REPORT ON RESULTS OF MONITORING THE ROMANIAN ELECTRICITY MARKET

DECEMBER 2010

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

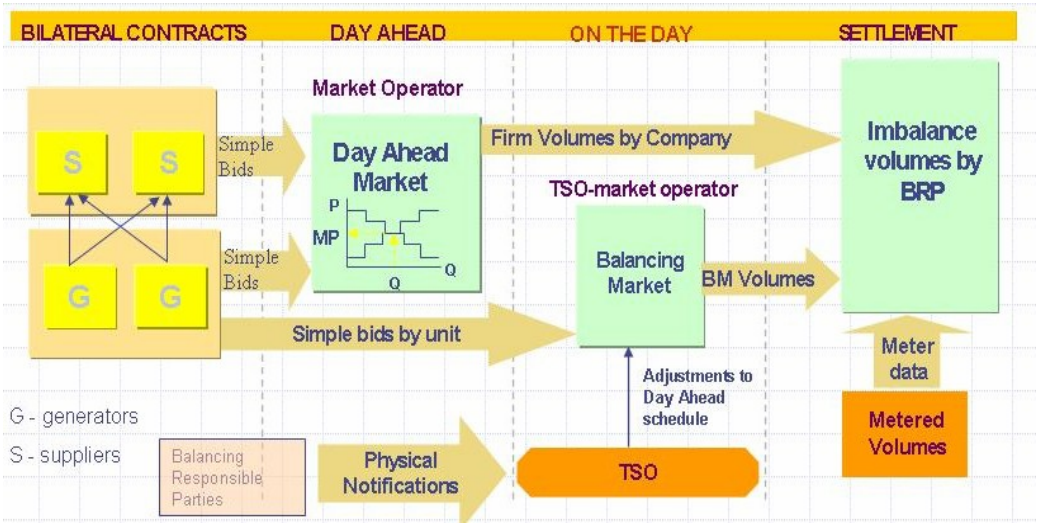
TABLE OF CONTENTS

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.
- 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 December 2010 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	SC Termica SA Suceava	
10	SC Termoelectrica SA	
11	Serviciul Public Local de Termoficare Pitesti	
12	SC Uzina Termică Giurgiu SA	
13	SC CE Rovinari SA	
14	SC CE Turceni SA	
15	RAAN	
16	SN Nuclearelectrica SA	Generators acting also as suppliers on the competitive market
17	SC OMV Petrom SA	
18	SC CE Craiova SA	
19	SC CET Arad SA	
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 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 ENEL Distributie Muntenia 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 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	

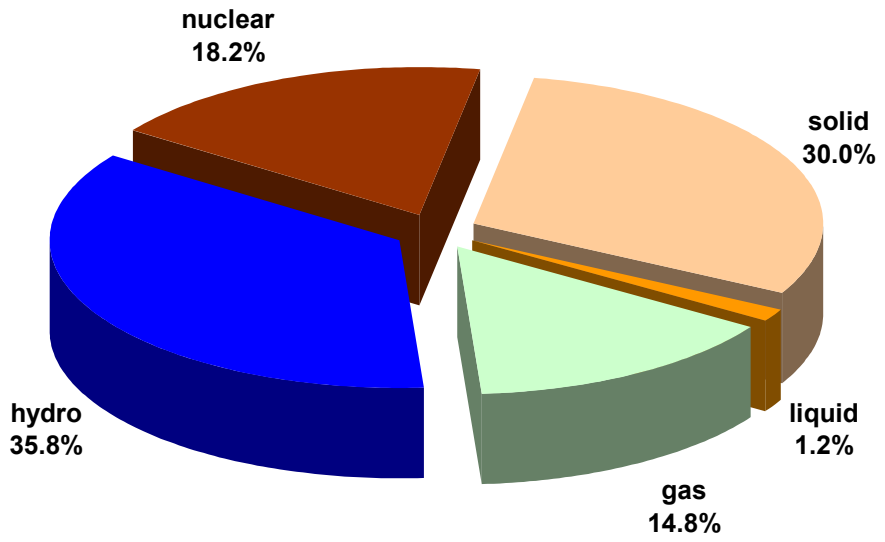
No.	Name
F	***Electricity Suppliers acting exclusively on the wholesale market***
1	Alpiq Energy SE
2	SC AMV Style SRL
3	CEZ as
4	SC CEZ Trade Romania SRL
5	SC Edison Trading SpA
6	SC Encaz SRL
7	SC Enel Trade Romania SRL
8	SC Energy Market Consulting SRL
9	SC Energon Power&Gaz SRL
10	E.ON Energy Trading SE
11	SC Ezpada SRL
12	Ezpada SRO
13	SC GDF Suez Energy Trading Romania SRL
14	GEN-I Bukarest Electricity Trading and Sales
15	SC Global Electric Trading SRL
16	SC Grivco SA
17	Holding Slovenske Electrarne d.o.o.
18	SC Invest Dinamic Project SRL
19	SC Jas Budapest Zrt
20	JP Morgan Ltd
21	SC Korlea Invest SRL
22	MVM Partner Energy Trading Ltd
23	SC Power Plus SRL
24	SC RomEnergy Industry SRL
25	RWE Supply Trading GmbH
26	Repower Trading Ceska Republica
27	SC Repower Vanzari Romania SRL
28	SC Romelectro SA
29	SC Rudnap SRL
30	Statkraft Markets GmbH
31	SC Statkraft Romania SRL
32	SC TEN Transilvania Energie SRL

No.	Name
G	***Electricity Suppliers***
1	SC Alpiq RomEnergie SRL
2	SC Alpiq RomIndustries SRL
3	SC Alro SA
4	SC Arcelormittal Galati SA
5	SC Arelco Distributie SRL
6	SC Aton Transilvania SRL
7	SC Beny Alex SRL
8	SC Biol Energy SRL
9	SC EFE Energy SRL
10	SC EGL Gas & Power Romania SA
11	SC Elcomex EN SRL
12	SC Electrica SA
13	SC Electricom SA
14	SC Electromagnetica SA
15	SC Energotrans SRL
16	SC Energy Distribution Services SRL
17	SC EFT Romania SRL
18	SC Energy Holding SRL
19	SC Energy Network SRL
20	SC Energy Trust SRL
21	SC Enex SRL
22	SC Ennet Grup SRL
23	SC Enol Grup SA
24	SC EURO-PEC SA
25	SC Fidelis Energy SRL
26	SC GDF SUEZ Energy Romania SA
27	SC General Com Invest SRL
28	SC Hidroconstructia SA
29	SC ICCO Energ SRL
30	ILIOTOMI Impex GRPA
31	SC ICPE Electrocond Technologies SA
32	SC Luxten LC SA
33	OET Obedineni Energini Targovtsi
34	SC Petprod SRL
35	SC Renovation Trading SRL
36	SC Tinmar Ind SA
37	SC Transformer Supply SRL
38	SC Transenergo Com SA
39	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.

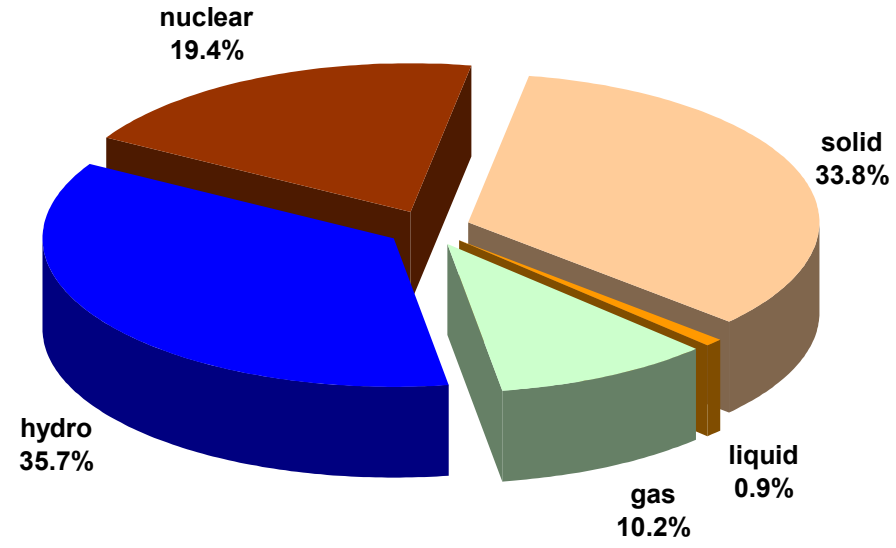
3. Generation structure of National Energy System on resources types

Electricity structure by primary sources
(delivered by generators with dispatchable units)
- December 2010 -



Source: Monthly reports of generators – processed by MG

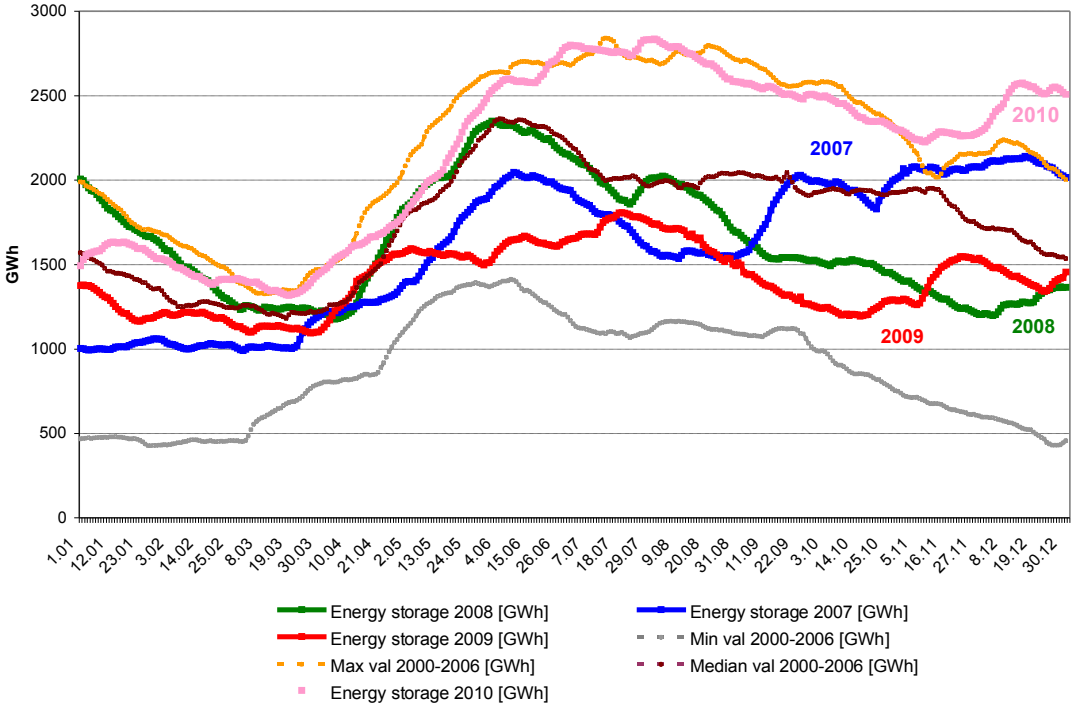
Electricity structure by primary sources
(delivered by generators with dispatchable units)
- 2010 -



Source: Monthly reports of generators – processed by MG

The electricity generated from hydro resources and the energy stored in the main water reservoirs are directly correlated. The following graph presents the evolution of daily amounts of energy storage during the last 4 years and compared to minimum, maximum and median values from 2000-2006.

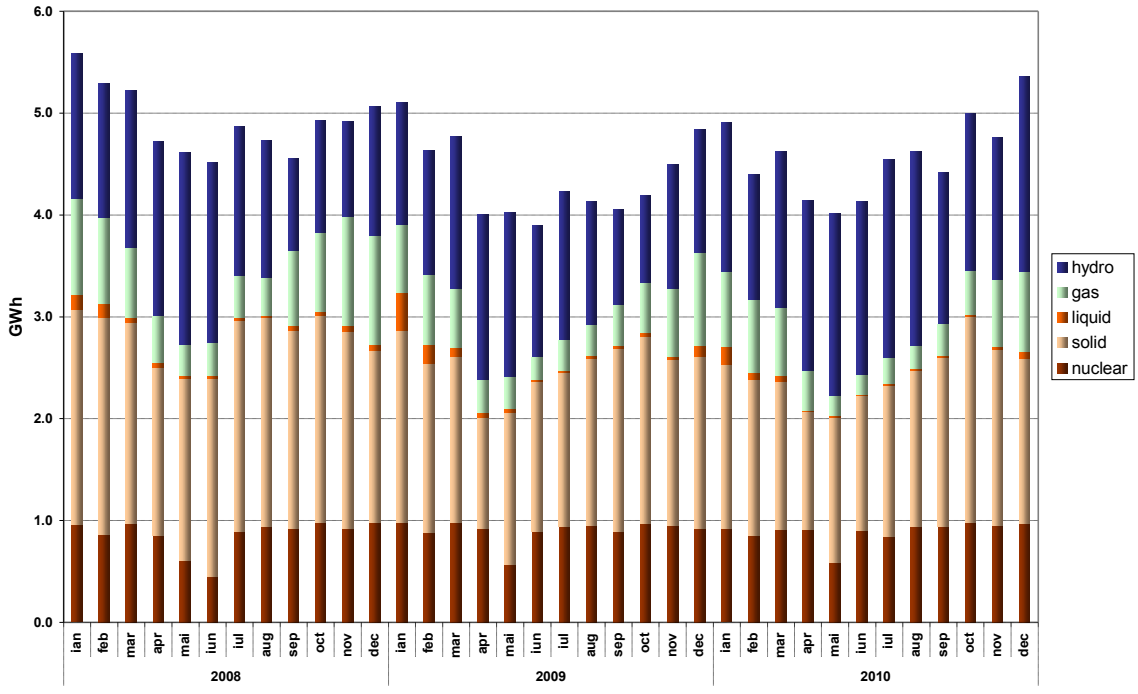
Yearly evolution of daily values of energy stored in the main water reservoirs



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

The evolution of delivered electricity structure, during the last 3 years, 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 December 2010 and the entire year 2010, compared to data for similar periods of 2009:

No.	INDICATOR	MU	Dec 2009	Dec 2010	%	2009	2010	%
0	1	2	3	4	5=4/3*100	6	7	8=7/6*100
1	Generated electricity	TWh	5.30	5.82	109.81	56.69	59.14	104.32
2	Delivered electricity	TWh	4.84	5.36	110.74	52.40	54.94	104.85
3	Import	TWh	0.04	0.08	200.00	0.68	0.94	138.24
4	Export	TWh	0.17	0.60	352.94	3.15	3.85	122.22
5	Internal consumption	TWh	4.72	4.85	102.75	49.92	52.03	104.23
6	Consumption of household consumers on the regulated market	TWh	1.01	1.02	100.99	10.99	11.25	102.37
7	Consumption of non-households consumption	TWh	2.62	2.76	105.34	30.59	32.19	105.23
7.1	*on the regulated market*	TWh	*1.02*	*0.86*	*84.31*	*12.05*	*10.12*	*83.91*
7.2	*on the competitive market*	TWh	*1.60*	*1.90*	*118.75*	*18.54*	*22.07*	*119.04*
8	Transmission – Injection component	TWh	4.73	5.33	112.68	51.35	54.09	105.34
9	Transmission – Extraction component	TWh	4.81	5.47	113.72	52.26	55.22	105.66
10	System services	TWh	4.81	5.47	113.72	52.26	55.22	105.66
11	Actual transmission grid losses	TWh	0.09	0.12	133.33	0.99	1.12	113.13
12	Heat generated for delivery	Tcal	2601.86	2522.73	96.96	17365.32	17359.50	99.97
13	Heat in co-generation	Tcal	2237.69	2161.68	96.60	14297.03	14120.31	98.76

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.

