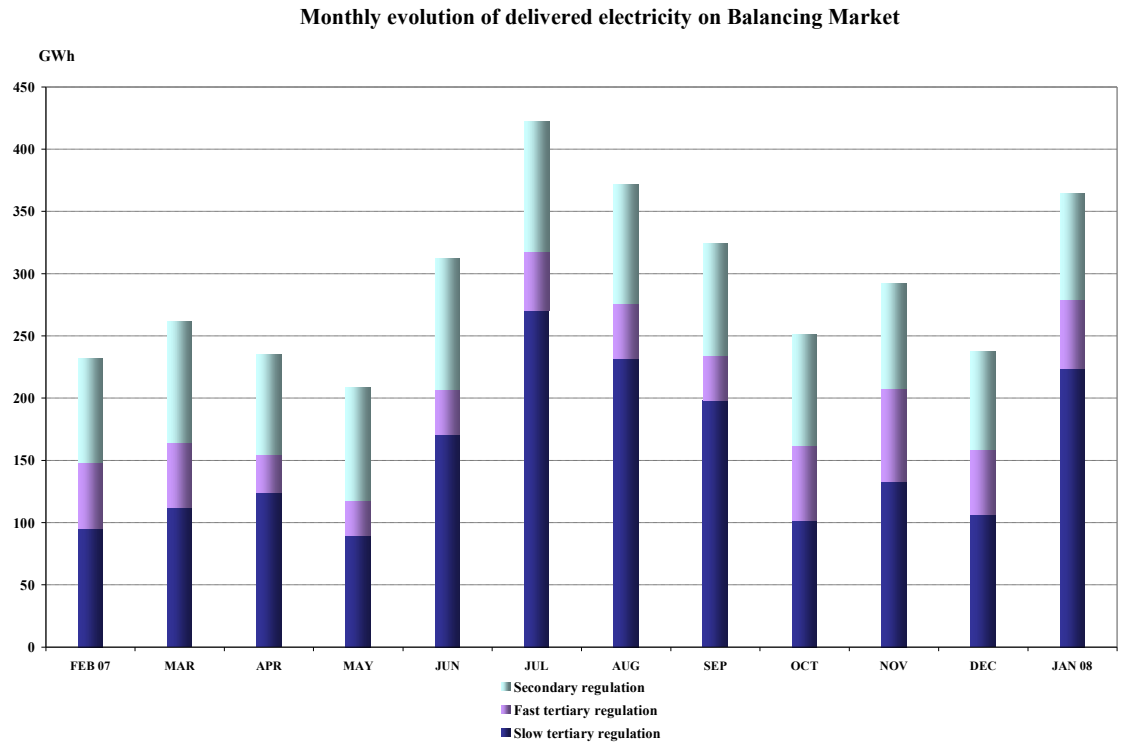
The above graph also presents the energy used for congestion management compared to the volumes traded on BM; this energy represents the quantity purchased by the transmission operator on the balancing market in order to solve the congestions appeared in the transmission network.

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 January 2007.



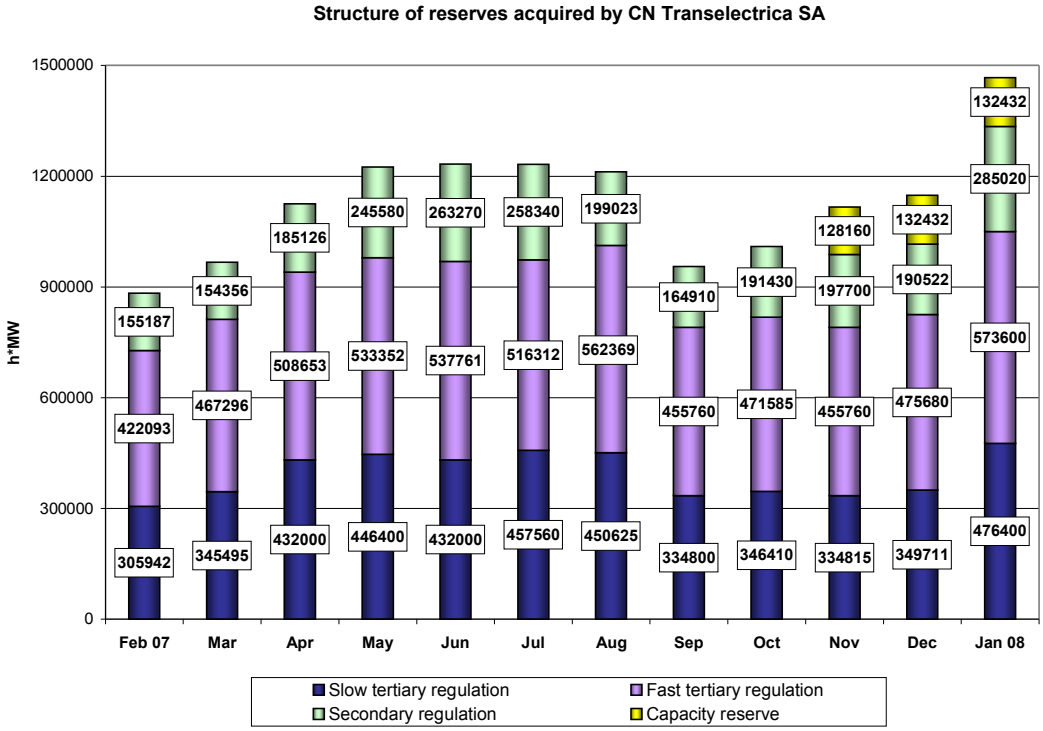
Source: Monthly reports of CN Transelectrica SA – processed by MG

The structure of balancing electricity delivered in the system on each type of regulation for the past 12 months 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 Transelectrica SA during February 2007-January 2008:



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

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

Generators

In January 2008, the structure of electricity sales before delivery day of the electricity generators with dispatchable units was the following:

Transaction type	MU	January 2007	January 2008
0	1	2	3
Regulated to incumb., thermal gen.	GWh	1710.38	1271.31
Regulated to incumb., hydro gen.	GWh	125.19	153.80
Regulated to incumb., nuclear gen.	GWh	205.34	505.36
Regulated for distribution loss., thermal gen.	GWh	667.04	334.14
Regulated for distrib. loss., hydro gen.	GWh	63.74	45.00
Regulated for distrib. loss., nuclear gen.	GWh	53.95	147.93
Regulated for transmission losses	GWh	93.45	74.57
Regulated to other generators	GWh	120.35	30.52
Regulated to other gen., optional	GWh	96.67	0
Negociated to incumbents	GWh	38.98	0
Negociated to distributors	GWh	0	0
Negociated to other generators	GWh	0	109.79
Negociated to competitive suppliers	GWh	1333.39	1180.29
Contracts concluded on centralized markets	GWh	249.87	869.49
Supply to consumers (negociated+centr.markets)	GWh	210.74	137.07
Export	GWh	101.60	138.15
DAM	GWh	106.71	438.42
Total	**GWh**	**5177.40**	**5435.84**

