ROMANIAN ENERGY REGULATORY AUTHORITY
REGULATED ELECTRICITY MARKET, PRICES AND TARRIFS DEPARTMENT

REPORT ON RESULTS OF MONITORING THE ROMANIAN ELECTRICITY MARKET
SEPTEMBER 2010

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

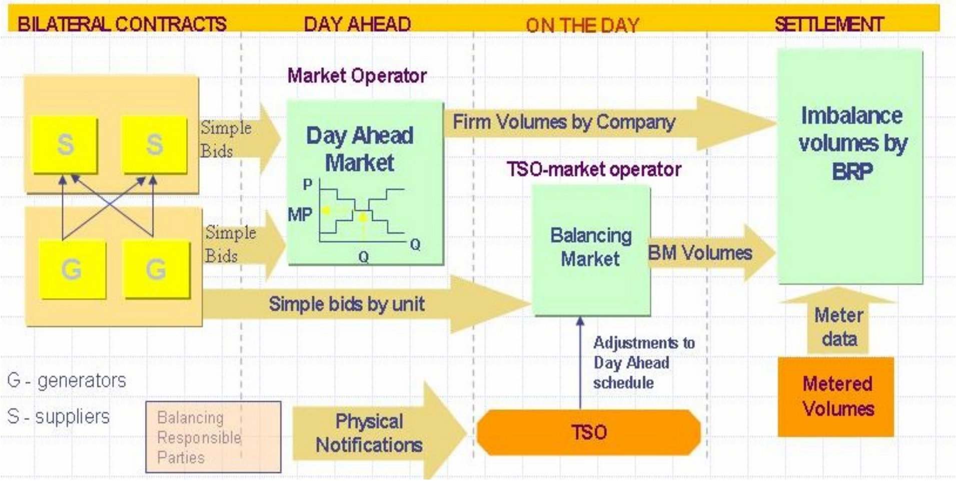
TABLE OF CONTENTS

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).
- August 2008 – process of legal unbundling of distribution and supply companies has been concluded

II. WHOLESALE ELECTRICITY MARKET

1. *Structure of the wholesale electricity market*



2. *Participants on the wholesale electricity market*

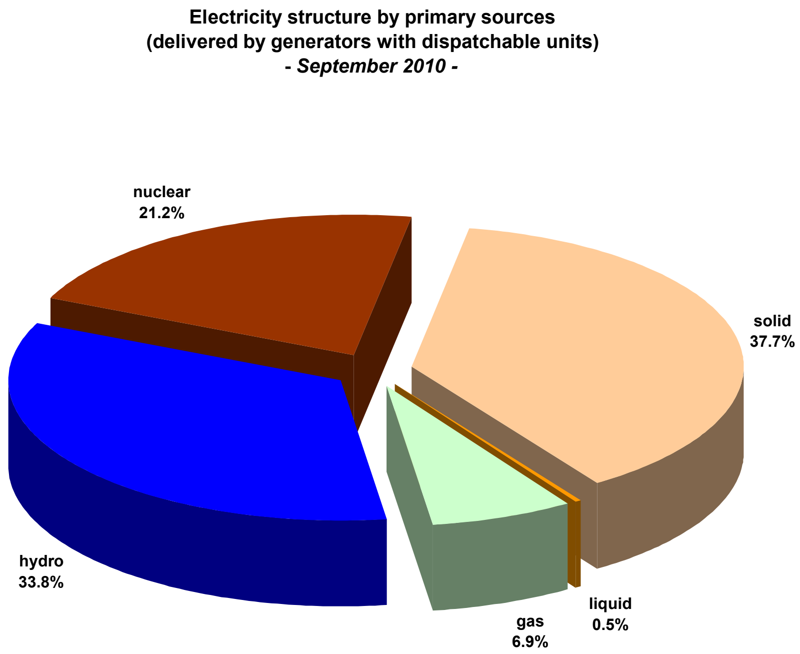
The market participants* acting on the electricity market in September 2010 are presented below split into categories:

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 Galați SA	
8	SC Dalkia Termo Prahova SRL	
9	SNP Petrom Sucursala Petrobrazi	
10	SC Termica SA Suceava	
11	SC Termoelectrica SA	
12	Serviciul Public Local de Termoficare Pitesti	
13	SC Uzina Termică Giurgiu SA	
14	SC CE Rovinari SA	
15	SC CE Turceni SA	
16	RAAN	
17	SN Nuclearelectrica SA	Generators acting also as suppliers on the competitive market
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 Supplier s 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	E.ON Energy Trading SE
10	SC Ezpada SRL
11	Ezpada SRO
12	SC GDF Suez Energy Trading Romania SRL
13	GEN-I Bukarest Electricity Trading and Sales
14	SC Global Electric Trading SRL
15	SC Grivco SA
16	Holding Slovenske Electrarne d.o.o.
17	SC Invest Dinamic Project SRL
18	SC Jas Budapest Zrt
19	SC Korlea Invest SRL
20	MVM Partner Energy Trading Ltd
21	SC Power Plus SRL
22	SC RomEnergy Industry SRL
23	RWE Supply Trading GmbH
24	Repower Trading Ceska Republica
25	SC Repower Vanzari Romania SRL
26	SC Romelectro SA
27	SC Rudnap SRL
28	SC RBS Sempra Energy Europe Ltd
29	Statkraft Markets GmbH
30	SC Statkraft Romania SRL
31	SC TEN Transilvania Energie SRL
No.	**Name**
G	***Electricity Supplier s***
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 Enex SRL
21	SC Ennet Grup SRL
22	SC Enol Grup SA
23	SC EURO-PEC SA
24	SC Fidelis Energy SRL
25	SC GDF SUEZ Energy Romania SA
26	SC General Com Invest SRL
27	SC Hidroconstructia SA
28	SC ICCO Energ SRL
29	ILIOTOMI Impex GRPA
30	SC ICPE Electrocond Technologies SA
31	SC Luxten LC SA
32	OET Obedineni Energini Targovtsi
33	SC Petprod SRL
34	SC Renovation Trading SRL
35	SC Tinmar Ind SA
36	SC Transformer Supply SRL
37	SC Transenergo Com SA
38	SC UCM Energy SRL

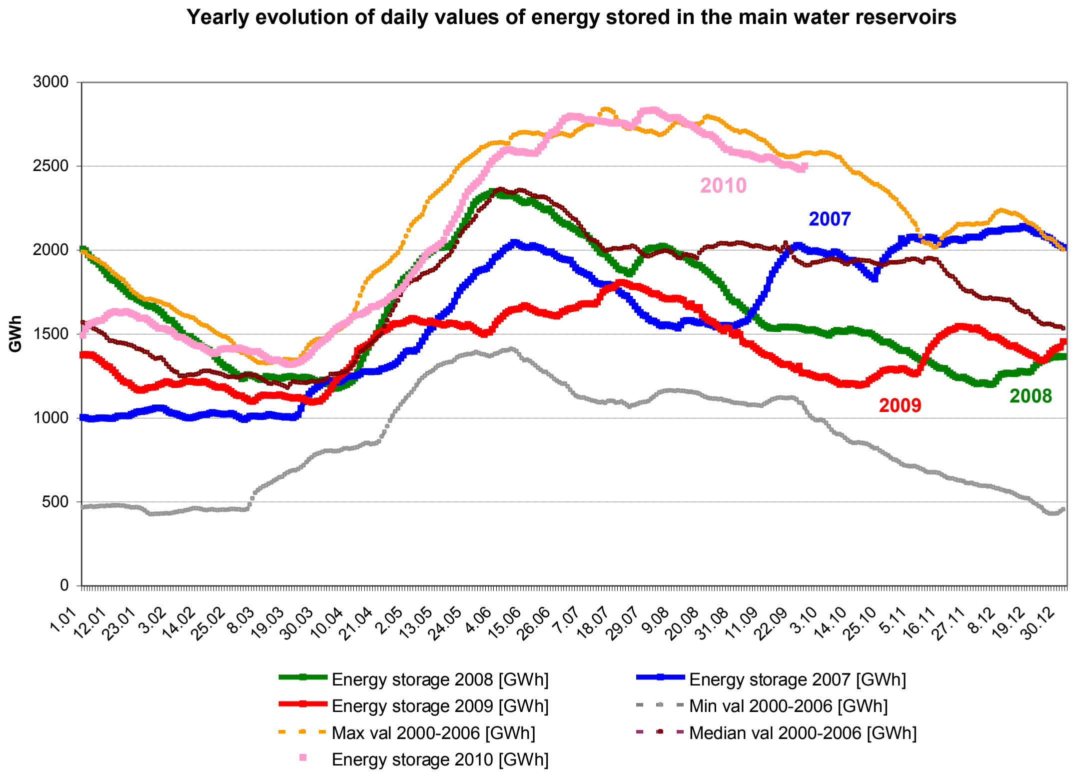
*) The electricity market participants report to ANRE technical/commercial data according to the *Methodology of wholesale electricity market monitoring for assessing the competition level on market and preventing the abuse of dominant position,* approved by ANRE Order no. 35/2006. The table does not 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