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 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 and the average prices on each type of contracts and on the main components of the wholesale market are presented in the following tables:

- for December 2010 compared to the month before and December 2009;
- for 2010 compared to 2009-2008

TRANSACTIONS ON THE WHOLESALE MARKET	November 2010	December 2010	December 2009
1. BILATERAL CONTRACTS' MARKET			
traded volume (GWh)	**7950**	**8061**	**6087**
% from internal consumption (%)	181.9	166.3	129.1
average price (lei/MWh)	165.95	163.40	165.05
1.1. Sales on regulated contracts			
traded volume (GWh)	**2567**	**2717**	**2879**
% from internal consumption (%)	58.7	56.1	61.1
average price (lei/MWh)	172.42	172.81	172.39
1.2. Sales on negociated contracts*			
traded volume (GWh)	**5383**	**5344**	**3208**
% from internal consumption (%)	123.2	110.2	68.0
average price (lei/MWh)	162.87	158.62	158.46
2. EXPORT			
traded volume** (GWh)	**520**	**598**	**171**
% from internal consumption (%)	11.9	12.3	3.6
average price (lei/MWh)	181.08	179.56	156.54
3. CENTRALISED MARKETS OF CONTRACTS			
traded volume (GWh)	**401**	**386**	**387**
% from internal consumption (%)	9.2	8.0	8.2
average price (lei/MWh)	157.29	155.78	191.25
4. DAY AHEAD MARKET			
traded volume (GWh)	**735**	**879**	**552**
% from internal consumption (%)	16.8	18.1	11.7
average price (lei/MWh)	169.36	135.36	159.41
5. BALANCING MARKET			
traded volume (GWh)	**219**	**275**	**385**
% from internal consumption (%)	5.0	5.7	8.2
upward volume (GWh)	**117**	**154**	**252**
average negative imbalance price(lei/MWh)	276.60	258.39	242.26
downward volume (GWh)	**102**	**121**	**133**
average positive imbalance price (lei/MWh)	37.07	35.03	47.03
INTERNAL CONSUMPTION (includes distribution and transmission losses) (GWh)	**4371**	**4847**	**4716**

*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*
**** Volumes traded on negotiated contracts do not include the quantities resulted from the processing contracts, as this activity is not subject of ANRE regulations and not comprised within the market participants' reports*

TRANSACTIONS ON THE WHOLESALE MARKET	2008	2009	2010
1. BILATERAL CONTRACTS' MARKET			
traded volume (GWh)	**63848**	**64921**	**79165**
% from internal consumption (%)	116.9	130.0	152.2
average price (lei/MWh)	148.39	*161.37*	*161.62*
1.1. Sales on regulated contracts			
traded volume (GWh)	**29104**	**30334**	**28942**
% from internal consumption (%)	53.3	60.8	55.6
average price (lei/MWh)	158.15	*164.44*	*166.35*
1.2. Sales on negociated contracts*			
traded volume (GWh)	**34745**	**34587*** **	**50223*** **
% from internal consumption (%)	63.6	69.3	**96.5**
average price (lei/MWh)	146.07	*158.68*	**158.89**
2. EXPORT			
traded volume** (GWh)	**5366**	**3154**	**3854**
% from internal consumption (%)	9.8	6.3	**7.4**
average price (lei/MWh)	191.22	170.23	**170.90**
3. CENTRALISED MARKETS OF CONTRACTS			
traded volume (GWh)	**8770**	**6329**	**4386**
% from internal consumption (%)	16.1	12.7	8.4
average price (lei/MWh)	177.04	192.54	157.01
4. DAY AHEAD MARKET			
traded volume (GWh)	**5208**	**6347**	**8696**
% from internal consumption (%)	9.53	12.71	16.7
average price (lei/MWh)	*188.53*	*144.77*	*153.09*
5. BALANCING MARKET			
traded volume (GWh)	**3546**	**3206**	**2965**
% from internal consumption (%)	6.5	6.4	5.7
upward volume (GWh)	**2198**	**1272**	**1410**
average negative imbalance price(lei/MWh)	278.12	243.05	237.41
downward volume (GWh)	**1348**	**1934**	**1555**
average positive imbalance price (lei/MWh)	66.54	74.17	40.25
INTERNAL CONSUMPTION (includes distribution and transmission losses) (GWh)	**54627**	**49923**	**52027**

Note:

* *Electricity supply contracts for final customers and export contracts are not included*

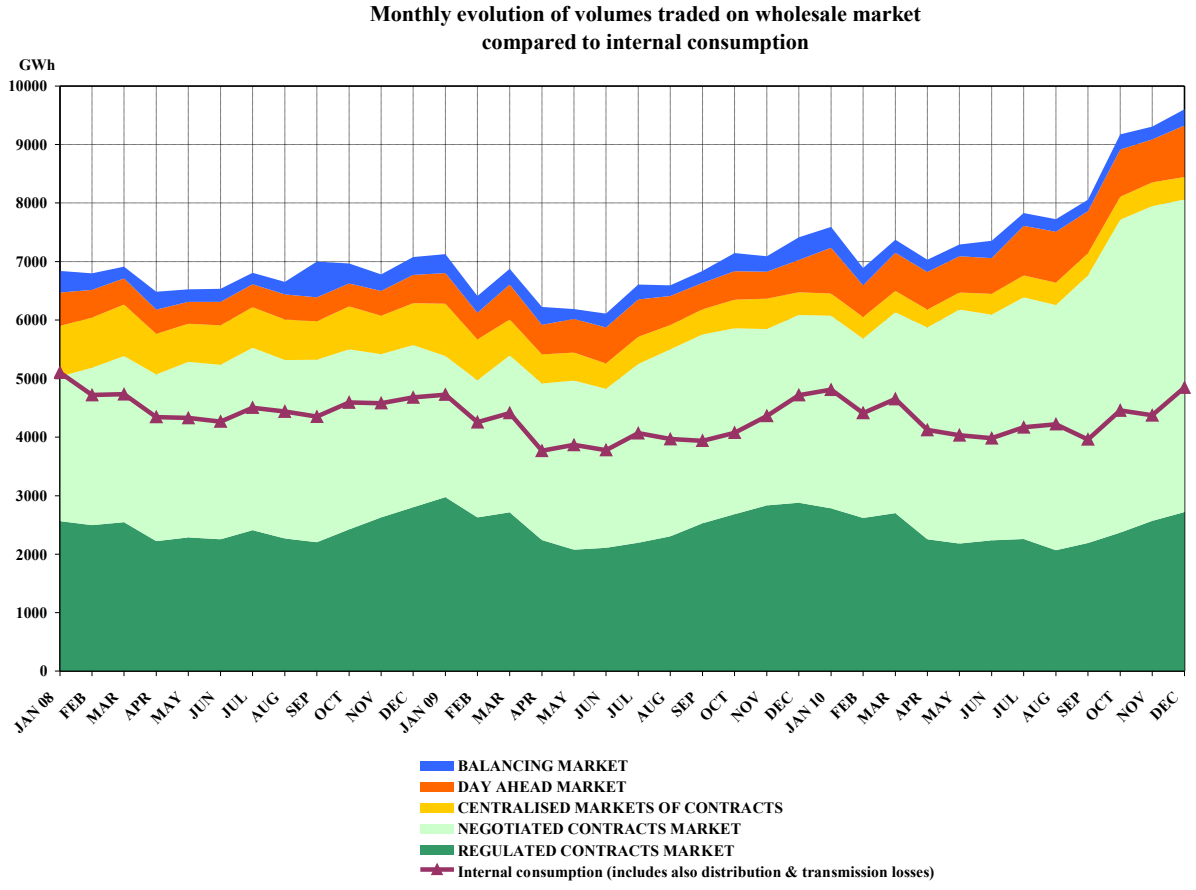
** *Export volumes represent the quantities for which TSO applies the injection component of transmission tariff, which in some cases are different to those reported as traded by participants; in 2008 the average price was calculated based on 94% from the total volume, corresponding to quantities for which the participants have also reported the prices (all values included the injection component, most of them also included the extraction component, system services and market administration tariffs, capacity interconnection value)*

*** *Volumes traded on negotiated contracts do not include the quantities resulted from the processing contracts, as this activity is not subject of ANRE regulations and not comprised within the market participants' reports*

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

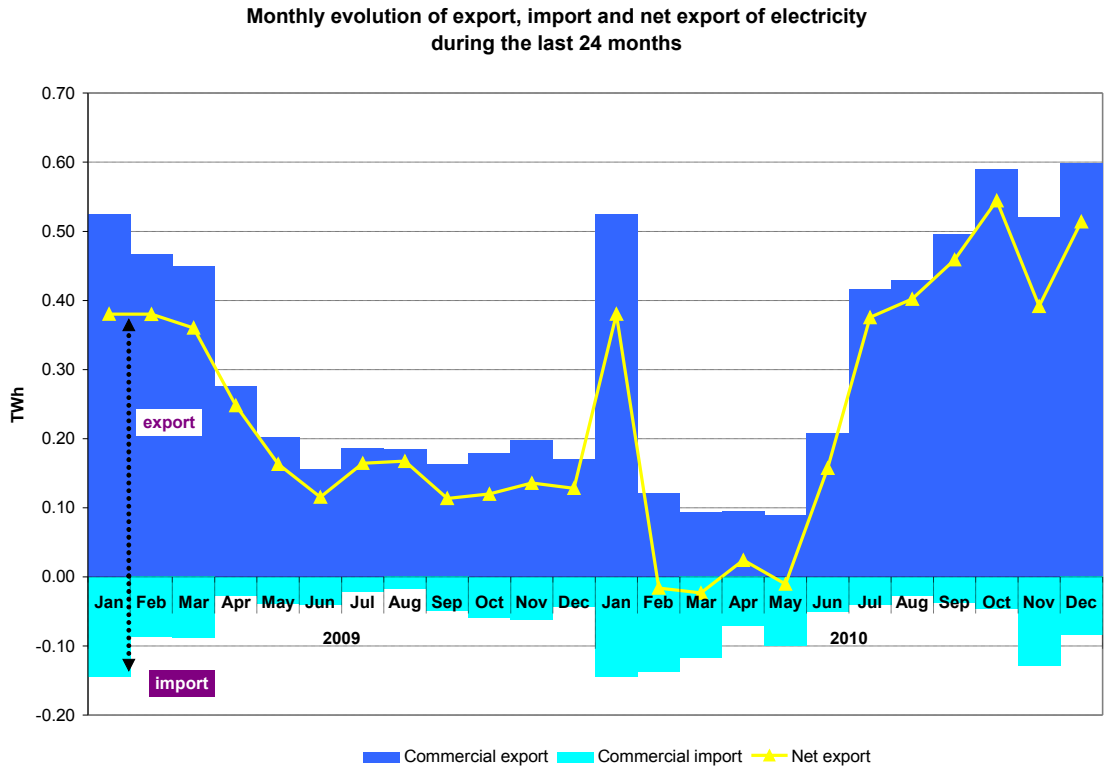
The evolution of the relation between the volumes sold on each market and the estimated internal consumption, during 2008-2010, is presented below:



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

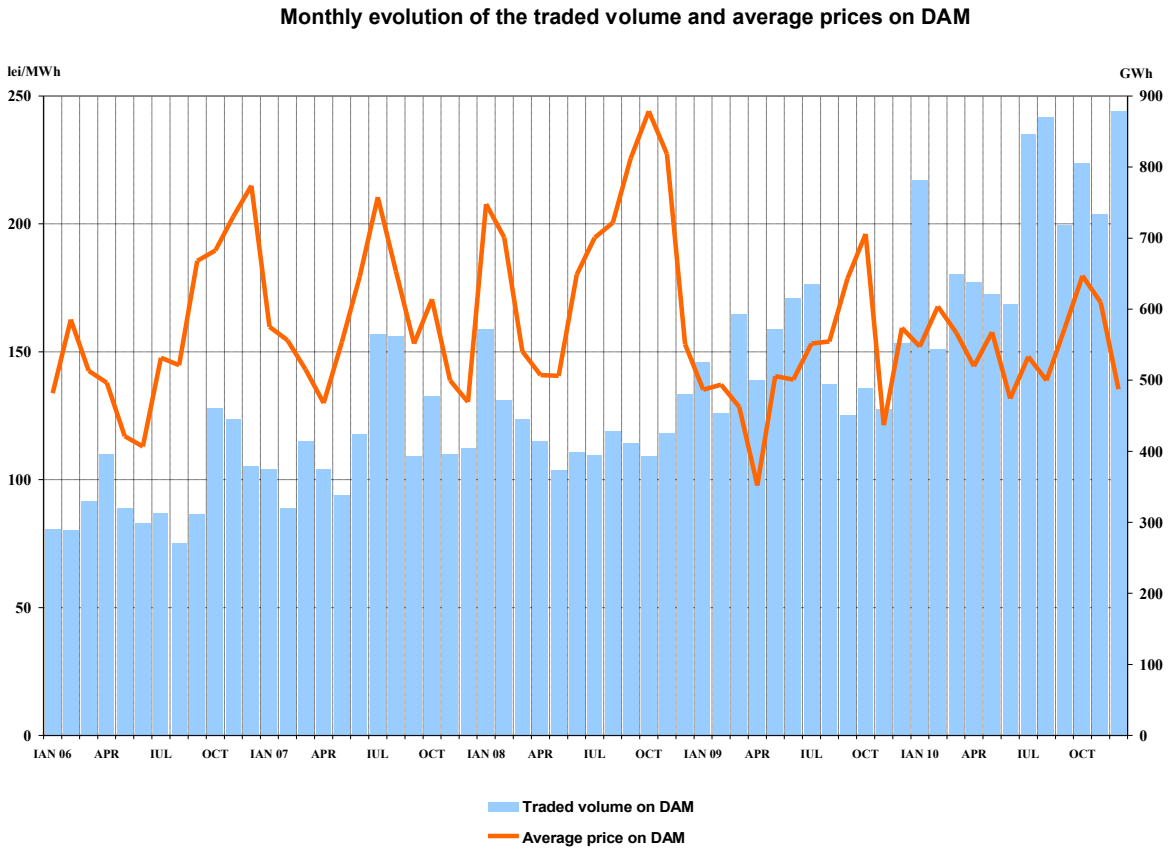
Note: In the above graph, the volumes traded on negociated contracts' market do not include the export trades

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.



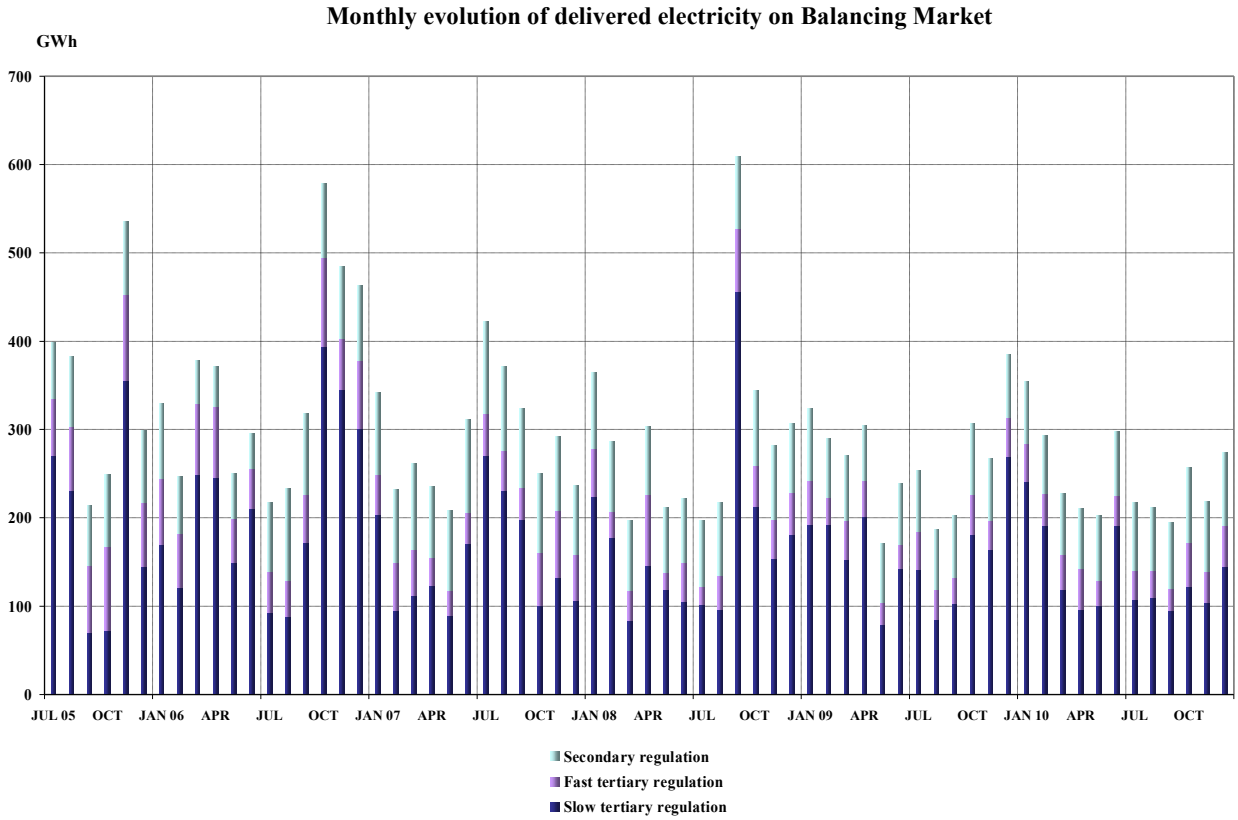
Source: Monthly reports of SC Opcom SA and CN Transelectrica SA – processed by MG