Source: Monthly reports of generators – processed by MG

The structure includes the following types of contracts concluded by generators on the electricity market:

Contract type	Symbol
Regulated contracts concluded with the incumbent suppliers for supplying the consumers at regulated tariffs, by thermal (including independent generators/auto-generators), hydro and nuclear generators respectively	Regulated to incumb., thermal gen.
	Regulated to incumb., hydro gen.
	Regulated to incumb., nuclear gen.
Regulated contracts concluded with distributors for covering the distribution grid losses, by thermal generators (including auto-generators), hydro and nuclear generators respectively	Regulated for distrib. loss., thermal gen.
	Regulated for distrib. loss., hydro gen.
	Regulated for distrib. loss., nuclear gen.
Regulated contracts concluded with the transport operator for covering the transmission grid losses	Regulated for transmission losses
Contracts between generators concluded at regulated prices, activated at buyer's request, for an option premium	Regulated to other gen., optional
Contracts between generators concluded at regulated prices, with the obligation to buy back the electricity within one-year period	Regulated to other generators
Bilateral negociated contracts concluded with incumbent suppliers	Negociated to incumbents
Bilateral negociated contracts concluded with other generators	Negociated to other generators
Bilateral negociated contracts concluded with competitive suppliers	Negociated to competitive suppliers.

Bilateral negociated contracts concluded with distributors	Negociated to distributors
Contracts concluded on the centralized markets of contracts with different market participants	Contracts concluded on centralized markets
Supplying contracts to consumers on the competitive market	Supply to consumers (negociated+centr.markets)
Negociated contracts for export	Export
Sales on DAM to different market participants	DAM

Suppliers

In January 2008, 58 companies having as main activity the supply of electricity had transactions on the electricity market; 16 suppliers out of 58 traded electricity exclusively on the wholesale market, whereas 42 suppliers, including the 7 incumbent suppliers, traded electricity on the retail market as well.

Suppliers acting exclusively on WEM

The following table shows the activity for January 2008 compared to January 2007 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	**January 2007**	**January 2008**
Acquisitions		
Import	35.32	30.80
Negociated contracts with suppliers	111.32	494.83
Negociated contracts with generators	103.01	159.54
Contracts concluded on centralized markets	7.56	184.17
DAM	0.91	18.69
Sales		
Export	40.35	339.37
Negociated contracts with suppliers	145.20	507.82
Negociated contracts with generators	-	1.32
Contracts concluded on centralized markets	-	-
DAM	23.43	39.94

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, for January 2008 and January 2007.

- GWh -

Acquisition structure of suppliers providing electricity to final consumers (the incumbent suppliers are not included)	**January 2007**	**January 2008**
Import	2.19	59.23
Negociated contracts with suppliers	356.39	467.26
Negociated contracts with generators	1230.38	1021.54
Contracts concluded on centralized markets	242.43	541.49
DAM	112.01	94.09

Incumbent suppliers

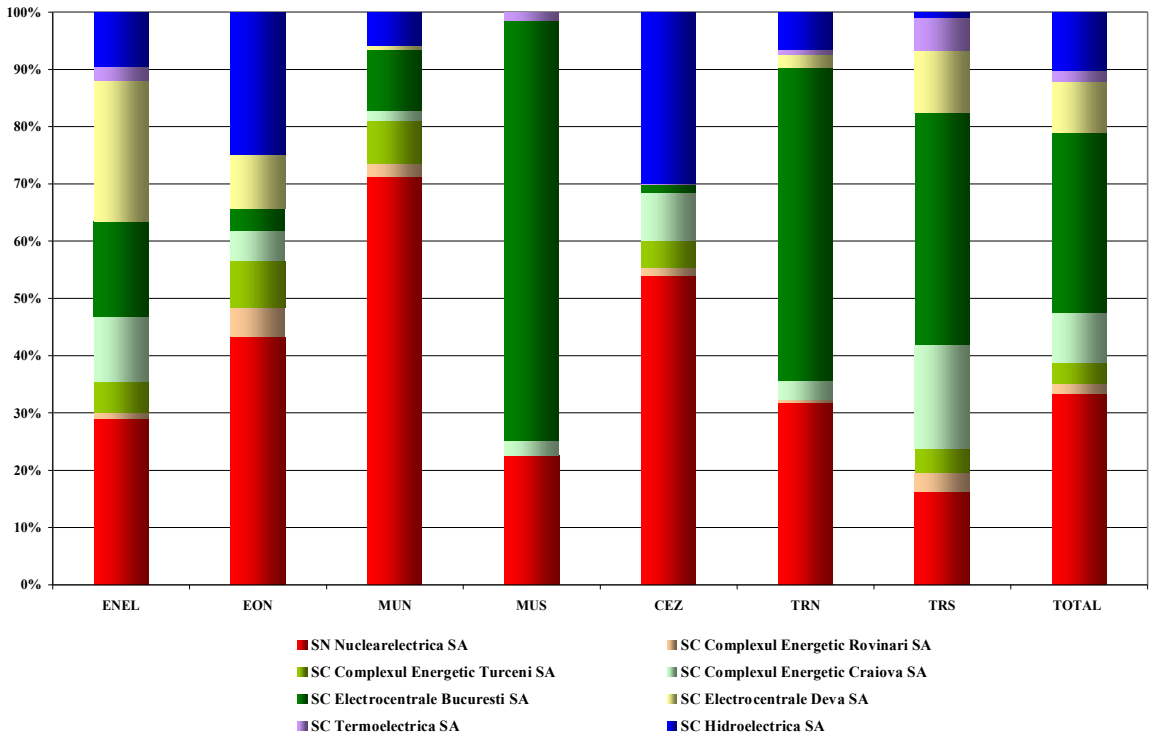
Electricity acquisition structure of incumbent suppliers (before the delivery day), for supplying the regulated market consumers, is presented in the table below, for January 2008 compared to the situation of January 2007:

- GWh -

Acquisition structure of incumbent suppliers for regulated retail market	**January 2007**	**January 2008**
Regulated contracts	2109.23	1980.94
Negociated contracts	25.06	5.01
Contracts concluded on centralized markets		4.19
DAM	5.15	171.77

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

Electricity aquisition from main generators, on regulated contracts, of incumbent suppliers
January 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 negociated prices to the consumers who renounced to regulated tariffs) for January 2008 compared to January 2007:

- GWh -

Acquisition structure of incumbent suppliers on competitive REM	**January 2007**	**January 2008**
Import	-	-
Negociated contracts with suppliers	200.46	207.38
Negociated contracts with generators	40.14	-
Contracts concluded on centralized markets	3.72	139.20
DAM	63.13	62.29

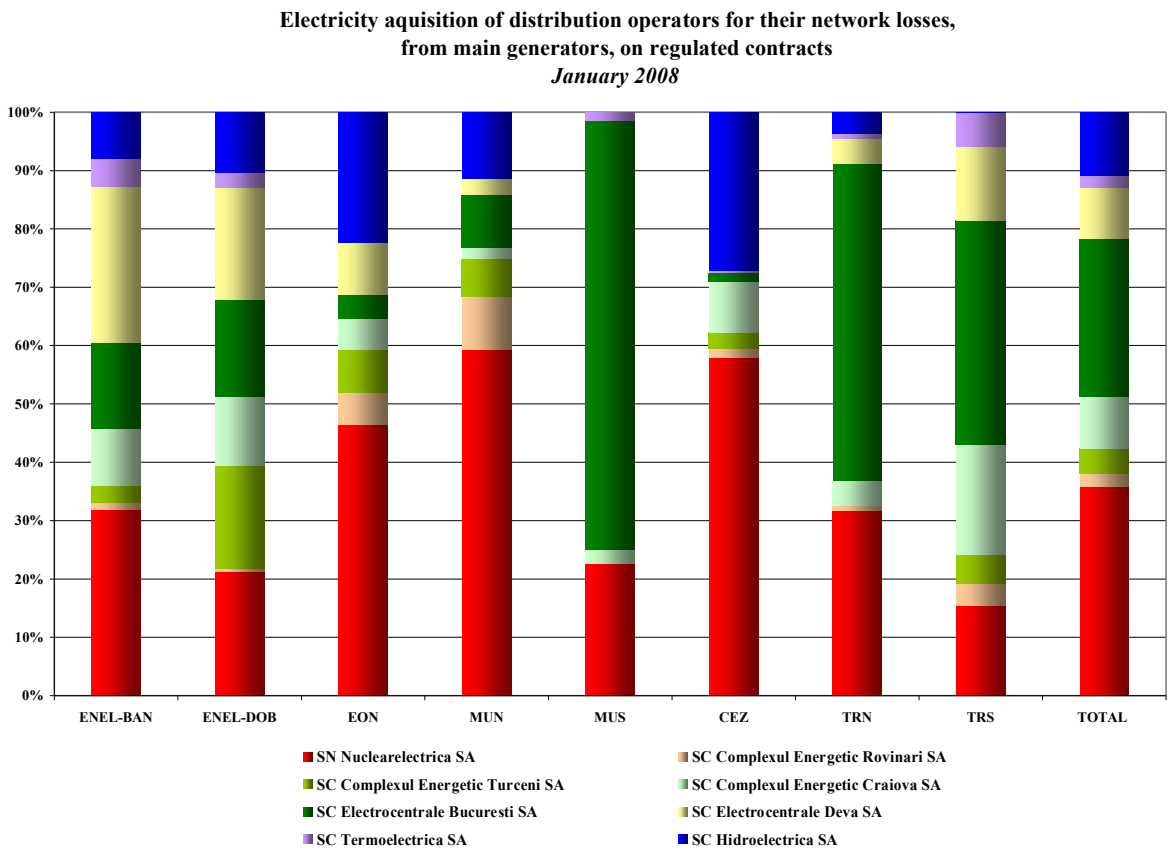
Main distribution operators

The following table shows the electricity acquisition structure of main distribution operators (before the delivery day), for covering the distribution network losses, for January 2008 compared to January 2007:

- GWh -

Acquisition structure	**January 2007**	**January 2008**
Regulated contracts	807.03	528.12
Negociated contracts	12.02	4.89
Contracts concluded on centralized markets		0
DAM	36.04	225.59

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 January 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

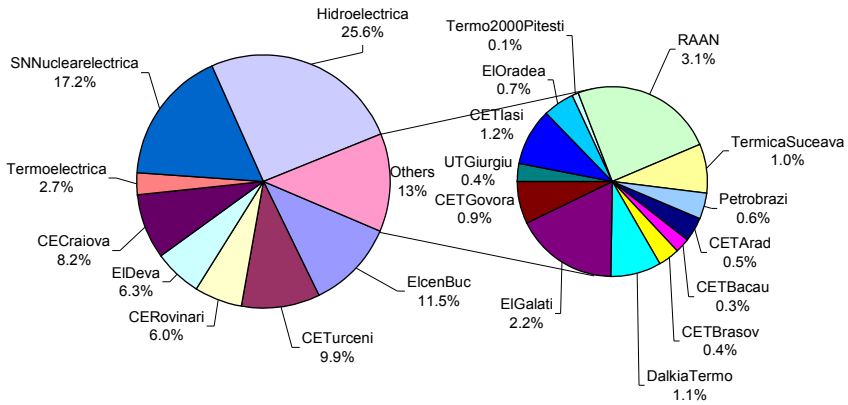
The market structure regarding the electricity generation offers an initial basis for analyzing the possible competitiveness level of the electricity market.

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

Indicator	**C1**	**C3**	**HHI**
Value	26%	54%	1351

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

Market shares of dispatchable generators by delivered electricity
- January 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 are determined based on effectively delivered

electricity, for each type of regulation defined within the Commercial Code, and are presented in the following table:

Structure/concentration indicators of BM – January 2008	Regulation					
	Secondary		Fast tertiary		Slow tertiary	
	upward	downward	upward	downward	upward	downward
C1 (%)	77	75	80	40	26	28
C3 (%)	98	91	88	73	65	72
HHI	6173	5954	6462	2357	1859	2057

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.