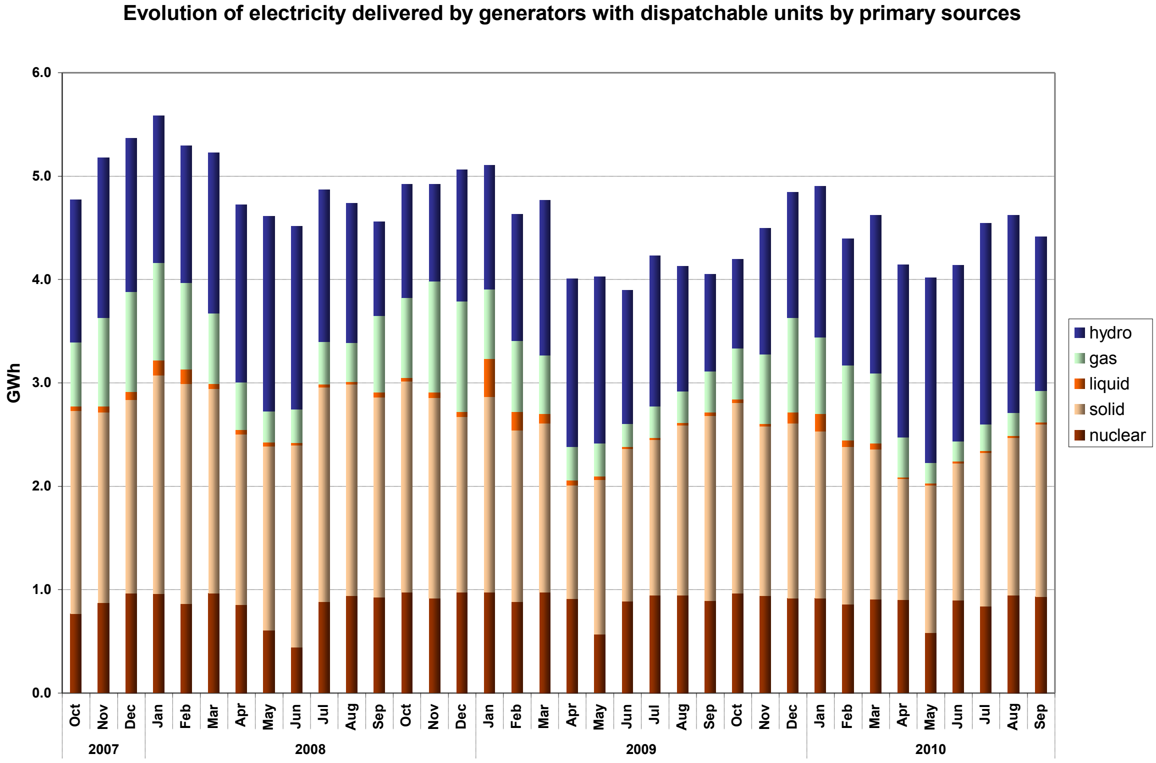
Source: Monthly reports of generators – processed by MG

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.



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:



Source: Monthly reports of generators – processed by MG

The following table presents the main data regarding the physical balance of electricity for September 2010 and for the first 9 months of 2010, compared to data for similar periods of 2009:

No.	Indicator	MU	Sep 2009	Sep 2010	%	Jan- Sep 2009	Jan- Sep 2010	%
0	1	2	3	4	5=4/3*100	6	7	8=7/6*100
1	Generated electricity	TWh	4.37	4.72	108.01	41.94	42.79	102.03
2	Delivered electricity	TWh	4.05	4.41	108.89	38.86	39.81	102.44
3	Import	TWh	0.05	0.04	80.00	0.51	0.68	133.33
4	Export	TWh	0.16	0.50	312.50	2.61	2.15	82.38
5	Internal consumption	TWh	3.94	3.95	100.25	36.77	38.35	104.30
6	Consumption of household consumers on the regulated market	TWh	0.88	0.86	97.73	8.13	8.38	103.07
7	Consumption of non-households consumption	TWh	2.56	2.65	103.51	22.73	23.94	105.32
7.1	*on the regulated market*	TWh	*0.90*	*0.74*	*82.22*	*9.16*	*7.72*	*84.28*
7.2	*on the competitive market*	TWh	*1.66*	*1.91*	*115.06*	*13.57*	*16.22*	*119.53*
8	Transmission – Injection component	TWh	3.90	4.32	110.77	37.89	39.02	102.98
9	Transmission – Extraction component	TWh	3.95	4.40	111.39	38.56	39.84	103.32
10	System services	TWh	3.95	4.40	111.39	38.56	39.84	103.32
11	Actual transmission grid losses	TWh	0.08	0.09	112.50	0.73	0.80	109.59
12	Heat generated for delivery	Tcal	596.35	606.87	101.76	11739.64	11852.42	100.96
13	Heat in co-generation	Tcal	455.32	501.90	110.23	9564.07	9607.50	100.45

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).