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 December 2010 is presented in the following table:

December 2010	Dispach order (GWh)	Delivered electricity (GWh)	Deviation (%)
Secondary regulation	**84**	**84**	
upward	36	36	
downward	48	48	
Fast tertiary regulation	**39**	**33**	**15**
upward	32	29	7
downward	19	17	13
Slow tertiary regulation	**173**	**145**	**16**
upward	97	88	9
downward	76	57	25
TOTAL	**308**	**275**	
upward	165	154	
downward	142	121	
INTERNAL CONSUMPTION		**4847**	
% share of traded volumes from internal consumption		***5.7%***	

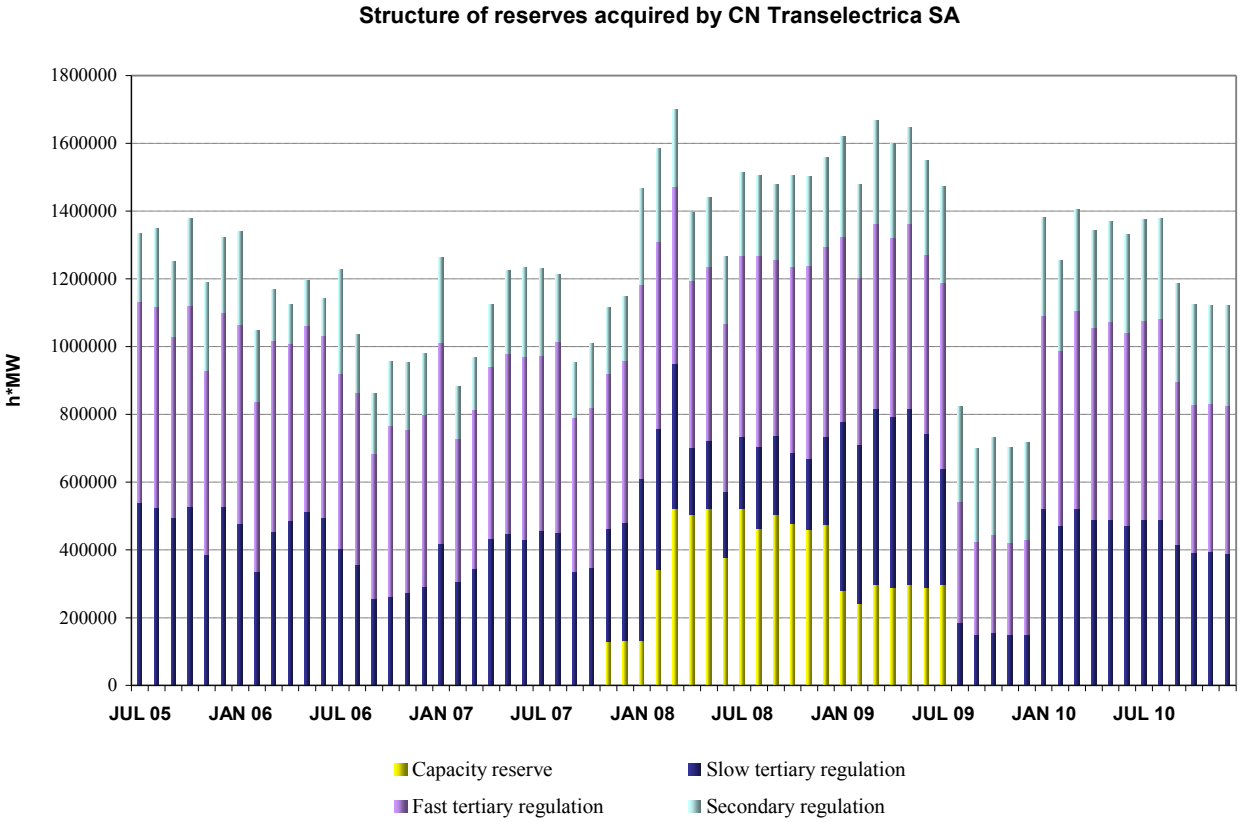
Source: Monthly reports of CN Transelectrica SA – processed by MG

The structure of balancing electricity delivered in the system on each type of regulation starting from July 2005 is presented in the graph below:



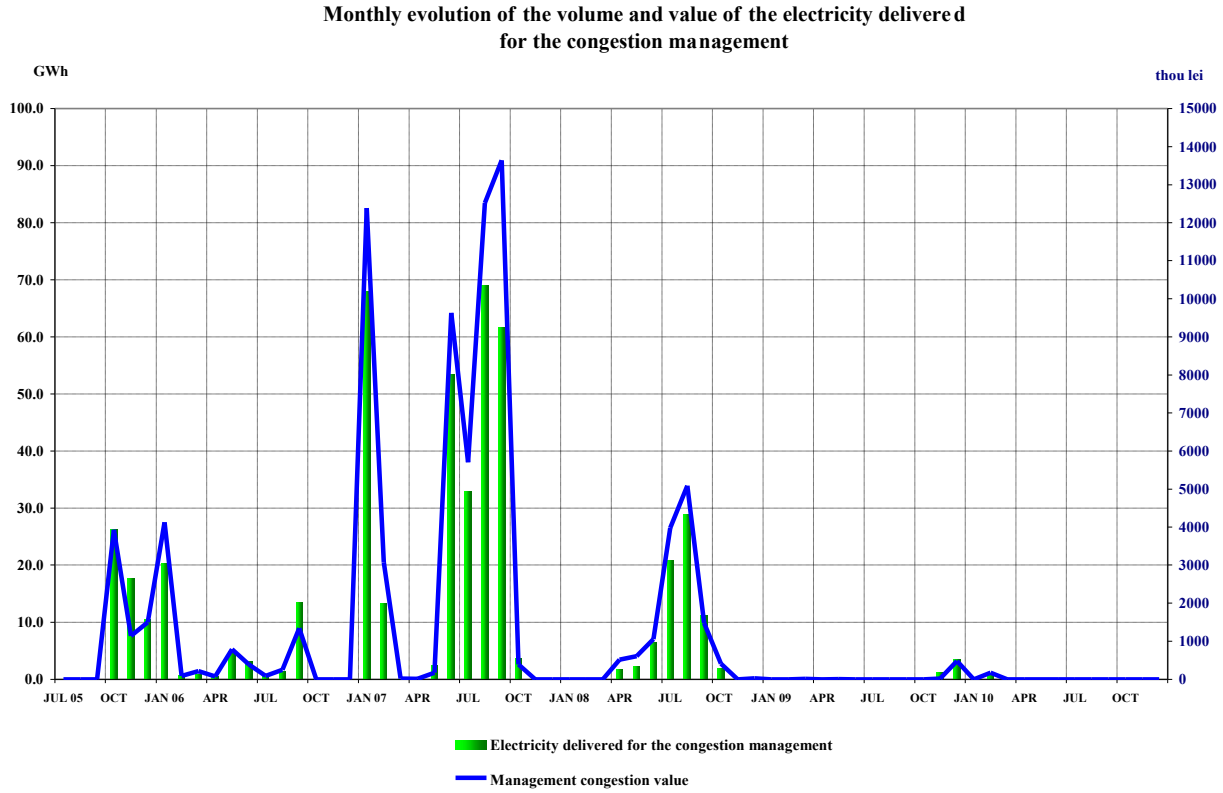
Source: Monthly reports of CN Transelectrica SA – processed by MG

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 starting with July 2005:



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

The following graph presents the evolution of electricity traded by CN Transelectrica 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 starting with July 2005.



Source: Monthly reports of CN Transelectrica 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 December 2010 compared to previous month and December 2009 was the following:

- GWh -

Transaction type	November 2010	December 2010	December 2009
0	1	2	3
Regulated to incumbents, thermal generators	1100.33	1181.09	1350.97
Regulated to incumbents, hydro generator	208.11	262.87	244.68
Regulated to incumbents, nuclear generator	458.22	491.45	518.35
Regulated for distribution losses, thermal generators	404.10	426.38	425.01
Regulated for distribution losses, hydro generator	41.86	51.37	42.72
Regulated for distribution losses, nuclear generator	76.63	81.71	140.48
Regulated for transmission losses, thermal generator	73.09	82.06	82.38
Regulated, to other generators (with return of obligation within a year)	204.32	139.94	74.47
Negotiated, to other generators	221.61	93.42	145.56
Negotiated, to suppliers	1385.95	1451.61	1054.68
Contracts concluded on centralized markets (CMBC, CMBC-NC, RCE)	400.89	385.82	386.91
Supply to consumers (regulated and competitive)	158.92	131.21	211.65
Export	97.47	102.68	104.19
DAM	253.65	542.80	253.40
Total	**5085.14**	**5424.41**	**5035.45**

Source: Monthly reports of generators – processed by MG

Suppliers

In December 2010, 78 companies having as main activity the supply of electricity concluded transactions on the electricity market; from these, 32 suppliers traded electricity exclusively on the wholesale market and 46 suppliers on both retail and wholesale markets (in this category are also included the 7 incumbent suppliers).

Suppliers acting exclusively on WEM

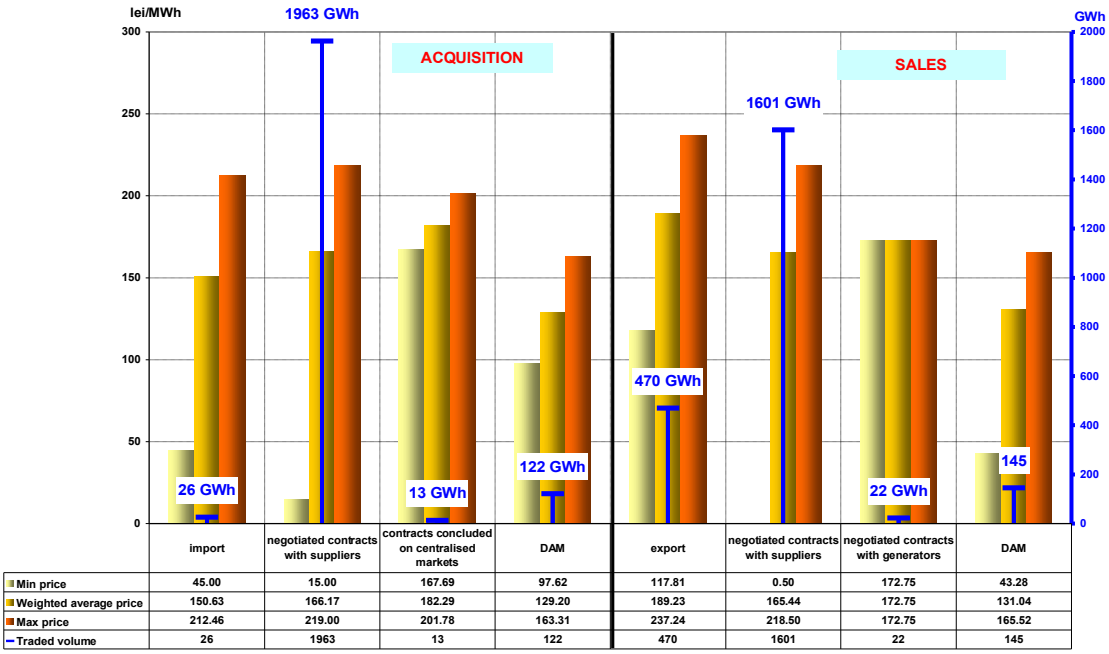
The following table shows the activity for December 2010 compared to December 2009 of the suppliers acting exclusively on WEM, acquisitions and sales being split by categories of markets/participants:

- GWh -

Transactions' structure of suppliers acting exclusively on WEM	**December 2009**	**December 2010**
Acquisitions		
Import	44.81	25.79
Negotiated contracts with suppliers	1054.85	1962.55
Negotiated contracts with generators	127.38	0.00
Contracts concluded on centralized markets	170.69	13.01
DAM	68.63	121.70
Sales		
Export	82.44	469.74
Negociated contracts with suppliers	1318.74	1600.60
Negociated contracts with generators	0.00	22.32
DAM	78.80	145.03

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 December 2010:

Transactions concluded by suppliers acting exclusively on WEM
- December 2010 -



	import	negotiated contracts with suppliers	contracts concluded on centralised markets	DAM	export	negotiated contracts with suppliers	negotiated contracts with generators	DAM
Min price	45.00	15.00	167.69	97.62	117.81	0.50	172.75	43.28
Weighted average price	150.63	166.17	182.29	129.20	189.23	165.44	172.75	131.04
Max price	212.46	219.00	201.78	163.31	237.24	218.50	172.75	165.52
Traded volume	26	1963	13	122	470	1601	22	145

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

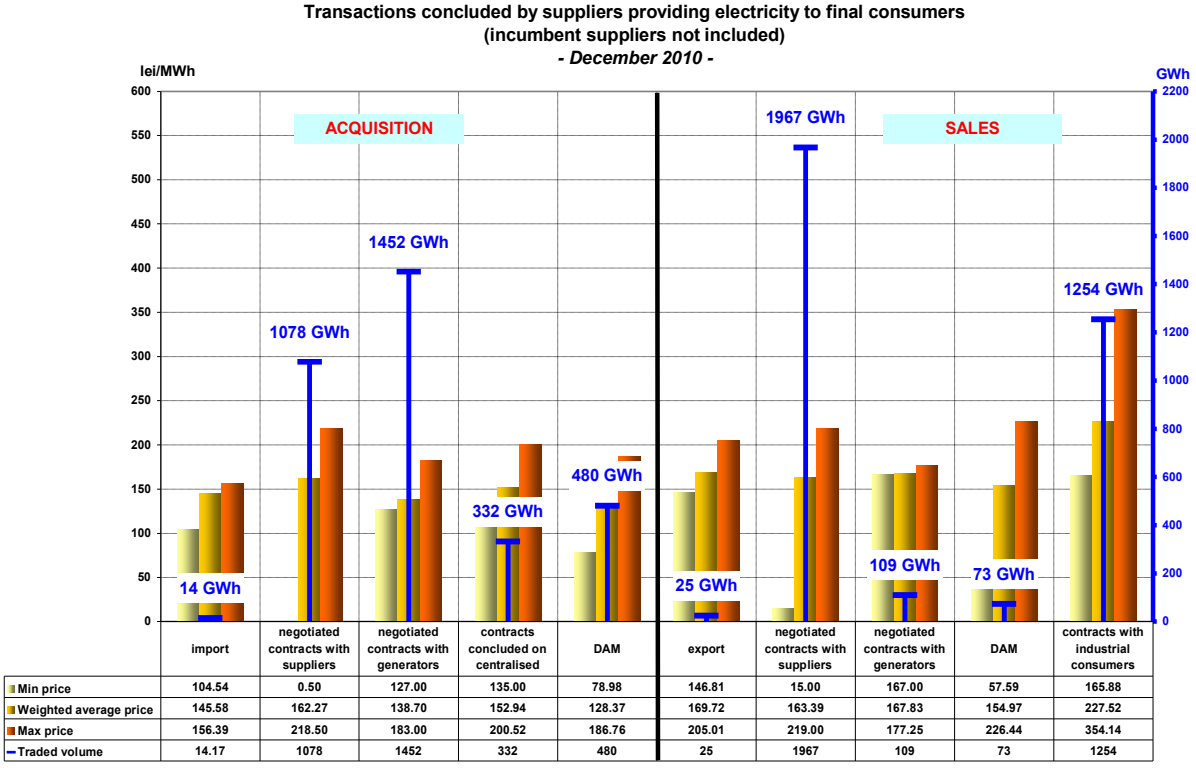
Active suppliers on REM (the incumbent suppliers are not included)

The following table presents aggregated information on transactions volume and structure for suppliers providing electricity to final consumers, on the competitive market, for December 2010 and December 2009.