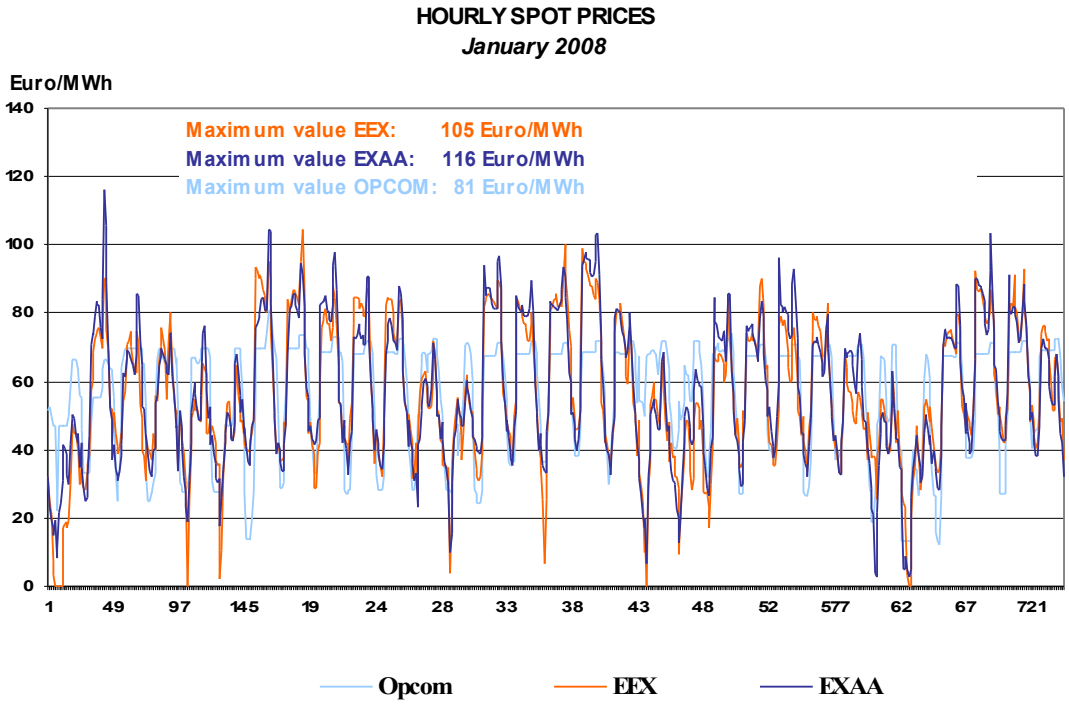
The relationship between regulated and competitive components on the ancillary services market as well as the main concentration indicators on each type of reserve are presented in the following table:

Concentration indicators on ancillary services market		Secondary reserve	Fast tertiary reserve	Slow tertiary reserve
regulated component	C1 (%)	75	78	77
	C3 (%)	97	87	100
	contracted quantity (h*MW)	233500	520800	197160
competitive component	C1 (%)	80	90	62
	C3 (%)	100	100	100
	HHI	6741	8200	5121
	contracted quantity (h*MW)	51520	52800	279240

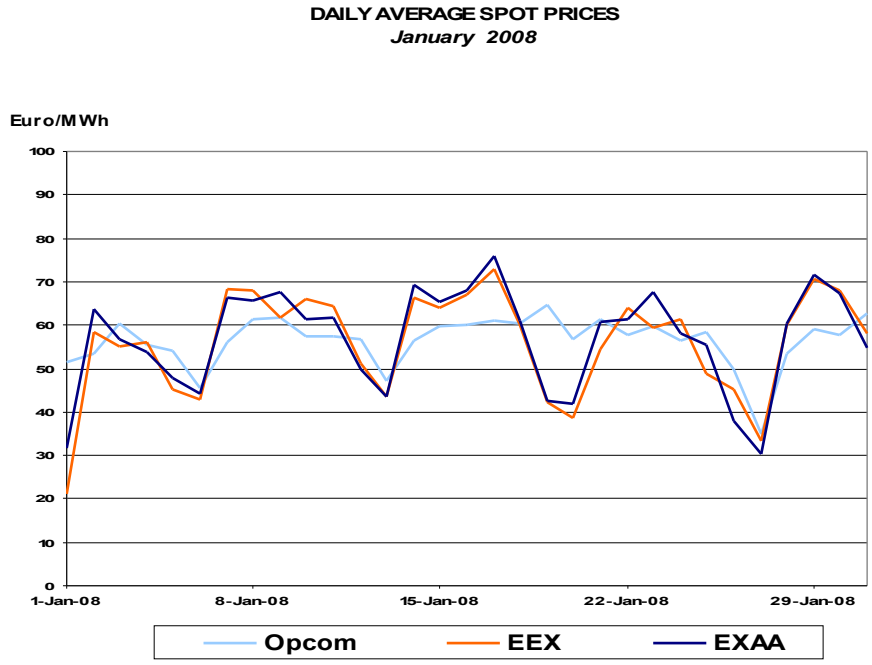
7. Price evolution on wholesale electricity market

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 January 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.



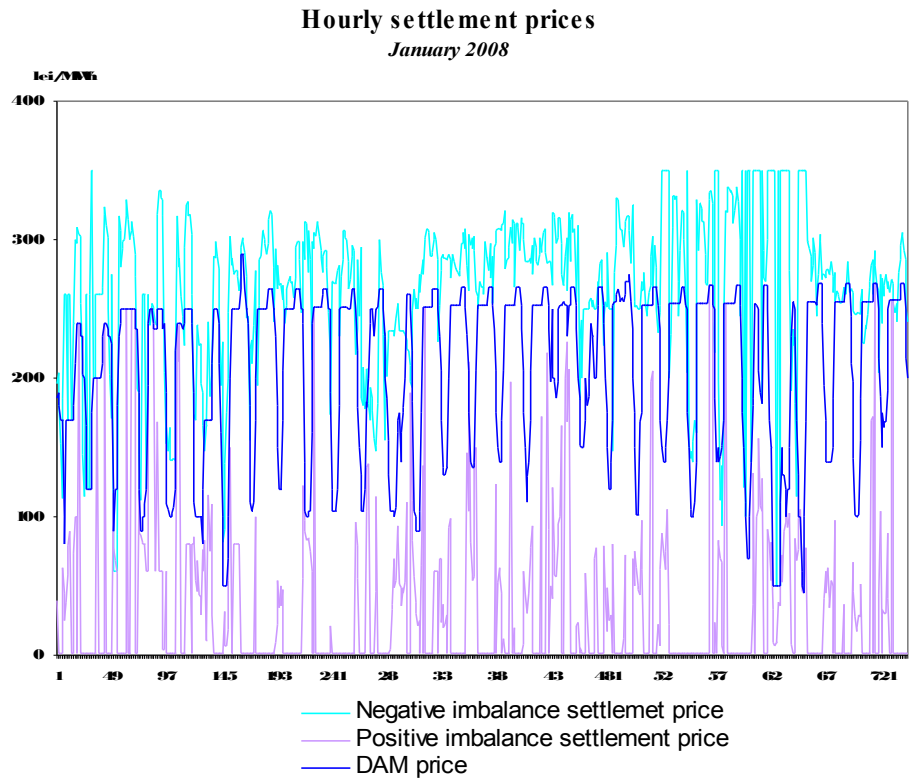
Source: Daily reports of SC Opcom SA and published data of EXAA and EEX – processed by MG