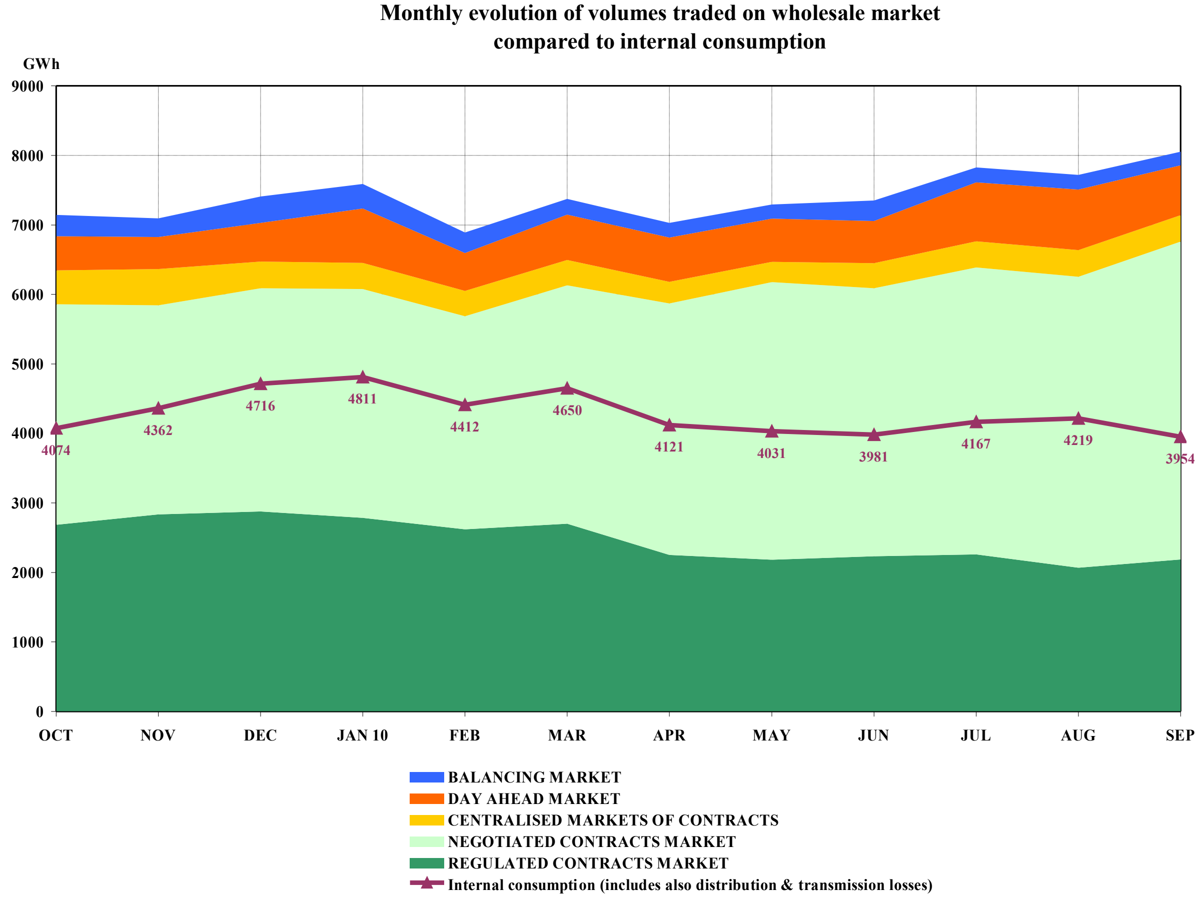
The volumes traded and the average prices on each type of contracts and on the main components of the wholesale market are presented in the following tables for September 2010 compared to the month before and September 2009;

TRANSACTIONS ON THE WHOLESALE MARKET	August 2010	September 2010	September 2009
1. BILATERAL CONTRACTS' MARKET			
traded volume (GWh)	**6256**	**6761**	**5760**
% from internal consumption (%)	148.4	171.0	146.3
average price (lei/MWh)	156.72	162.29	160.60
1.1. **Sales on regulated contracts**			
traded volume (GWh)	**2067**	**2189**	**2530**
% from internal consumption (%)	49.0	55.4	64.2
average price (lei/MWh)	153.74	164.43	161.53
1.2. **Sales on negociated contracts***			
traded volume (GWh)	**4189**	**4572**	**3230**
% from internal consumption (%)	80.6	115.6	82.0
average price (lei/MWh)	158.18	161.26	159.87
2. EXPORT			
traded volume** (GWh)	**429**	**496**	**163**
% from internal consumption (%)	10.2	12.5	4.1
average price (lei/MWh)	159.64	178.81	159
3. CENTRALISED MARKETS OF CONTRACTS			
traded volume (GWh)	**382**	**380**	**428**
% from internal consumption (%)	9.1	9.6	10.9
average price (lei/MWh)	154.84	155.32	189.06
4. DAY AHEAD MARKET			
traded volume (GWh)	**870**	**718**	**451**
% from internal consumption (%)	20.6	18.2	11.46
average price (lei/MWh)	138.88	159.04	178.66
5. BALANCING MARKET			
traded volume (GWh)	**212**	**195**	**203**
% from internal consumption (%)	5.0	4.9	5.2
upward volume (GWh)	**92**	**64**	**87**
average negative imbalance price(lei/MWh)	181.27	178.36	246.75
downward volume (GWh)	**120**	**131**	**116**
average positive imbalance price (lei/MWh)	35.26	40.88	95.14
INTERNAL CONSUMPTION (includes distribution and transmission losses) (GWh)	**4219**[1)]	**3954**	**3938**