- GWh -

Transactions' structure of suppliers providing electricity to final consumers (the incumbent suppliers are not included)	**December 2009**	**December 2010**
Acquisitions		
Import	0.00	14.17
Negociated contracts with suppliers	616.57	1077.51
Negociated contracts with generators	927.30	1451.61
Contracts concluded on centralized markets	164.88	331.89
DAM	165.63	480.02
Sales		
Export	3.18	24.74
Negociated contracts with suppliers	679.55	1966.69
Negociated contracts with generators	5.43	109.05
DAM	100.68	73.27
Final consumers	1128.68	1254.03

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 December 2010:



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

Incumbent suppliers

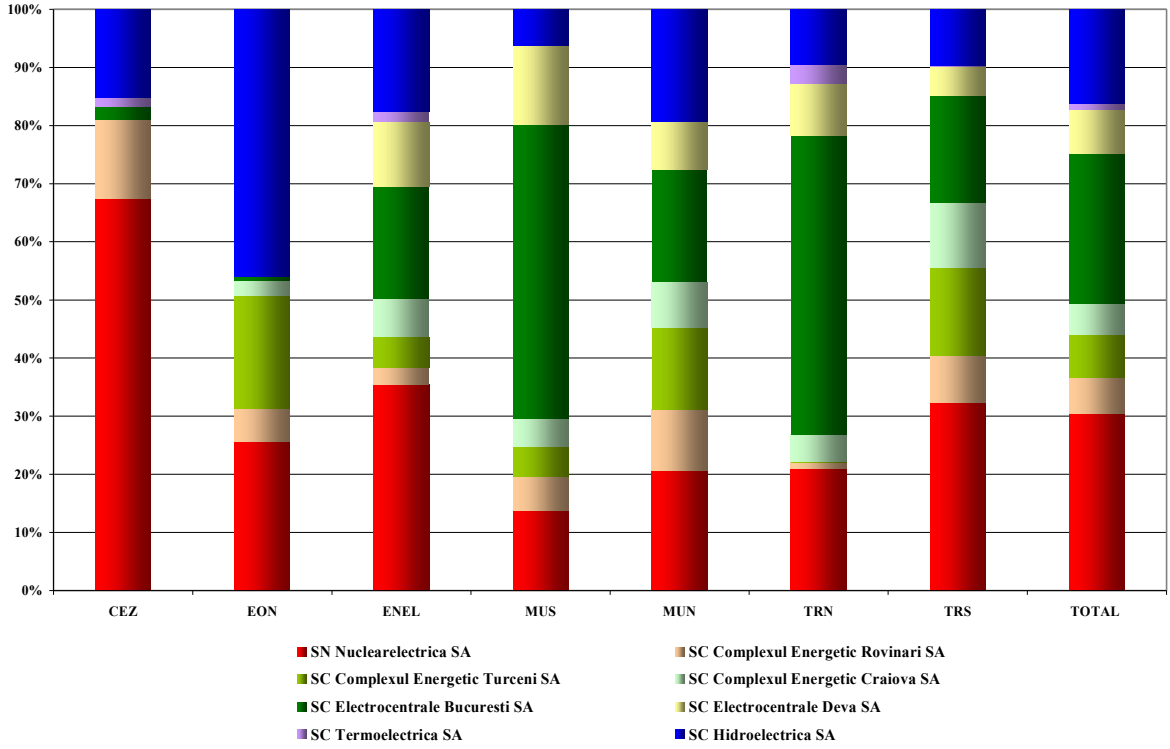
Electricity acquisition structure of incumbent suppliers (before the delivery day), for supplying the regulated market consumers, is presented in the table below, for December 2010 compared to the situation of December 2009:

- GWh -

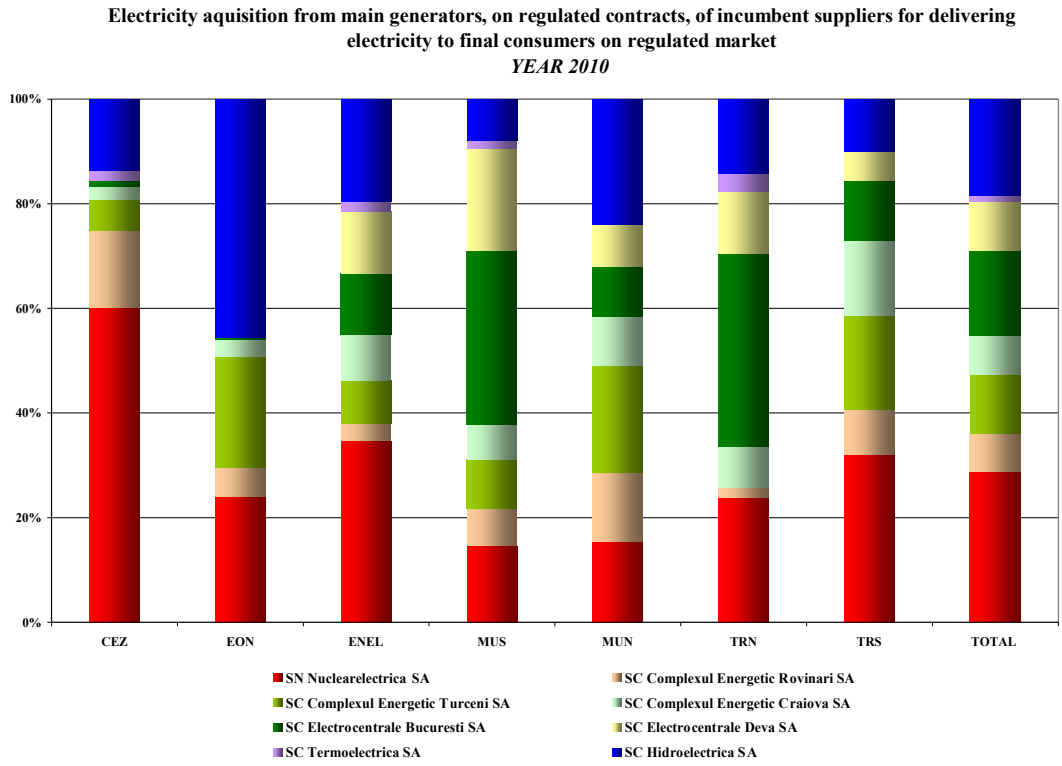
Acquisition structure of incumbent suppliers for regulated REM component	December 2009	December 2010
Regulated contracts with generators	2176.70	2001.57
Negociated contracts	38.14	42.14
DAM	92.02	47.77

The structure of the electricity purchased by the incumbent suppliers from the main generators on regulated contracts is presented in the following graph for December 2010 and the entire year 2010:

Electricity aquisition from main generators, on regulated contracts, of incumbent suppliers for delivering electricity to final consumers on regulated market
December 2010



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



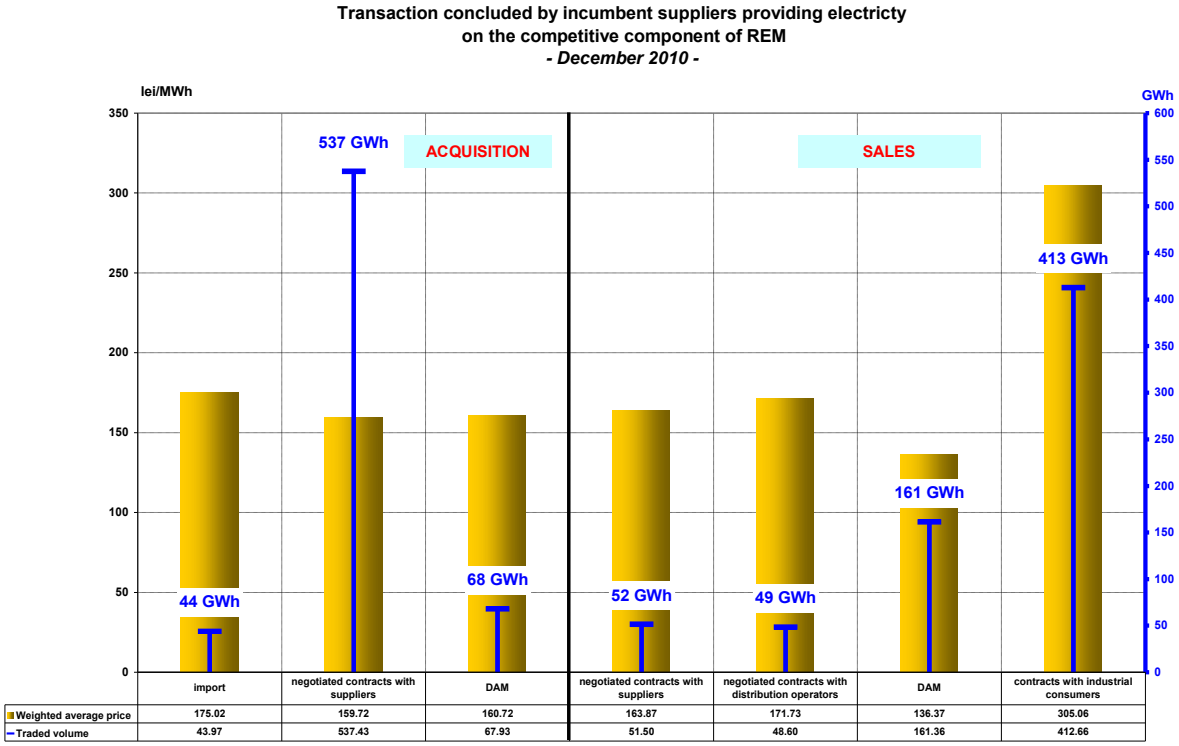
Source: Monthly reports of the incumbent suppliers – processed by MG

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 December 2010 compared to December 2009:

- GWh -

Transactions' structure of incumbent suppliers for competitive REM component	**December 2009**	**December 2010**
Acquisitions		
Import	11.89	43.97
Negotiated contracts with suppliers	297.64	537.43
Negotiated contracts with generators	0.00	0.00
Contracts concluded on centralized markets	6.70	0.00
DAM	32.57	67.93
Sales		
Negotiated contracts with suppliers	8.95	51.50
Negotiated contracts with distributors	6.64	48.60
DAM	79.18	161.36
Final consumers	264.57	412.66

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 December 2010:



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

Main distribution operators

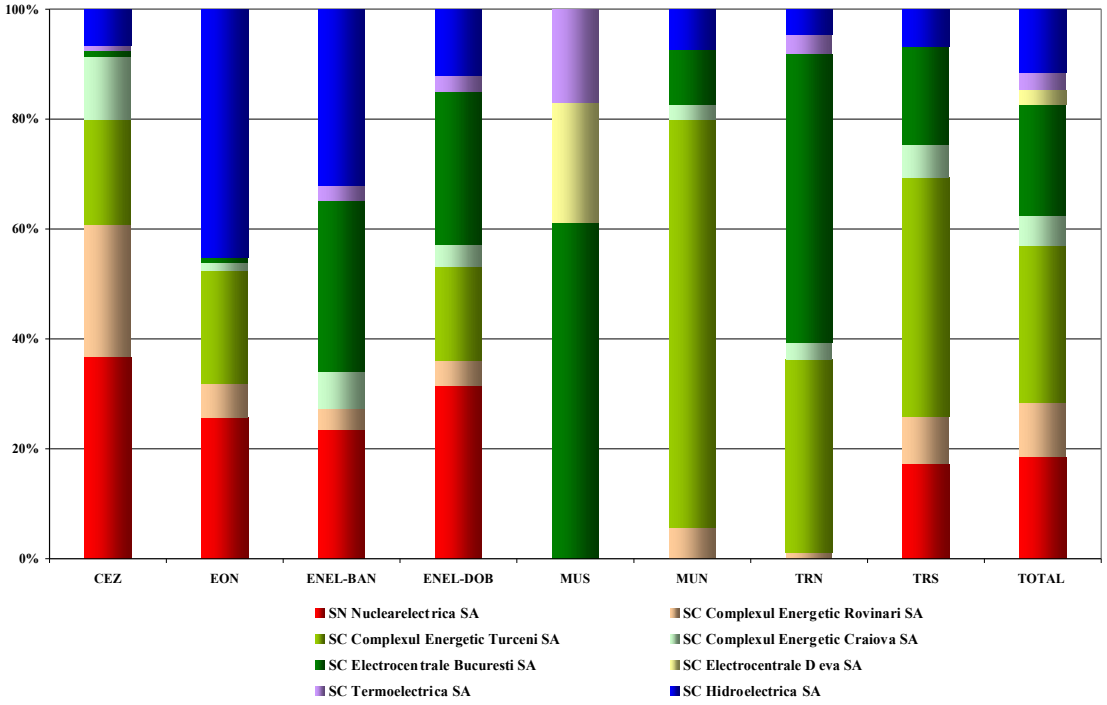
The following table shows the electricity acquisition structure of main distribution operators (before the delivery day), for covering the distribution network losses, for December 2010 compared to December 2009:

- GWh -

Acquisition structure	December 2009	December 2010
Regulated contracts with generators	608.21	559.47
Negotiated contracts with suppliers	6.64	48.60
DAM	145.31	253.45

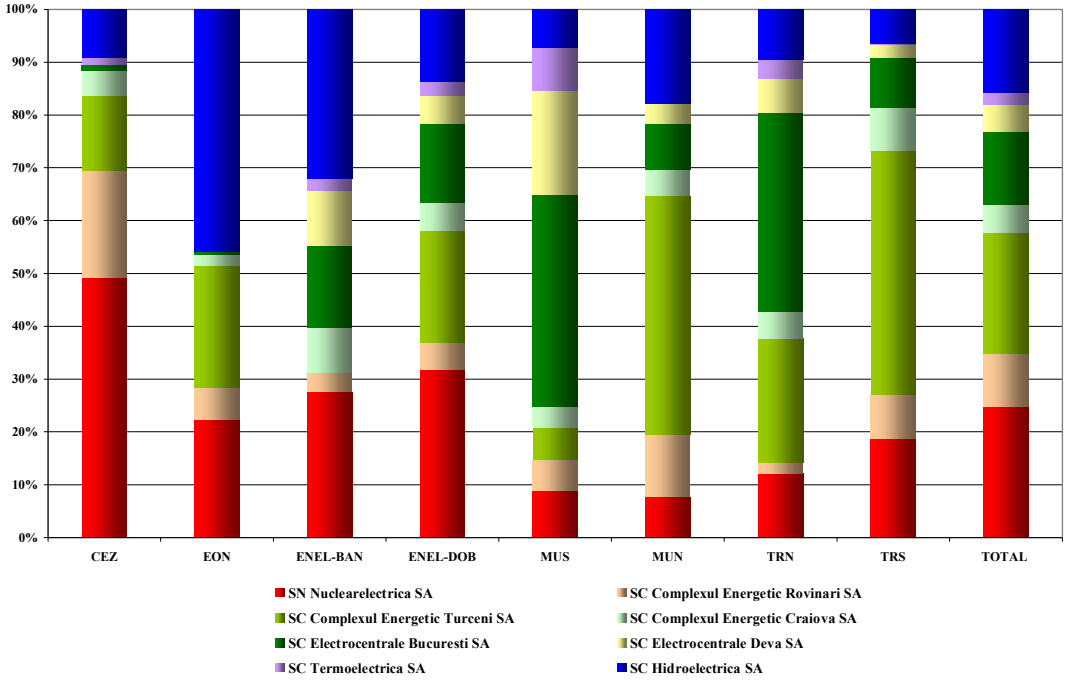
The electricity purchased by the 8 distribution operators from the main generators on regulated contracts, for covering their network losses is presented in detail in the following graph, for December 2010 and the entire year 2010:

Electricity acquisition of distribution operators from main generators, on regulated contracts, for covering the distribution losses
December 2010



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

Electricity acquisition of distribution operators from main generators, on regulated contracts, for covering the distribution losses
YEAR 2010



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

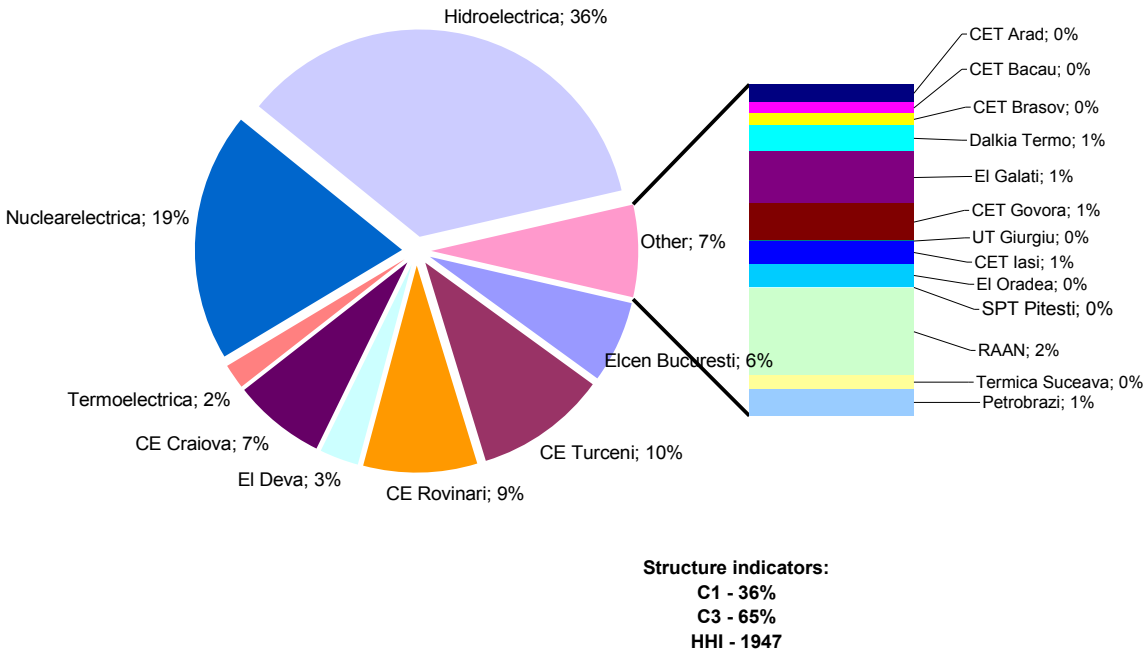
The market structure regarding the electricity generation offers an initial basis for analyzing the possible competitiveness level of the electricity market.