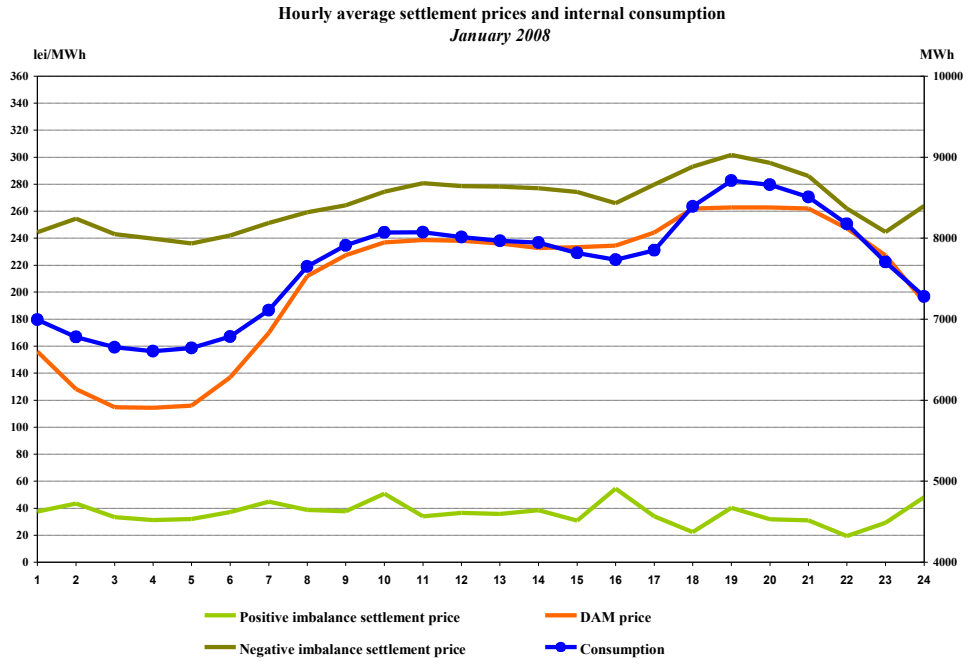
Source: Daily reports of SC Opcom SA and published data of EXAA and EEX – processed by MG

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

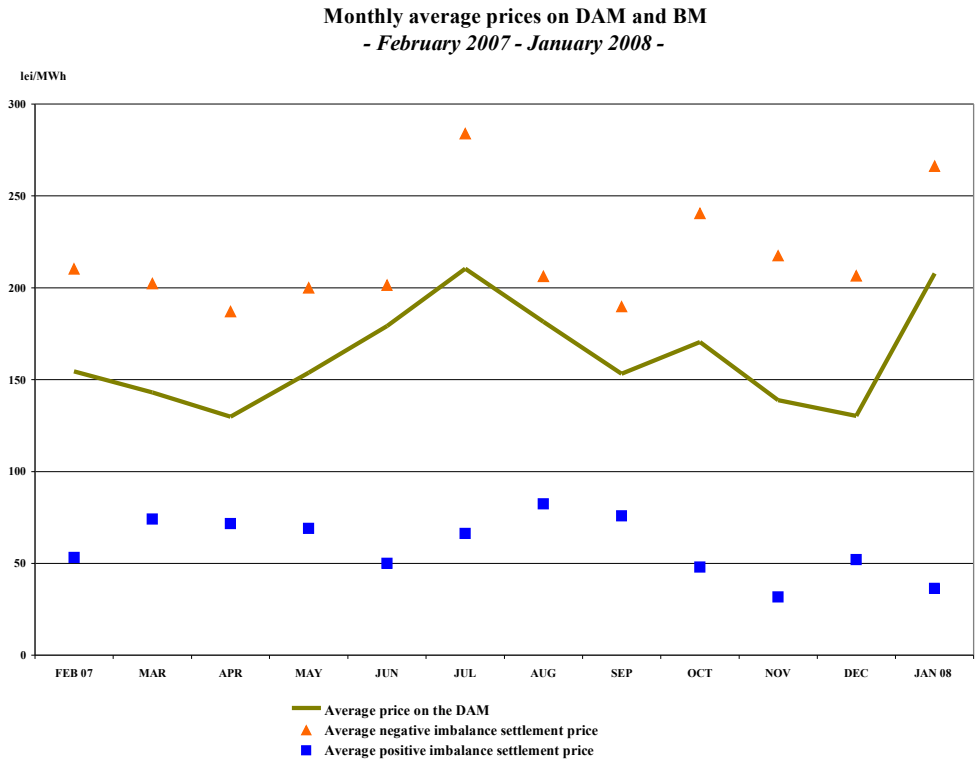
The settlement prices (MCP on DAM, negative imbalance settlement price and positive imbalance settlement price) are represented on the same graph, showing the two markets correlation degree. In the first graph the prices are expressed in hourly values, in the second graph in hourly average values compared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



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



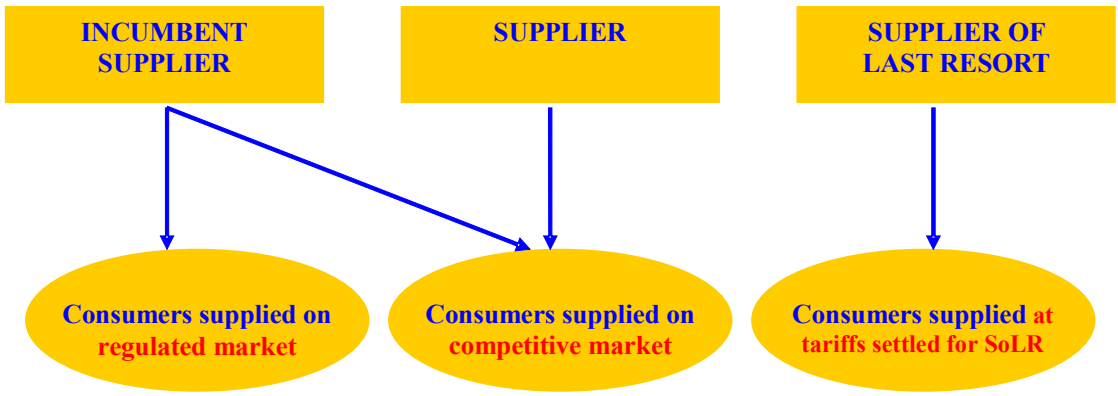
Source: Monthly reports of SC Opcom SA and CN Transelectrica SA – processed by MG