Note: 1) Data published in the Report on monitoring results of the electricity market – August 2010 were modified due to some corrections
** 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*

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.

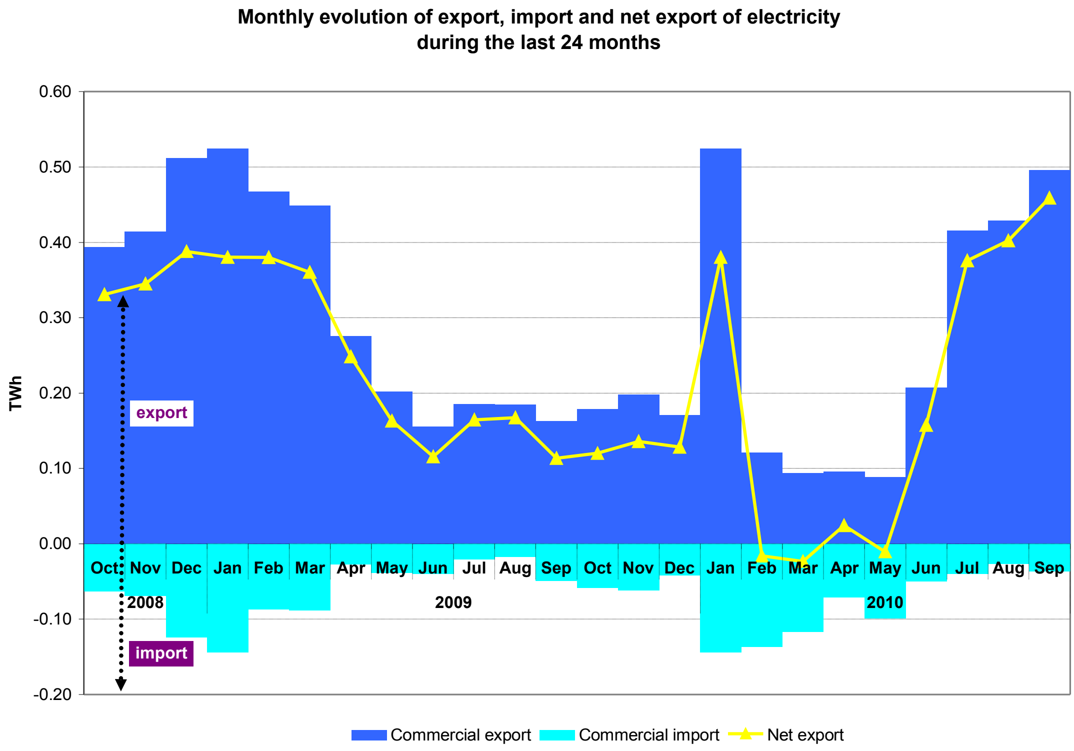
The evolution of the relation between the volumes sold on each market and the estimated internal consumption, during October 2009 - September 2010, is presented below:



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

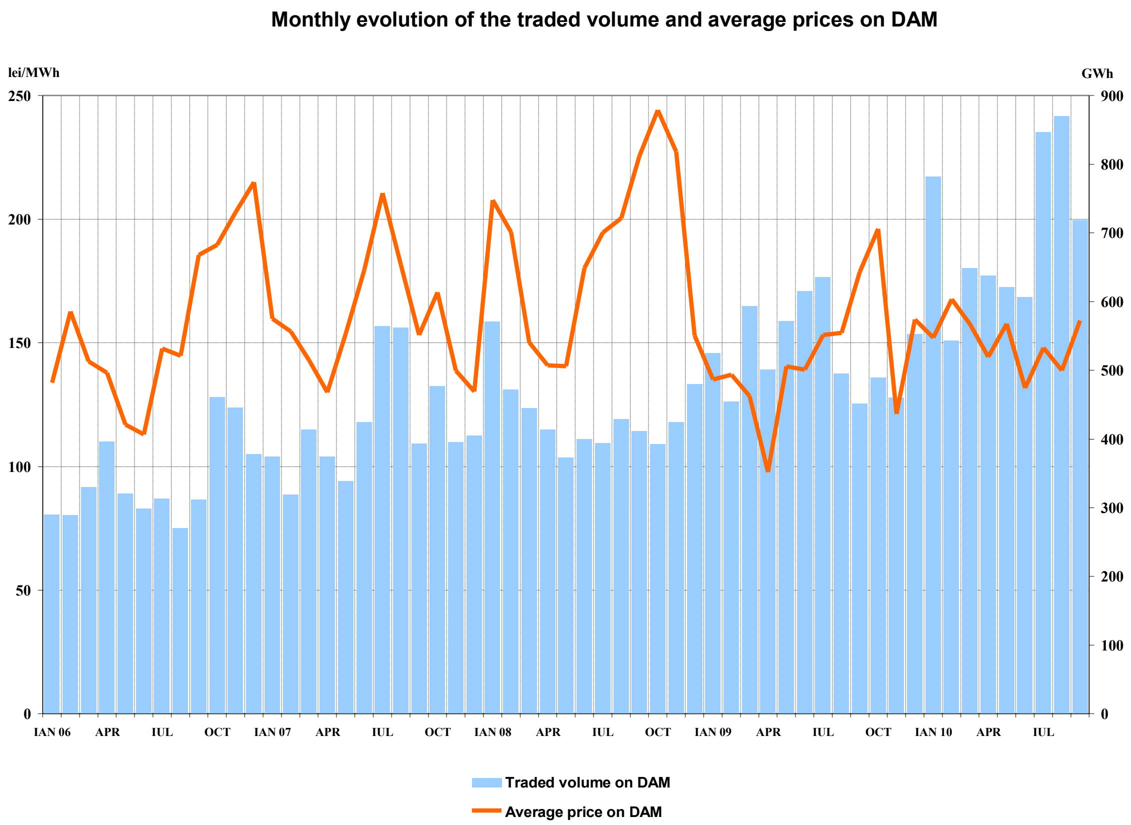
Note: In the above graph, the volumes traded on negociated contracts' market do not include the export trades

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.



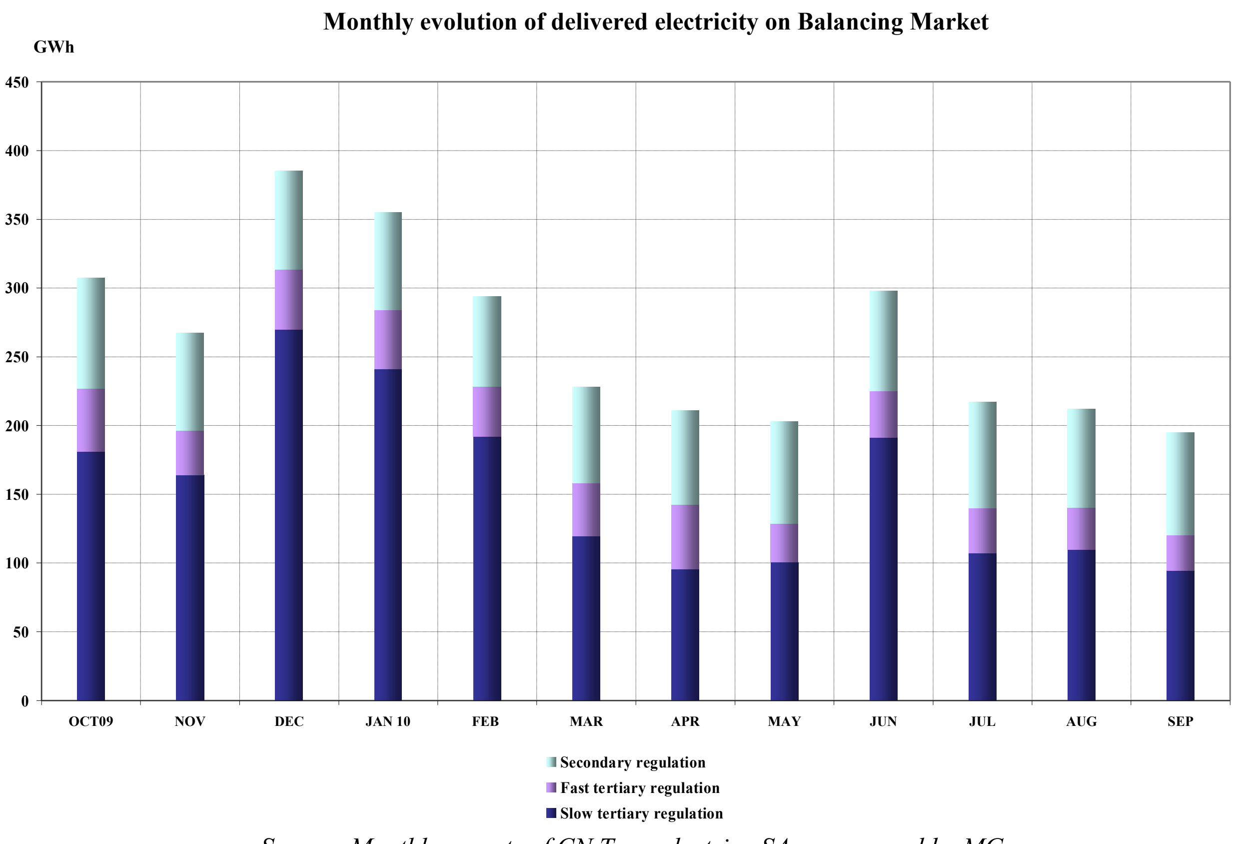
Source: Monthly reports of SC Opcom SA and CN Transelectrica SA – processed by MG