The following table presents the concentration indicators of electricity generation for December 2010, calculated based on electricity delivered into the networks by the generators with dispatchable units.

Concentration indicators - December 2010 -	**C1 (%)**	**C3 (%)**	**HHI**
Value	36	62	1890

The market shares of the electricity generators, taking into account all components of the wholesale electricity market, are presented in the following graph, in 2010. These market shares are calculated based on the electricity delivered into networks.

Market shared of generators with dispatchable units by delivered electricity
- 2010 -



Structure indicators:
C1 - 36%
C3 - 65%
HHI - 1947

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 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 for December 2010 and the entire year 2010:

Structure/concentration indicators of BM - DECEMBER 2010 -	Regulation					
	Secondary		Fast tertiary		Slow tertiary	
	upward	downward	upward	downward	upward	downward
C1 - % -	65	59	58	79	34	70
C3 - % -	93	92	82	92	74	89
HHI	4589	4105	3705	6388	2143	5194

Structure/concentration indicators of BM - YEAR 2010 -	Regulation					
	Secondary		Fast tertiary		Slow tertiary	
	upward	downward	upward	downward	upward	downward
C1 - % -	68	67	53	62	45	34
C3 - % -	95	95	80	84	78	69
HHI	5067	4943	3320	4204	2749	2089

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 December 2010 and the entire year 2010:

Concentration indicators on ASM - December 2010 -	Secondary reserve	Fast tertiary reserve	Slow tertiary reserve
contracted quantity (h*MW)	296,200	438,595	388,244
C1 (%)	69.9	81.0	44.1
C3 (%)	90.0	88.3	91.5

Concentration indicators on ASM - 2010 -	Secondary reserve	Fast tertiary reserve	Slow tertiary reserve
contracted quantity (h*MW)	3,505,000	6,376,265	5,522,840
C1 (%)	71.3	83.0	44.2
C3 (%)	92.5	90.0	90.2

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 aplicable regulations.

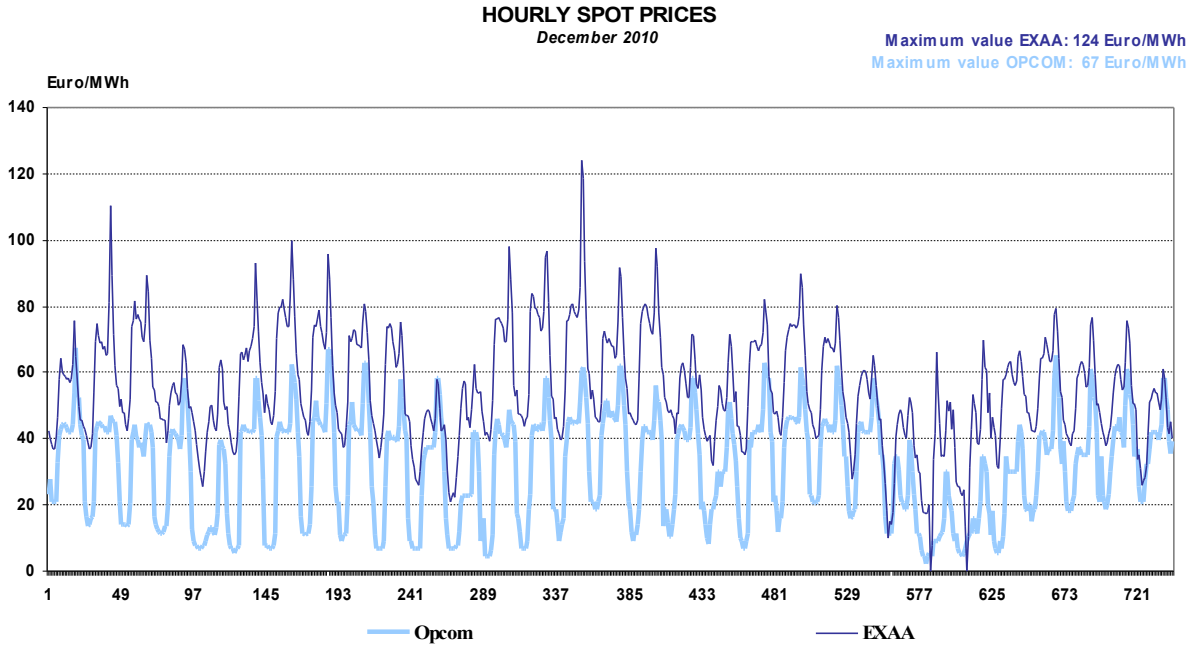
The concentration indicators on DAM reflects the level of competition between sellers and between buyers respectively, the dynamics of both influencing the price level. The following table presents C1, C3 and HHI for buying and for selling side of DAM in December 2010, based on quantities traded by participants on this market.

Concentration indicators on DAM - December 2010 -	C1 (%)	C3 (%)	HHI
Buying transactions	25	42	927
Selling transactions	25	49	1148

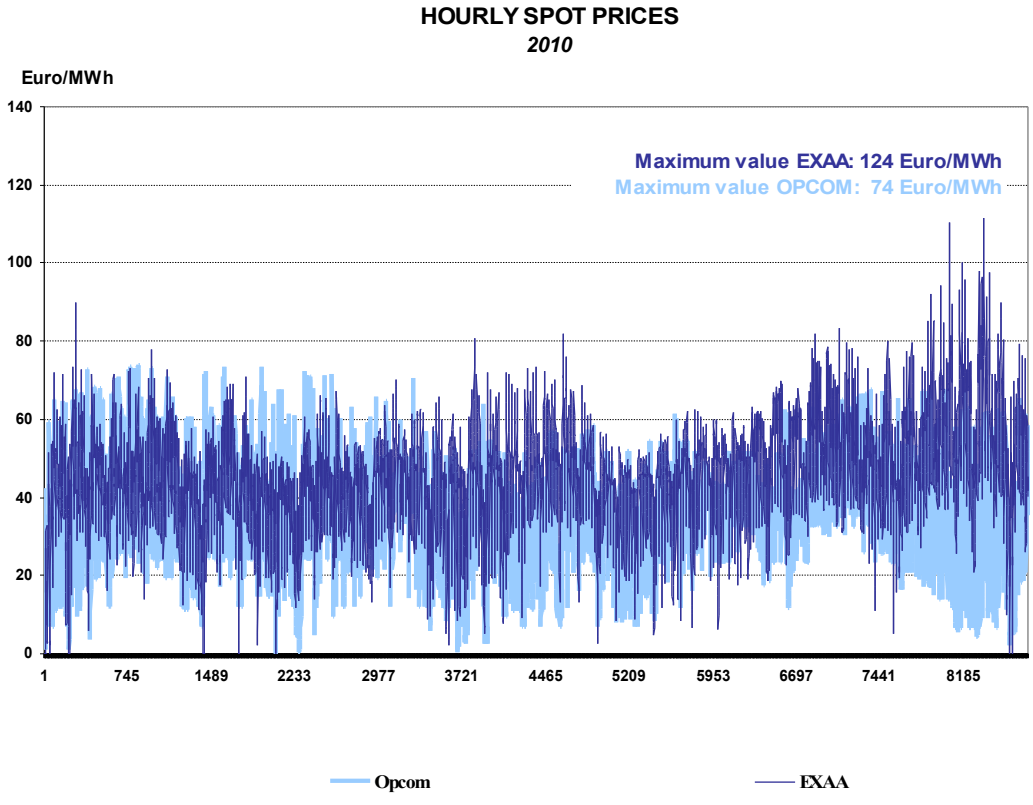
7. Price evolution on wholesale electricity market

SC Opcom SA is the administrator of DAM. The MCP on DAM represents a reference value for the prices on the bilateral contracts. The evolutions of hourly and daily average prices on DAM in December 2010 and for 2010 are presented in the following graphs, along with the prices on EXXA.

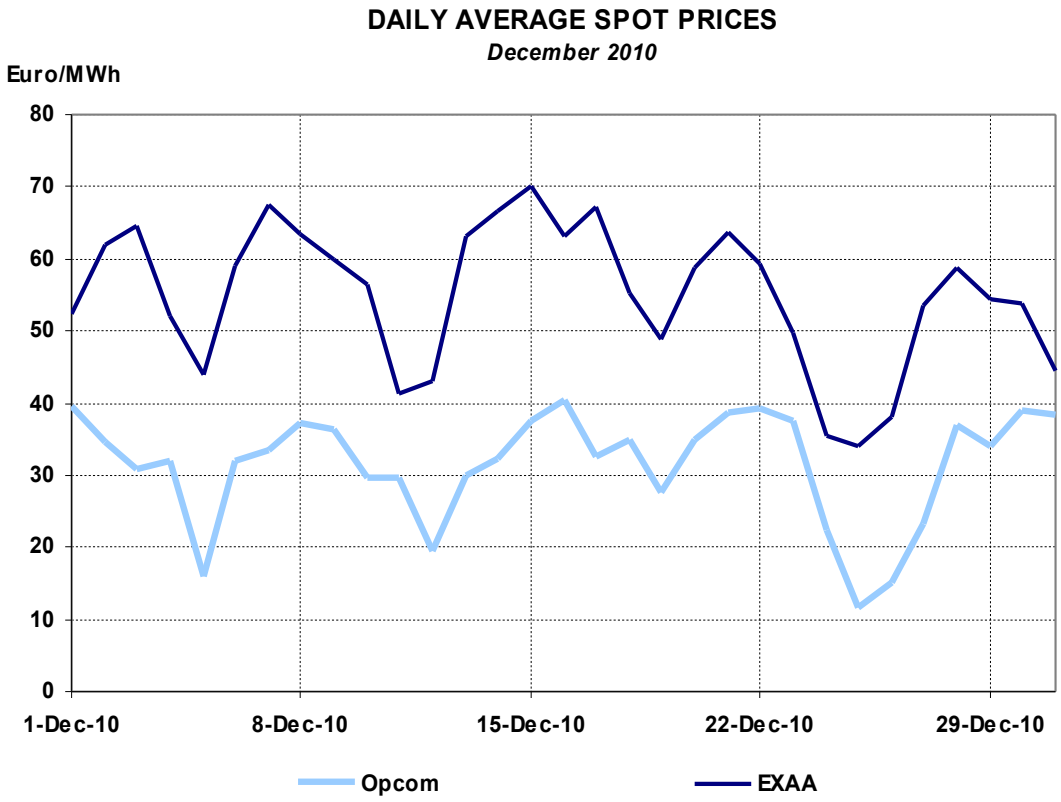
For comparison with prices on the European power exchanges, the spot price on SC Opcom SA is denominated in EUR, taking into consideration the daily exchange rates Euro/leu communicated by the National Bank of Romania.



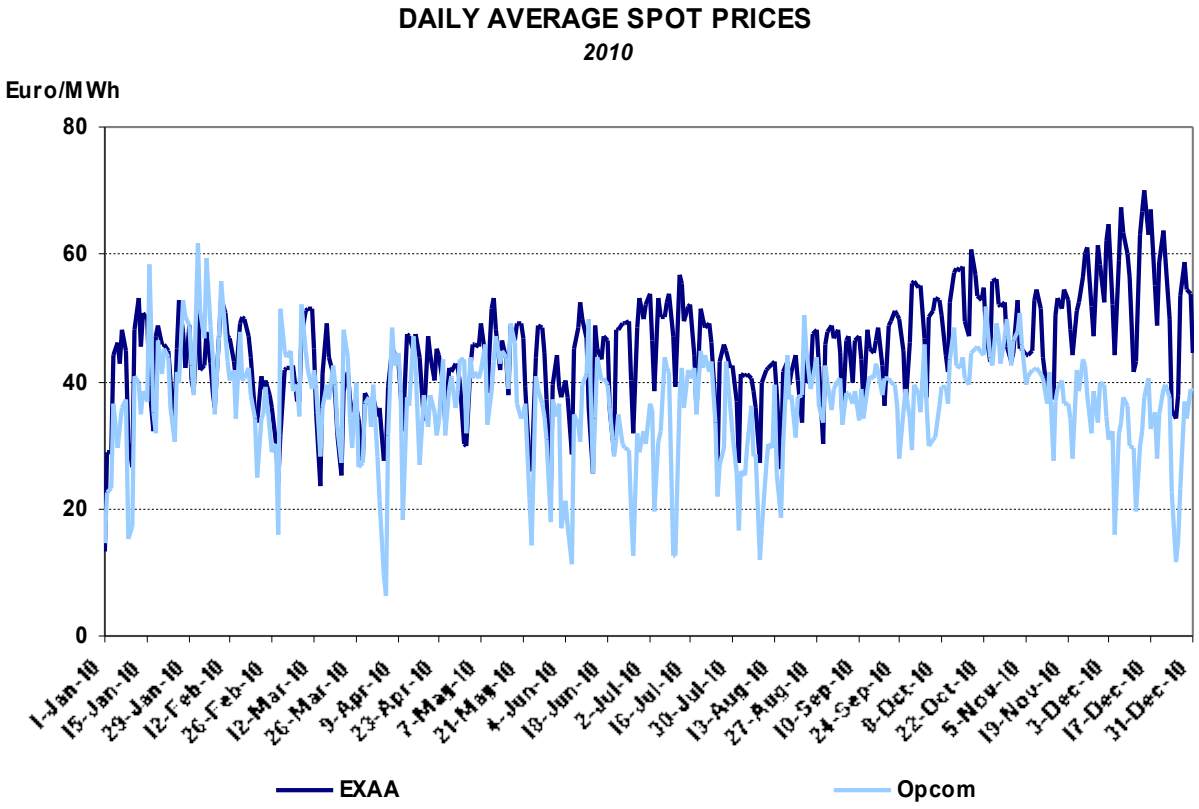
Source: Daily reports of SC Opcom SA and EXAA published data – processed by MG