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

III. RETAIL ELECTRICITY MARKET

1. Structure of the retail electricity market

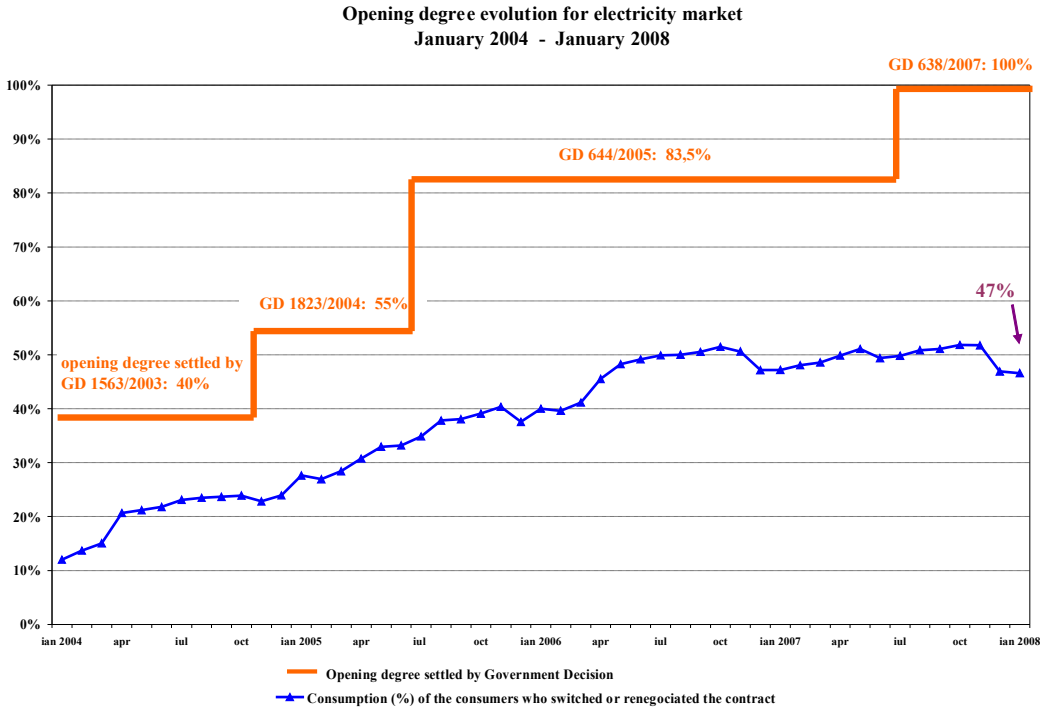


2. Steps in the opening process of the electricity market

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 - January 2008. The values presented are cumulated from the beginning of the opening process and are presented monthly.

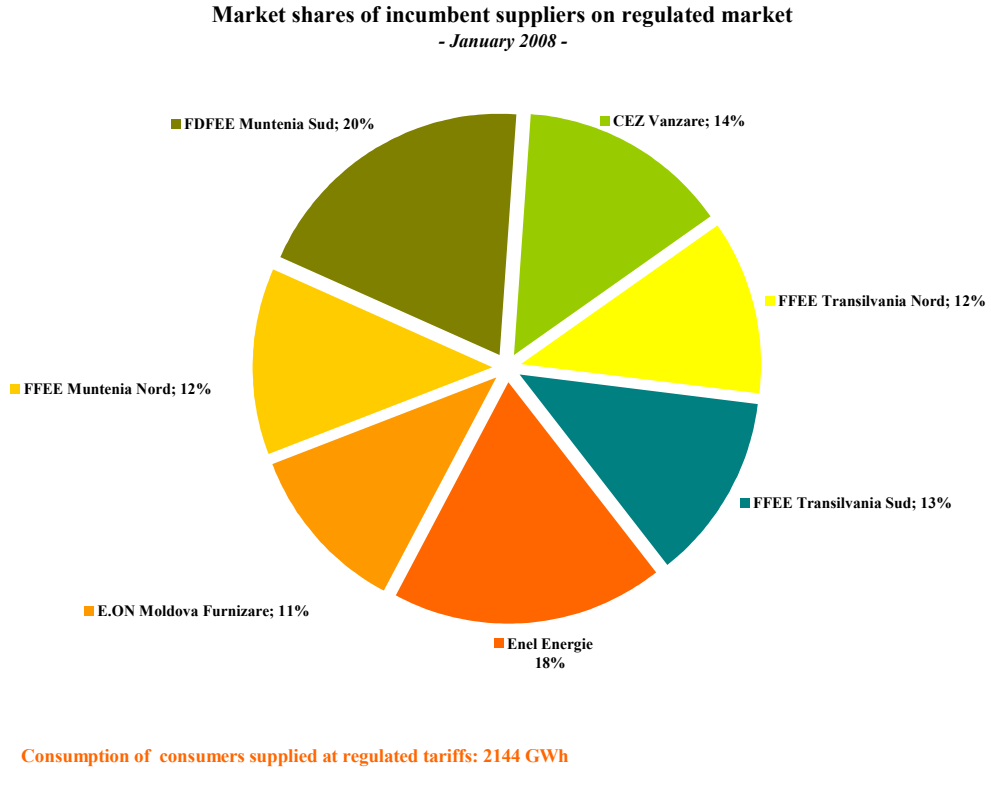


Source: Monthly reports of the final consumers' suppliers – processed by MG

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:

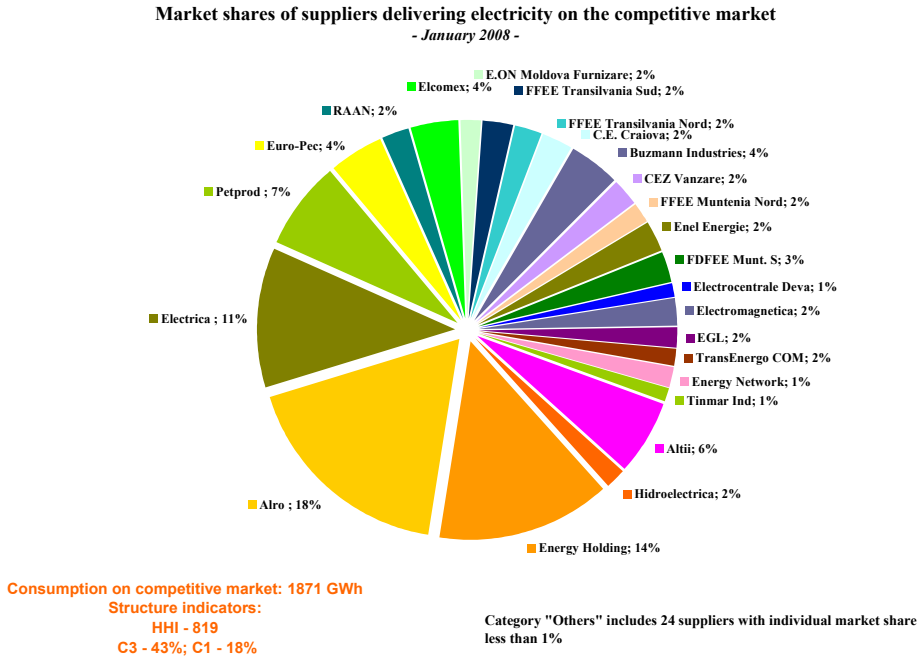
a) for incumbent suppliers - based on the electricity supplied for the consumers at regulated tariffs,