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 September 2010 is presented in the following table:

September 2010	Dispach order (GWh)	Delivered electricity (GWh)	Deviation (%)
Secondary regulation	**75**	**75**	
upward	40	40	
downward	35	35	
Fast tertiary regulation	**39**	**33**	**15**
upward	20	18	10
downward	9	8	16
Slow tertiary regulation	**110**	**94**	**14**
upward	7	6	10
downward	103	88	14
TOTAL	**214**	**195**	
upward	67	64	
downward	147	131	
INTERNAL CONSUMPTION		**3954**	
% share of traded volumes from internal consumption		***4.9%***	

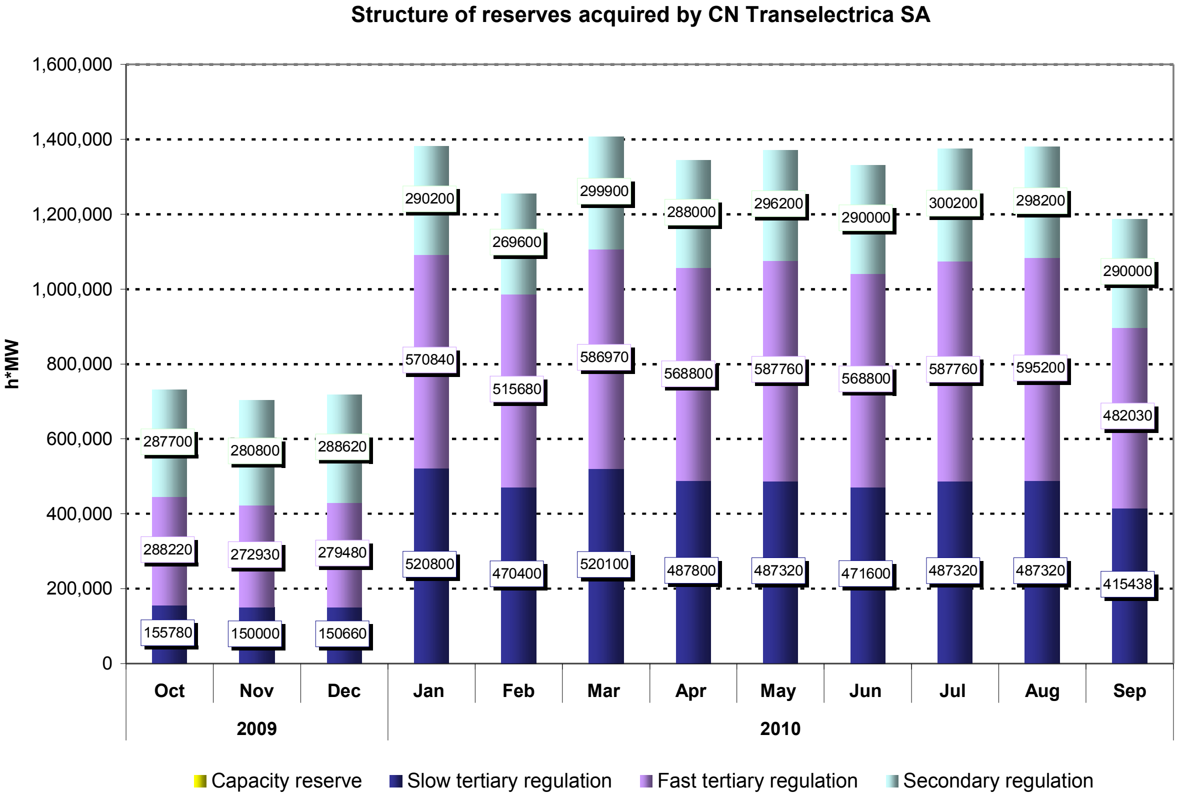
Source: Monthly reports of CN Transelectrica SA – processed by MG