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

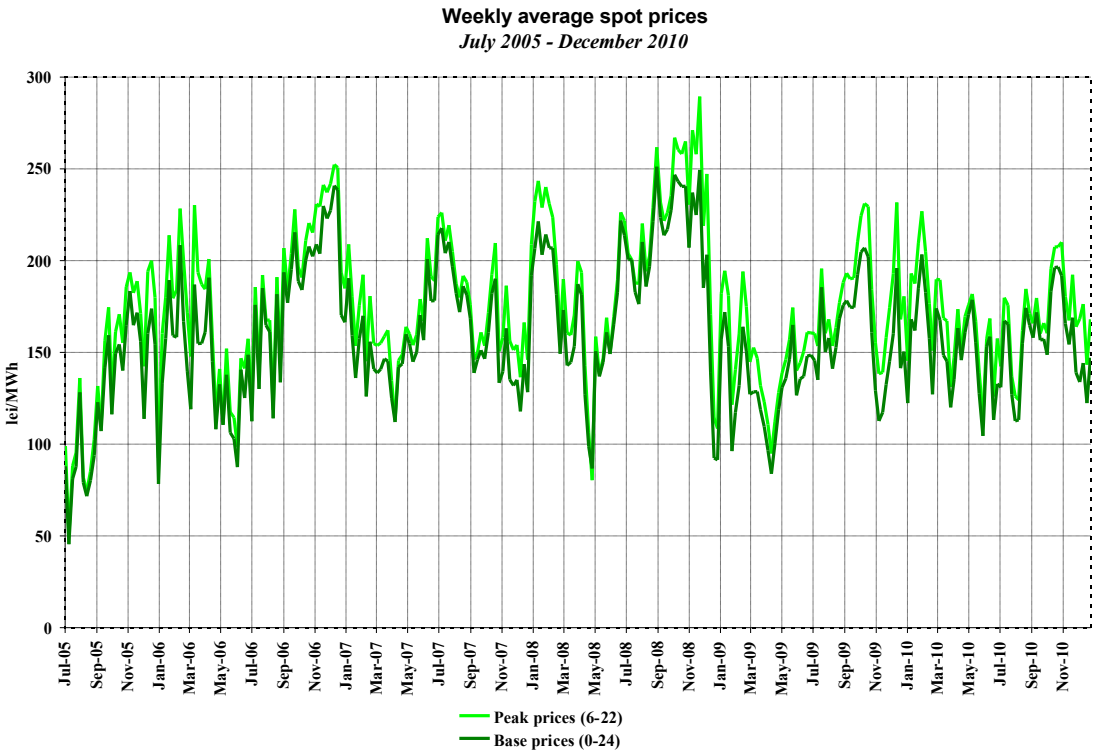


Source: Daily reports of SC Opcom SA and EXAA published data – processed by MG



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

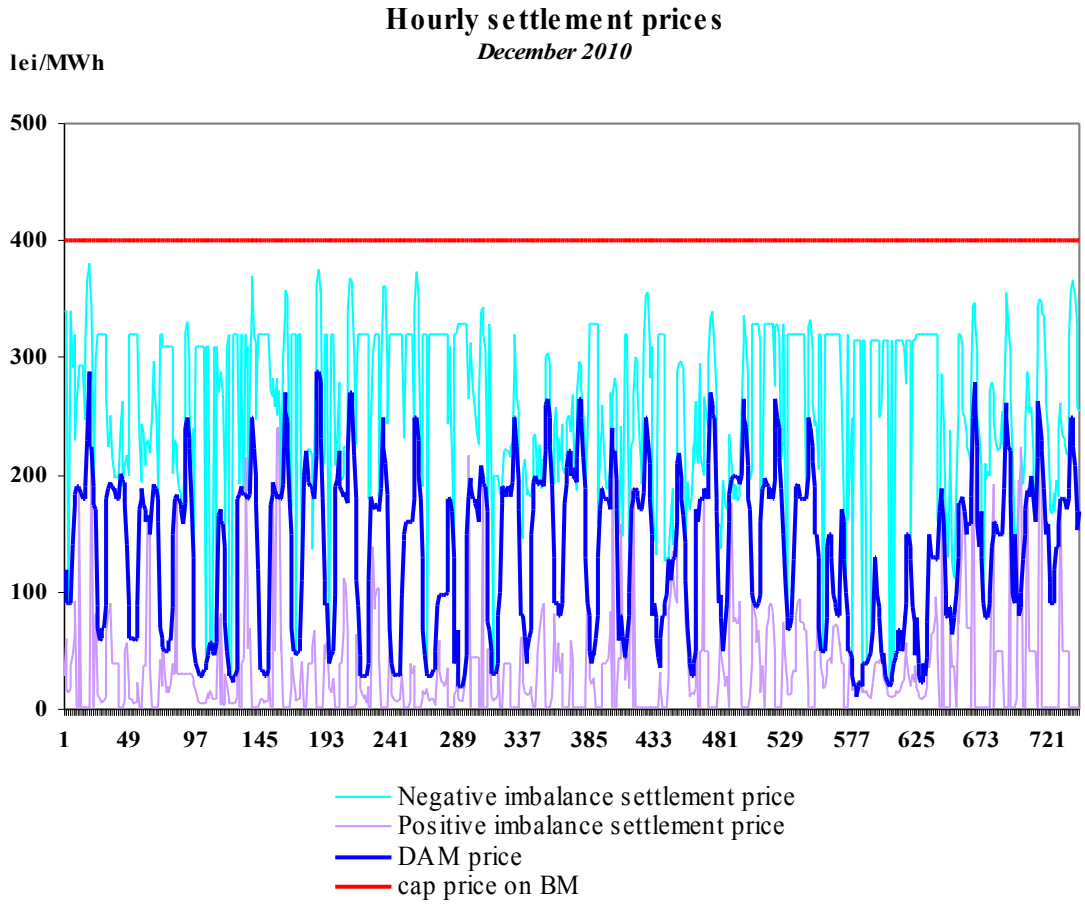
The following graph presents the evolution of weekly average spot prices starting with July 2005:



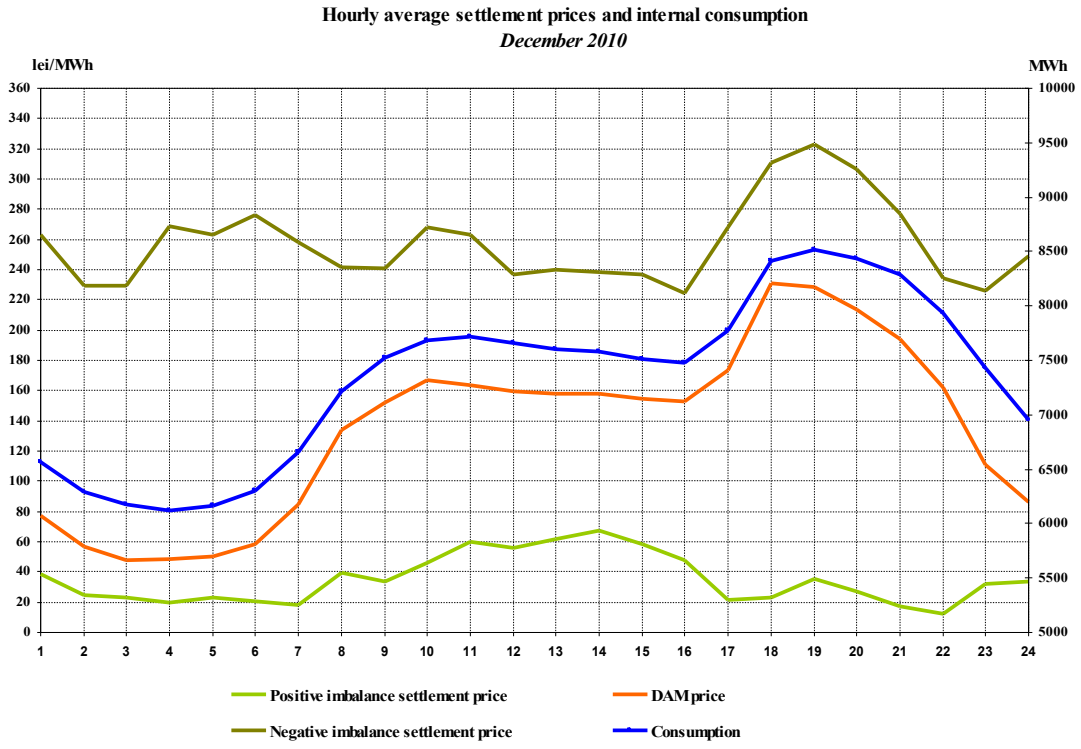
Source: Daily reports of SC Opcom SA – processed by MG

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.

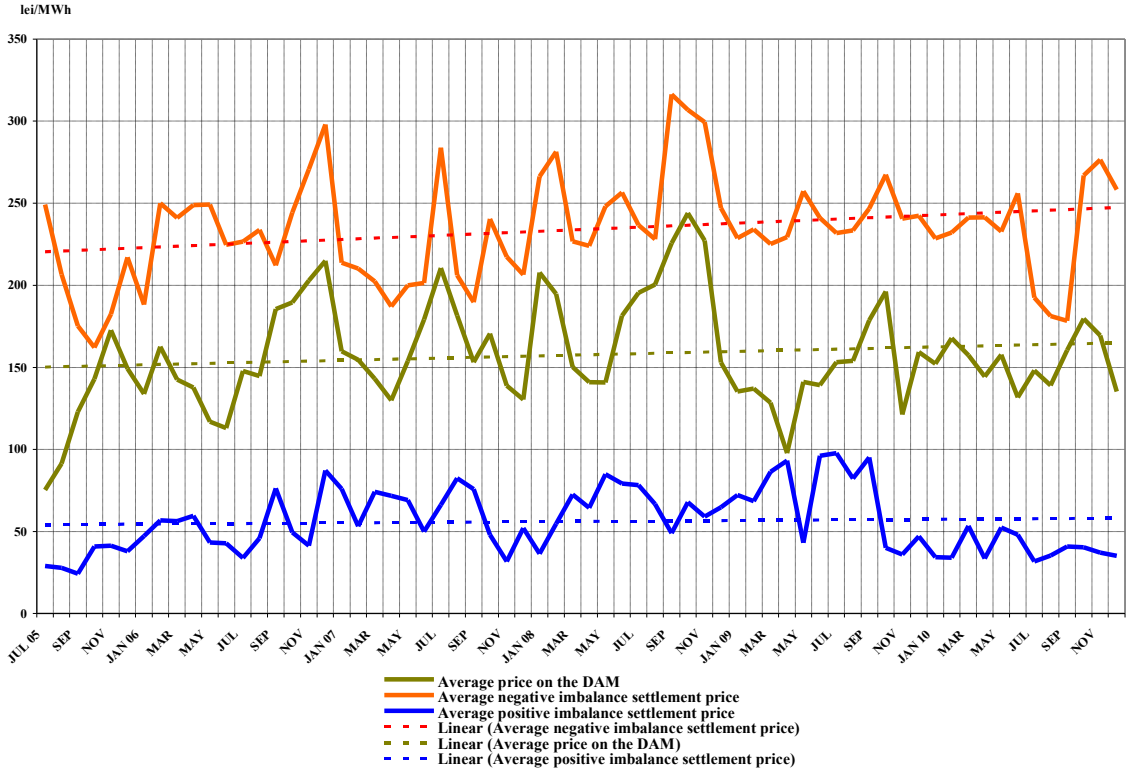


Source: Daily/monthly reports of SC Opcom SA – processed by MG



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

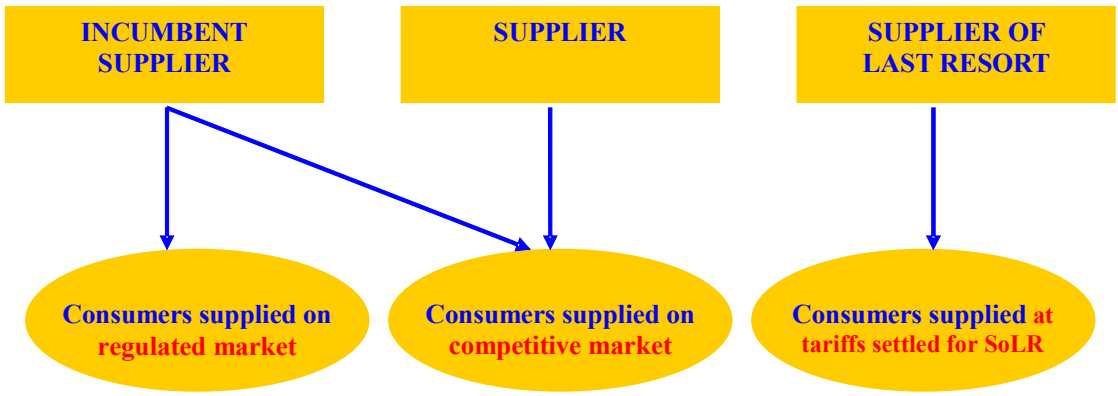
Monthly average prices on DAM and BM
July 2005 - December 2010



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

III. RETAIL ELECTRICITY MARKET

1. Structure of the retail electricity market

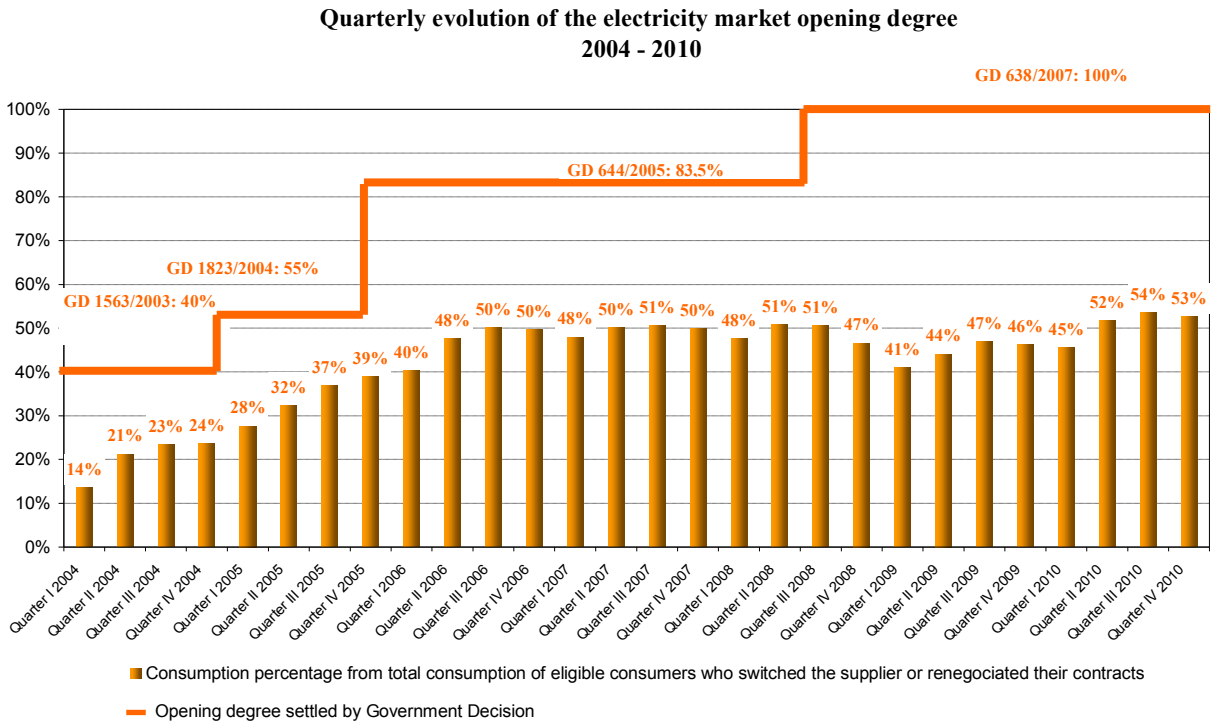


2. Steps in the opening process of the electricity market

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, between 2004-2010. The values presented are cumulated from the beginning of the opening process and are presented quarterly:

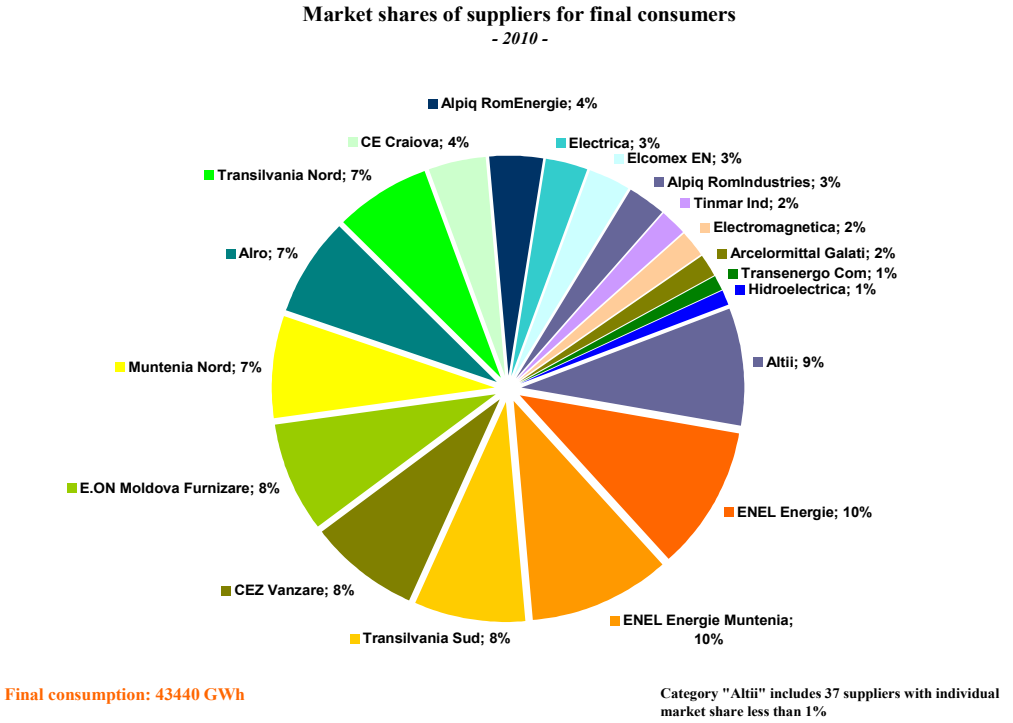


Source: Monthly reports of the final consumers' suppliers – processed by MG

4. Market shares of the electricity suppliers

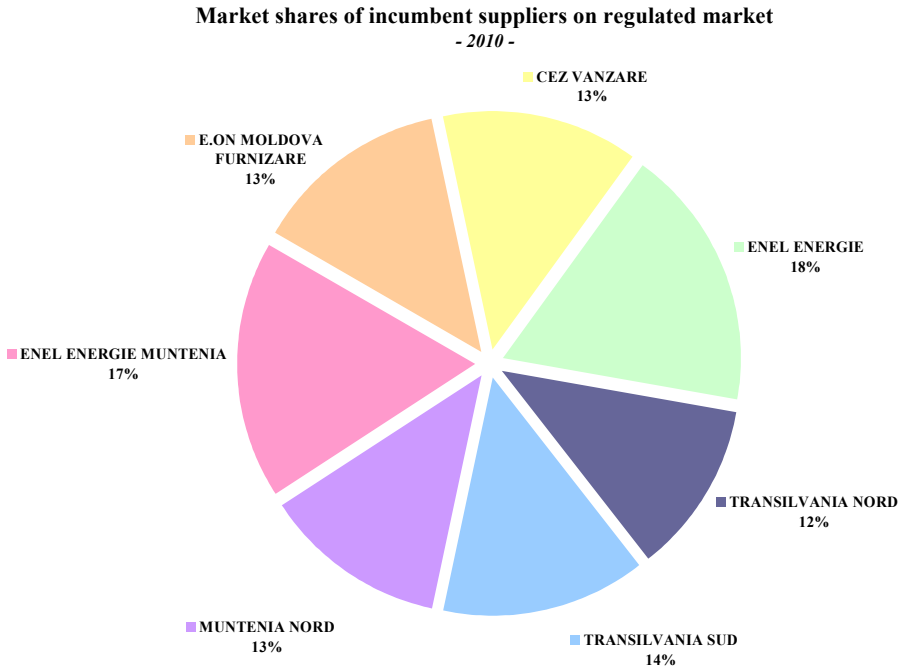
In the following three graphs there are presented the market shares of electricity suppliers on the retail market, calculated:

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 renegociated their contract;



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,

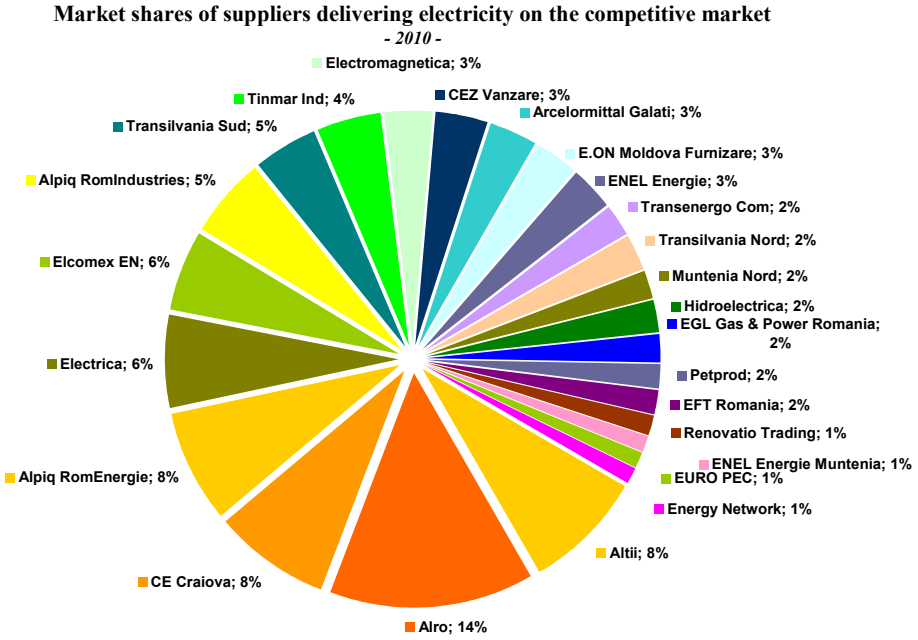


Consumption of consumers supplied at regulated tariffs: 21365 GWh

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 negociated prices on competitive component of REM:



Consumption on competitive market: 22075 GWh
Structure indicators:
HHI - 562; C3 - 30%; C1 - 14%

Category "Altii" includes 31 suppliers with individual market share less than 1%

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.

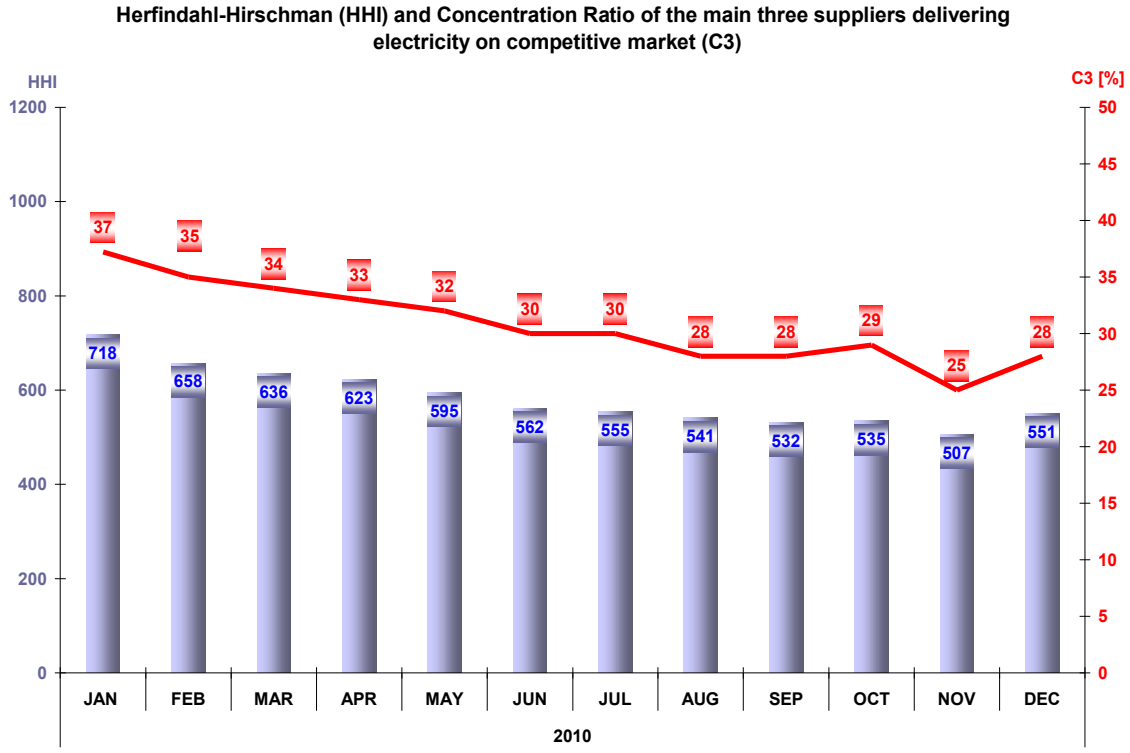
The electricity supplied to the final consumers used for calculating the market share of every supplier includes also the self-consumption of that particular supplier (e.g. consumers with supply license who buy electricity for themselves from WEM as competitive suppliers).

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 December 2010:

Number of suppliers	Share of sales to final consumers from total sales transactions			
	100%	75% - 100%	50% - 75%	<50%
Competitive	6	8	3	22
Incumbent	0	5	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 for 2010 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 and the number of active suppliers in December 2010 and the entire year 2010, 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:

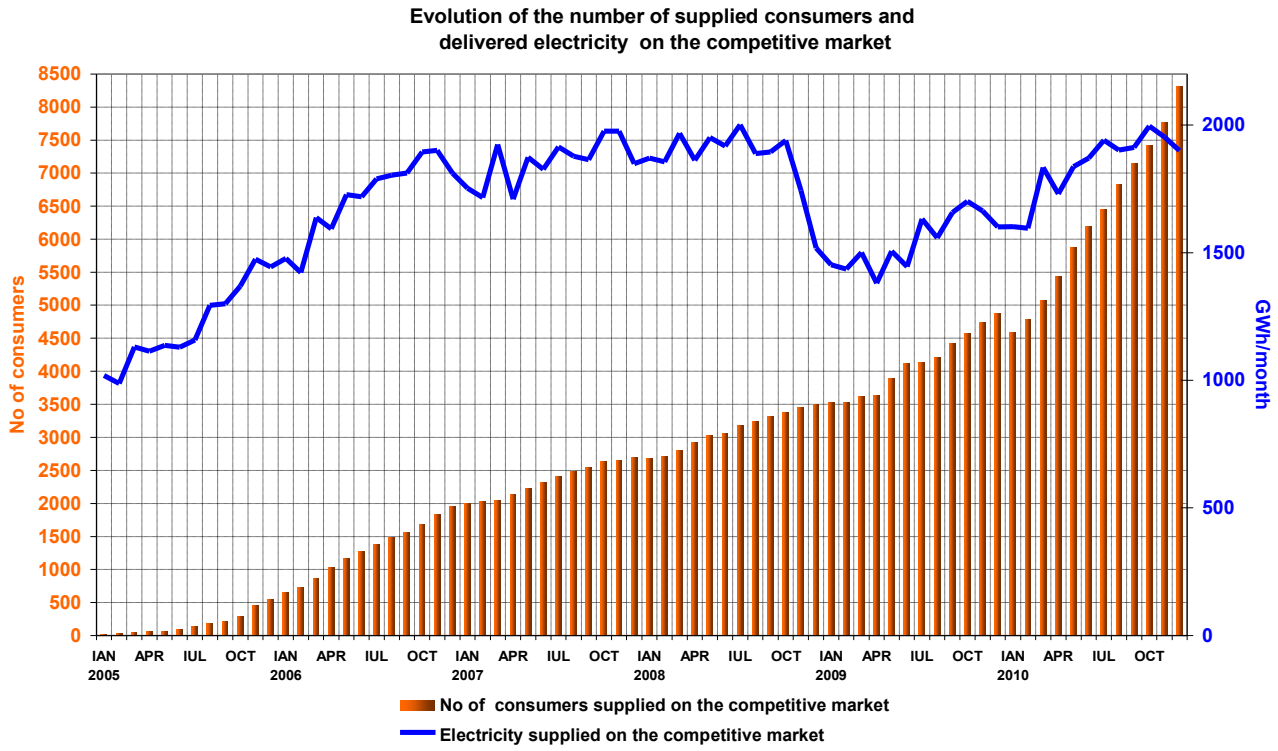
Indicators - December 2010	Consumer category							Total REM
	IA	IB	IC	ID	IE	IF	Other	
C1 - % -	83	21	11	16	19	31	41	**15**
C3 - % -	96	46	32	33	44	69	62	**28**
HHI	7074	1072	700	656	899	1944	2094	**551**
Consumption - GWh -	6.9	84	148	400	240	352	669	**1900**
No. of SUPPLIERS	19	41	45	42	23	14	14	**52**
No. of incumbent suppliers	7	7	7	7	4	2	1	**7**
No. of competitive suppliers	10	30	33	32	17	11	10	**39**
No. of producers	2	4	5	3	2	1	3	**6**

Indicators - Year 2010	Consumer category							Total REM
	IA	IB	IC	ID	IE	IF	Other	
C1 - % -	85	22	12	16	15	16	29	**14**
C3 - % -	95	47	35	35	39	41	58	**30**
HHI	7263	1106	725	622	543	679	1350	**563**
Consumption - GWh -	74.4	831	1562	4565	2693	1993	10357	**22075**
No. of SUPPLIERS	18	34	38	37	18	11	13	**55**
No. of incumbent suppliers	7	7	7	7	5	2	1	**7**
No. of competitive suppliers	9	23	26	27	11	8	8	**42**
No. of producers	2	4	5	3	2	1	4	**6**

6. Evolution of consumers' number and of electricity delivered

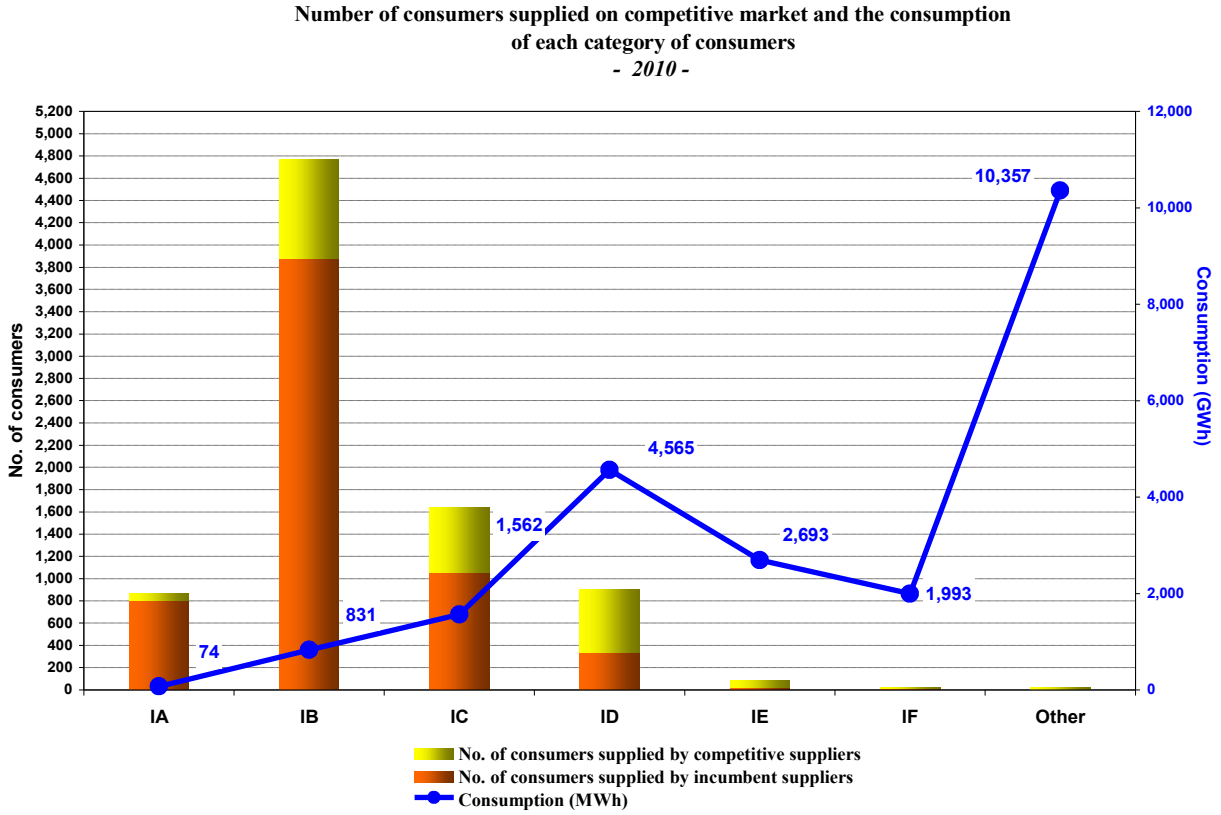
Number of consumers supplied on the competitive market is presented as total value from the beginning of the market opening process; for 2010 this number is split into categories, according to the provisions of the European Council Directive no. 90/377/EC, with subsequent modifications. The table below 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

NOTE: The number of consumers supplied on the competitive market between January-September 2010 is different from the number published in the monthly Monitoring reports of the mentioned period due to some corrections made by certain suppliers. The corrections were visible for the first time within the Monitoring report for October 2010.