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 negociated prices on competitive component of REM:



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

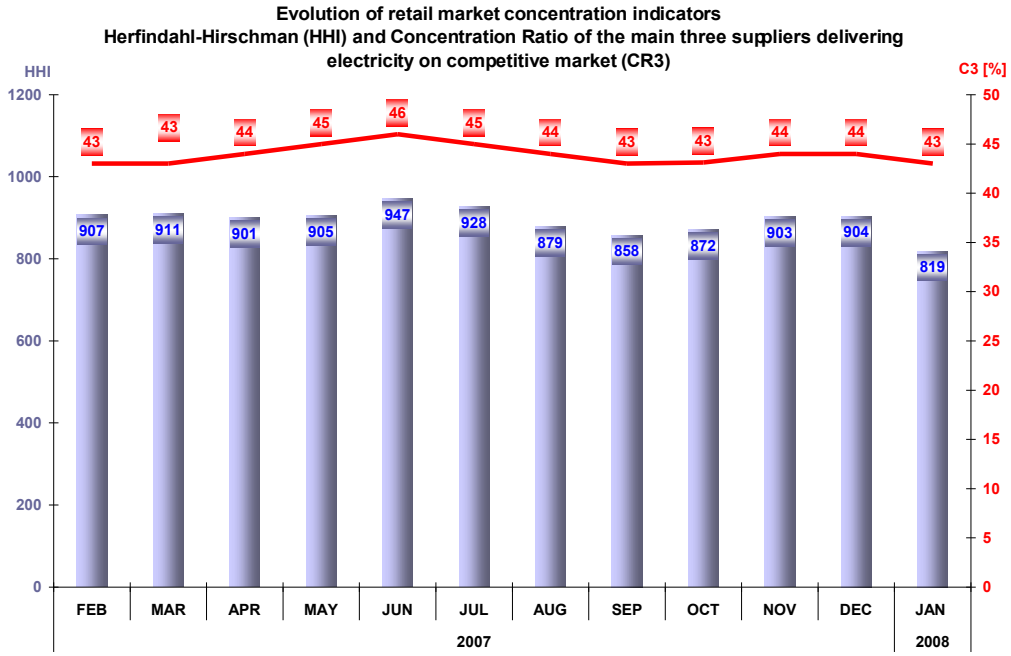
The electricity supplied to the final consumers, used for calculating the market share of every supplier, includes also the self-consumption of that particular supplier (e.g. consumers with supply license who buy electricity for themselves from WEM as competitive suppliers).

The analysis of the competitive suppliers activity on the wholesale market compared to their activity on the REM 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.

Number of suppliers	Share of sales to final consumers from total sales transactions			
	100%	75% - 100%	50% - 75%	<50%
Competitive	9	9	8	9
Incumbent	1	4	1	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

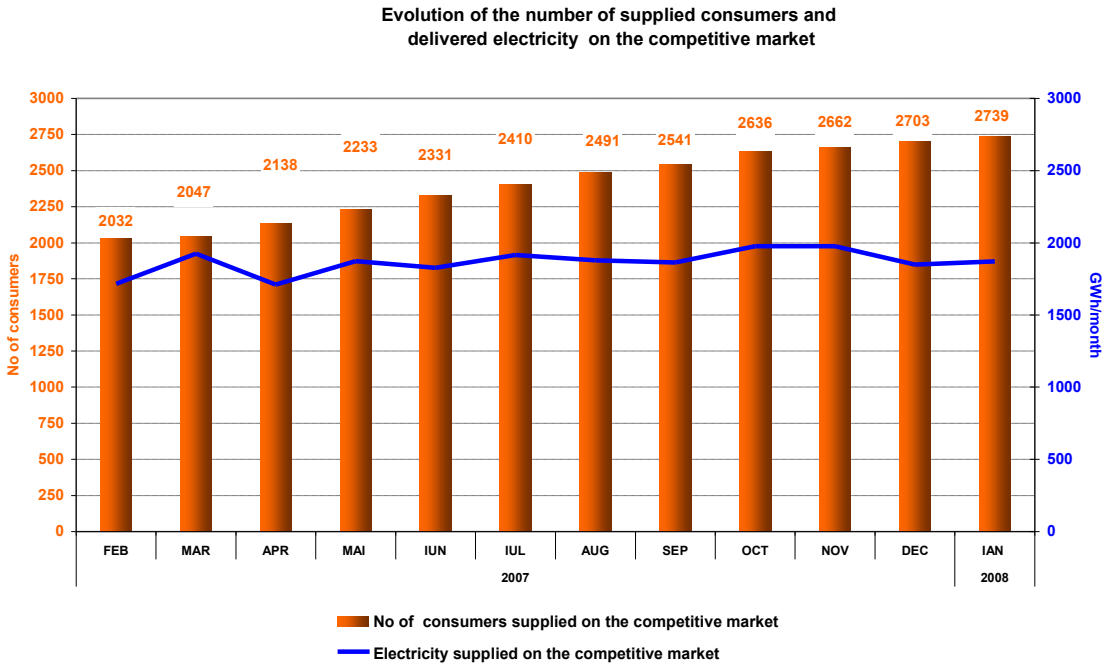
The table below shows the values of structure indicators of competitive component of REM calculated for each consumer category as defined by Directive 377/90:

Indicator	Consumer category						
	IA	IB	IC	ID	IE	IF	Other
C1 - % -	82	23	22	14	19	21	31
C3 - % -	92	52	48	30	43	49	68
HHI	6858	1251	1050	654	887	1269	1828
No. of incumbent suppliers	7	7	7	7	5	1	1
No. of competitive suppliers	3	22	27	31	18	9	12

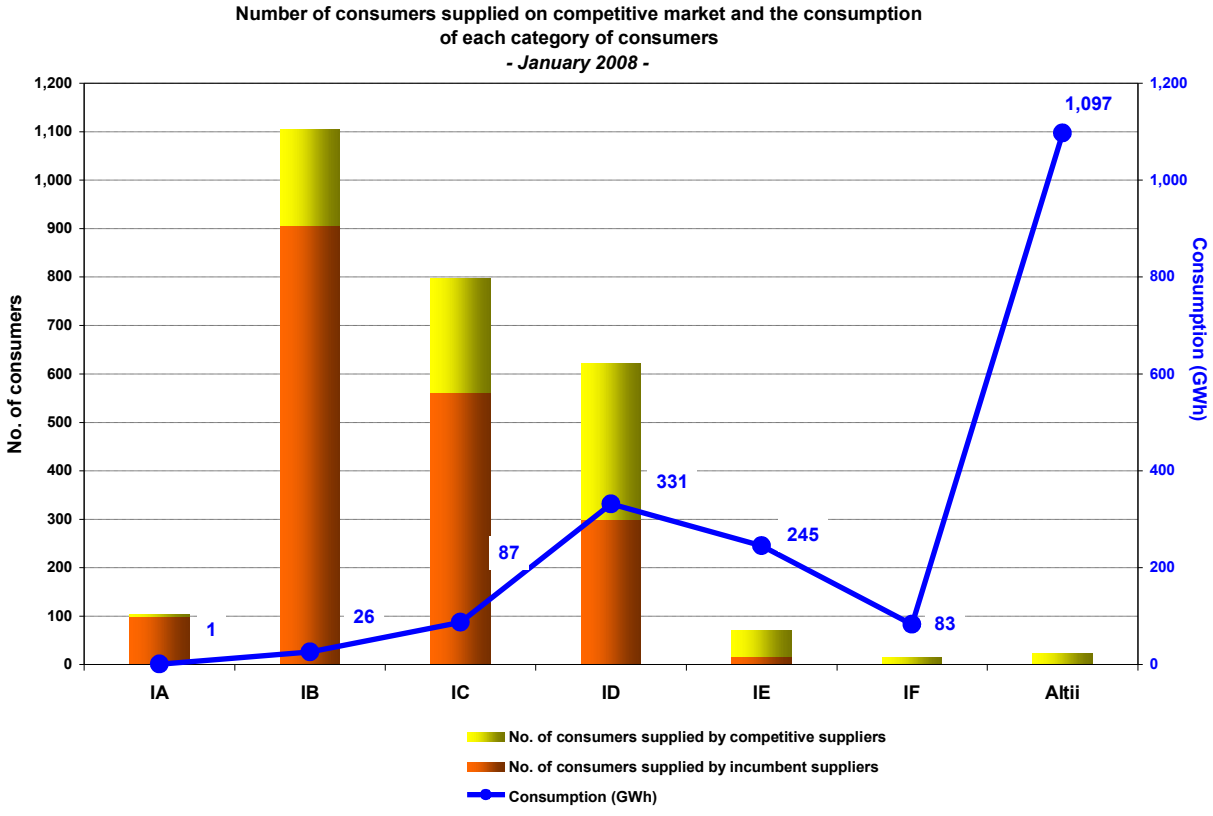
6. *Evolution of consumers' number and of the electricity delivered*

Number of consumers supplied on the competitive market is presented as total value from the beginning of the market opening process; for January 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	



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



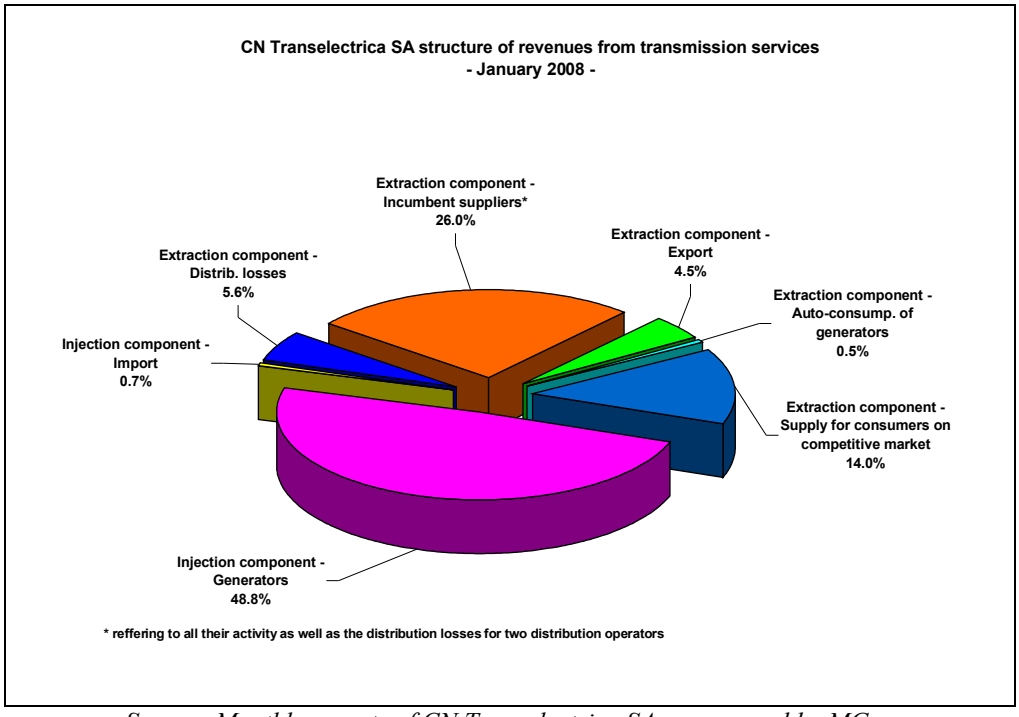
Source: Monthly reports of the suppliers – processed by MG

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 teritorry 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 January 2008.

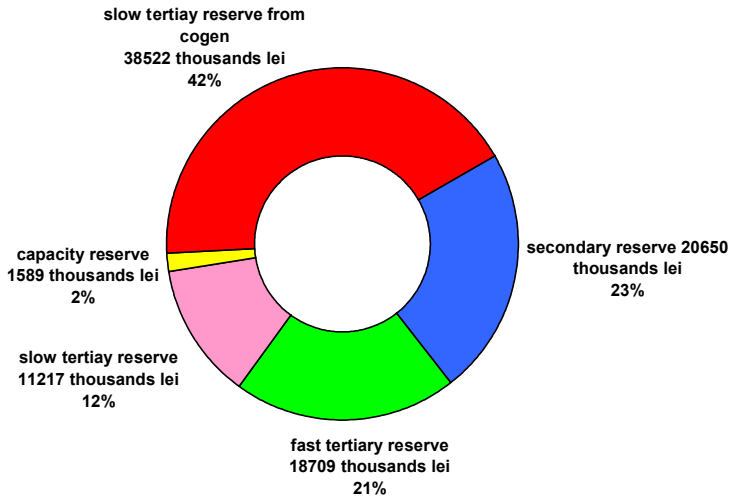


Source: Monthly reports of CN Transelectrica SA – processed by MG

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 January 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 - January 2008 -



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

V. EVOLUTION OF MARKET RULES IN JANUARY 2008

- During this month there were issued no regulations concerning the functioning of the electricity market.

VI. EXPLANATIONS AND ABBREVIATION

1. Explanations

- ***Auto-consumption of generators*** – in the graph comprising 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 negociated 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
- 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 stardardised bilateral contracts with continuous negociation
- NES – National Energy System
- WEM – wholesale electricity market
- REM – retail electricity market