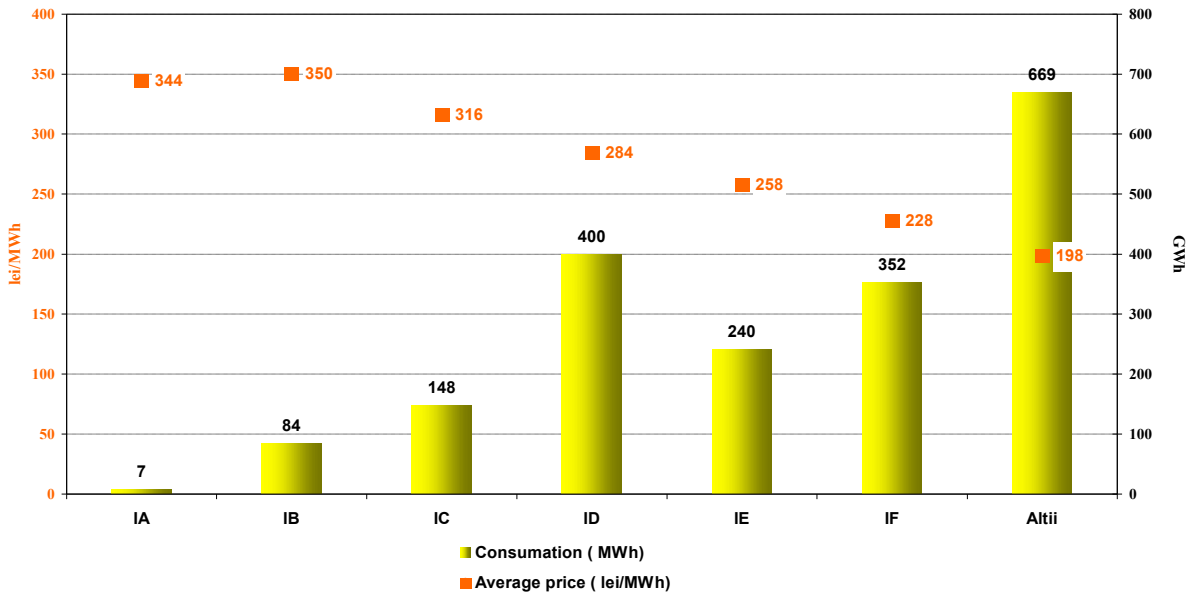


Source: Monthly reports of the suppliers – processed by MG

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

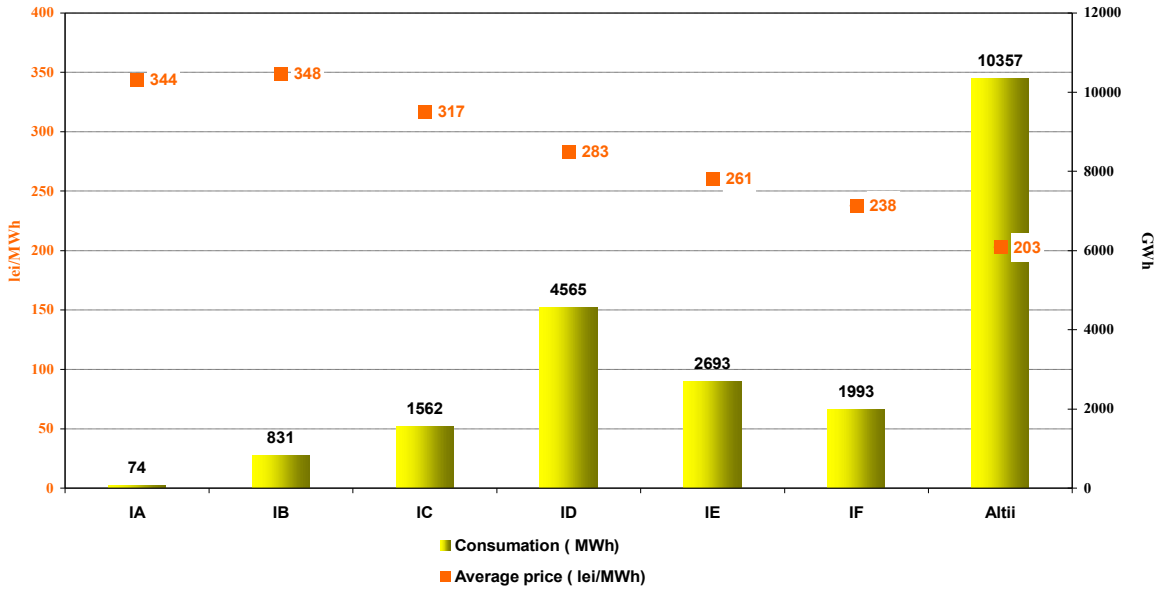
The following graph presents the average selling prices of consumers supplied on the competitive market, based on the structure defined according to the European Council Directive no. 90/377/EC, with the subsequent modifications.

Average price and energy consumption on types of consumers applied on compatitive market
- December 2010 -



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

Average price and energy consumption on types of consumers applied on compatitive market
- 2010 -



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

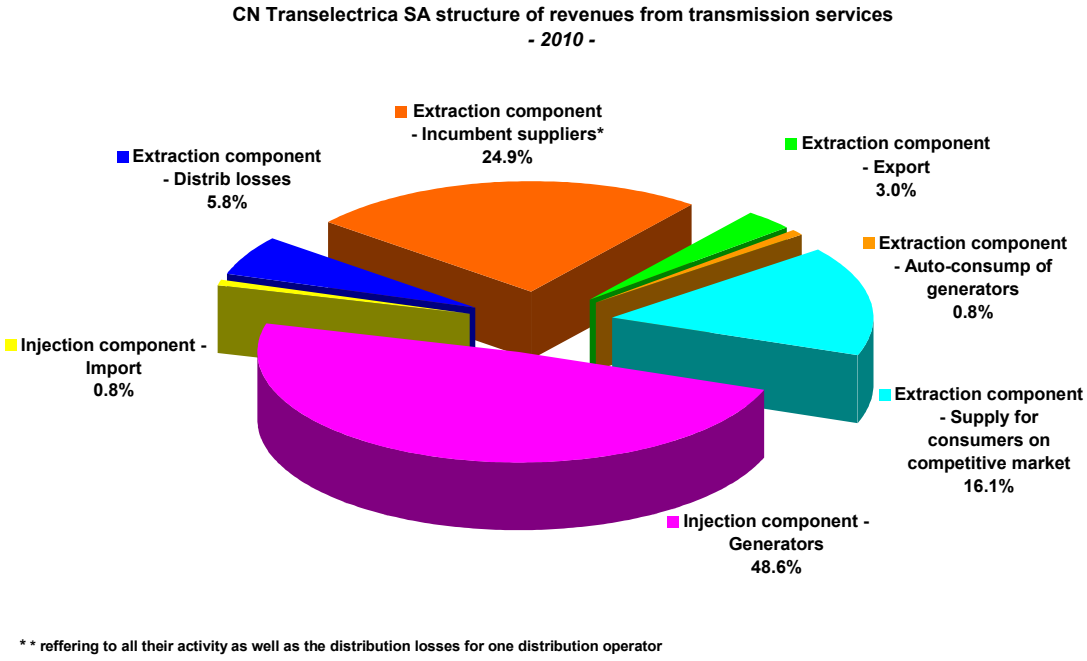
Note: The average selling price on each category was calculated as weighted average of prices applied by suppliers with quantities supplied, according to the provisions of the European Directive. The average prices do not include VAT, excise or other taxes but include the supplied services (injection 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 teritorry of the consumers.

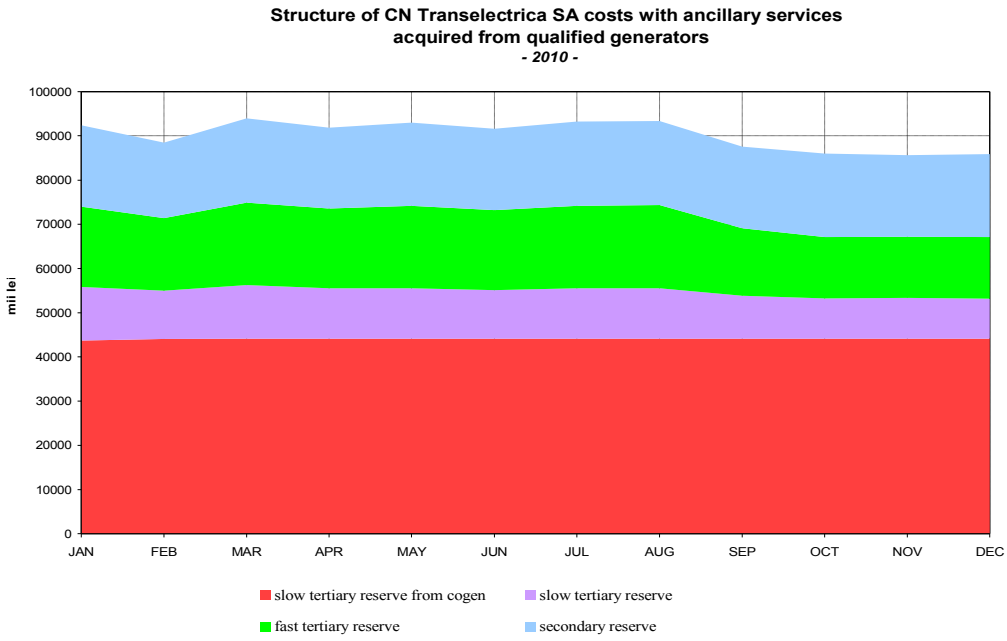
The following graph presents the structure of CN Transelectrica SA revenues from performing the transmission services and reflects the structure of its clients benefiting from this type of service in 2010.



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 have entered into force; there were settled the reserve dimension, the selection procedure of the reserve suppliers and the conditions in which this new type of reserve may be used by CN Transelectrica SA; for the time being, this acquisition is suspended.

The following graph presents the costs of ancillary services CN Transelectrica SA had to pay in 2010. In order to cover these costs and its own operating costs, TSO applies a regulated tariff for system services.



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

V. DISCLOSURE OF THE ELECTRICITY SUPPLIED IN 2010

The Romanian Electricity Label for the consumers which are supplied at regulated tariffs was calculated based on the provisions of the Regulation on electricity disclosure–revision 1, approved by ANRE Order no. 69/2009.

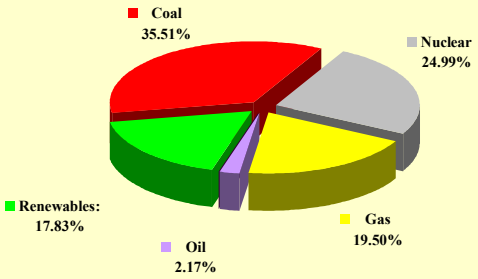
The Electricity Label presented hereafter contains data referring to the electricity structure by primary sources of the incumbent suppliers' acquisition and by the total electricity generation in Romania.

ELECTRICITY LABEL FOR THE CONSUMERS SUPPLIED AT REGULATED TARIFFS

Supplier: **Incumbent supplier X**
Telefon: **0800 - xxxxxxxxxx**
Web: www.supplier-x.com

Electricity supplied by the incumbent supplier X in 2010

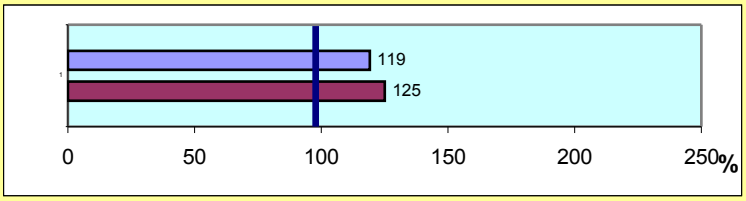
Electricity supplied by the supplier X was produced from the following sources



Primary Energy Source	Incumbent Supplier	Romania Electricity Production 2010
Coal	**35.51%**	**32.74%**
Nuclear	**24.99%**	**19.11%**
Gas	**19.50%**	**10.38%**
Oil	**2.17%**	**0.70%**
Other conventional	**0.00%**	**0.45%**
Renewables:	**17.83%**	**36.62%**
Hydroelectric	17.83%	35.68%
Wind	0.00%	0.54%
Biomass	0.00%	0.41%
Solar	0.00%	0.00%
Other Renewables	0.00%	0.00%

Environmental impact

CO_2 emissions of the supplier (441g/kWh)
Radioactive wastes of the supplier (0.005 g/kWh)



CO2 emissions in Romania : 370 g/kWh
Radioactive wastes in Romania: 0.004 g/kWh
Environmental impact over the sectorial average

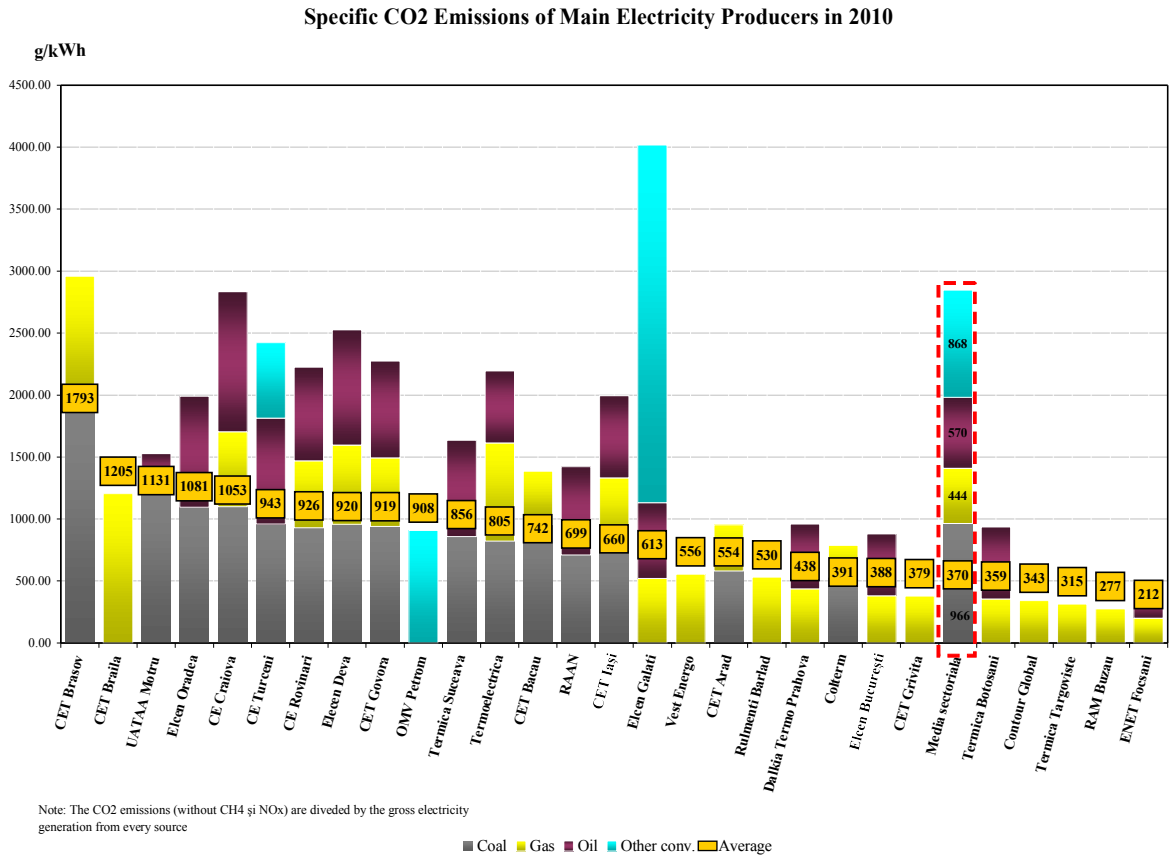
According to ANRE Order no. 69/2009 - Electricity Disclosure Regulation (www.anre.ro)

In 2010 the sectorial average of CO_2 specific emissions resulted from the electricity generation was calculated as 370g/kWh. Based on this, the active suppliers on the competitive market will have to specify in their electricity label the impact upon the environment of the electricity they supplied during 2010, by comparing it with the sectorial average value.

The average specific CO_2 emissions split by primary sources were calculated as weighted averages of specific emissions and delivered electricity on each type of primary source.

No.	Primary Energy Source	Specific Emissions [g/kWh]
1	Coal	966
2	Gas	444
3	Oil	570
4	Other conventional	868
	Sectorial Average	**370**

The following graph presents the specific CO_2 emissions of the main electricity producers in 2010:



VI. EVOLUTION OF MARKET RULES IN DECEMBER 2010

- In December 2010, several regulations with impact on the wholesale and retail electricity market have been approved:

1. ANRE Order no. 35/2010 regarding the establishment of certain rules on balancing market;
2. ANRE Order no. 36/2010 approving the modification of Methodology of establishing and adjusting the prices of heat and electricity produced and delivered from cogeneration units which benefit from support scheme and high-efficiency cogeneration bonus, approved by ANRE Order no. 3/2010;
3. ANRE Order no. 37/2010 approving the electricity reference price and the electricity regulated prices used by cogeneration producers of electricity and heat which benefit from support scheme according to GD no. 1215/2009;
4. ANRE Order no. 38/2010 approving the modification of ANRE Order no. 100/2009 regarding the specific tariffs of electricity distribution applied by the main distribution operators;
5. ANRE Order no. 43/2010 approving the sales-purchase framework contract to be concluded between the producer and the incumbent supplier and the sales-purchase framework contract for covering the distribution losses to be concluded between the producer and the distribution operator;
6. ANRE Order no. 44/2010 approving the specific tariffs of electricity distribution applied by the main distribution operators;
7. ANRE Order no. 45/2010 approving the average tariff for transmission service, tariffs of system services and centralised markets administration as well as area tariffs for transmission used by market participants;
8. ANRE Decision no. 3101/2010 approving the list of accredited cogeneration capacities owned by the electricity and heat high cogeneration producers;
9. ANRE Decisions no. 3103-3120/2010 approving the prices and quantities of electricity and heat dispatchable producers;
10. ANRE Decisions no. 3121, 3122 and 3154/2010 approving the prices applied by several producers and quantities of electricity needed for covering the transmission losses;
11. ANRE Decisions no. 3145-3153/2010 regarding the acquisition of ancillary services provided by producers with qualified dispatchable units.

VII. 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 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
- 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 stardardised bilateral contracts with continuous negociation
- NES – National Energy System
- WEM – wholesale electricity market
- REM – retail electricity market
- RCE – Romanian Commodities Exchange