The structure of balancing electricity delivered in the system on each type of regulation starting from October 2009 is presented in the graph below:



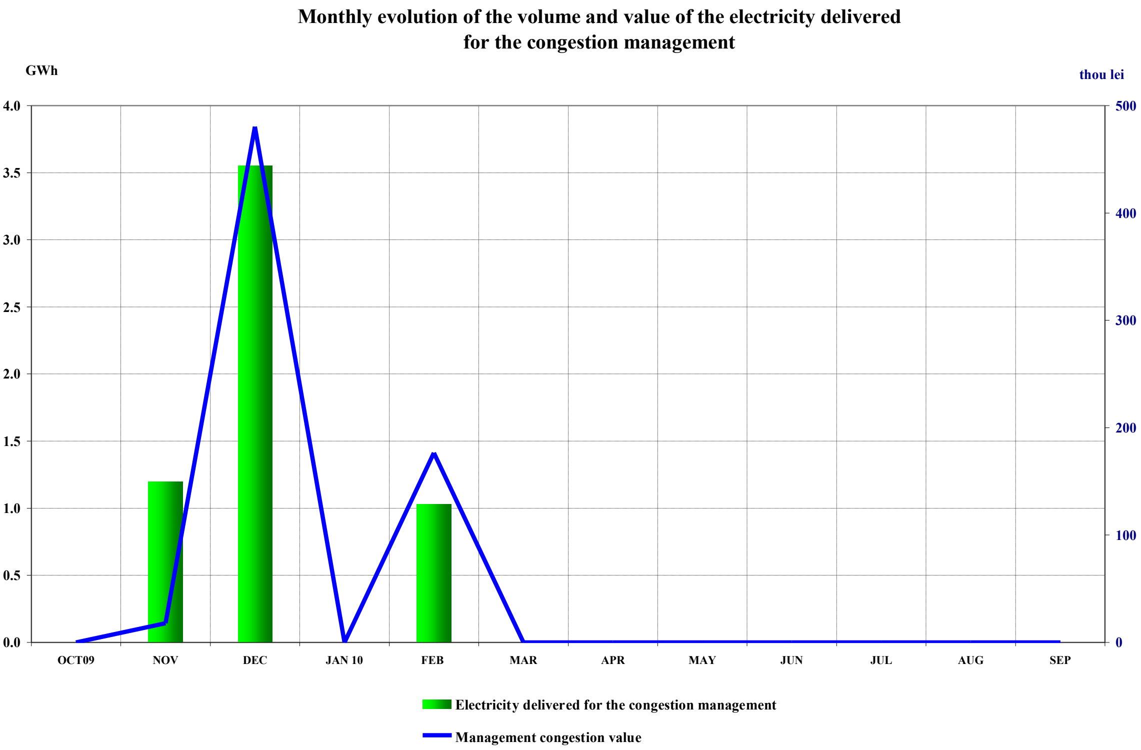
Source: Monthly reports of CN Transelectrica SA – processed by MG

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 October 2009:



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 October 2009.



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 September 2010 compared to previous month and September 2009 was the following:

- GWh -

Transaction type	August 2010	September 2010	September 2009
0	1	2	3
Regulated to incumbents, thermal generators	867.25	939.82	956.38
Regulated to incumbents, hydro generator	290.75	241.95	217.42
Regulated to incumbents, nuclear generator	464.78	441.71	490.21
Regulated for distribution losses, thermal generators	182.51	200.19	240.44
Regulated for distribution losses, hydro generator	47.72	45.27	38.38
Regulated for distribution losses, nuclear generator	46.05	45.96	133.66
Regulated for transmission losses, thermal generator	70.39	70.85	77.91
Regulated, to other generators (with return of obligation within a year)	97.05	203.67	375.60
Negotiated, to other generators	97.38	210.44	186.92
Negotiated, to suppliers	1208.16	1343.11	1133.29
Contracts concluded on centralized markets (CMBC, CMBC-NC, RCE)	382.40	380.41	416.01
Supply to consumers (regulated and competitive)	180.18	207.41	211.11
Export	117.53	103.43	107.96
DAM	662.90	360.65	175.68
Total	**4715.05**	**4794.87**	**4760.95**

Source: Monthly reports of generators – processed by MG

Suppliers

In September 2010, 76 companies having as main activity the supply of electricity concluded transactions on the electricity market; from these, 31 suppliers traded electricity exclusively on the wholesale market and 45 suppliers on both retail and wholesale markets (in this category are also included the 7 incumbent suppliers).

<u>Suppliers acting exclusively on WEM</u>

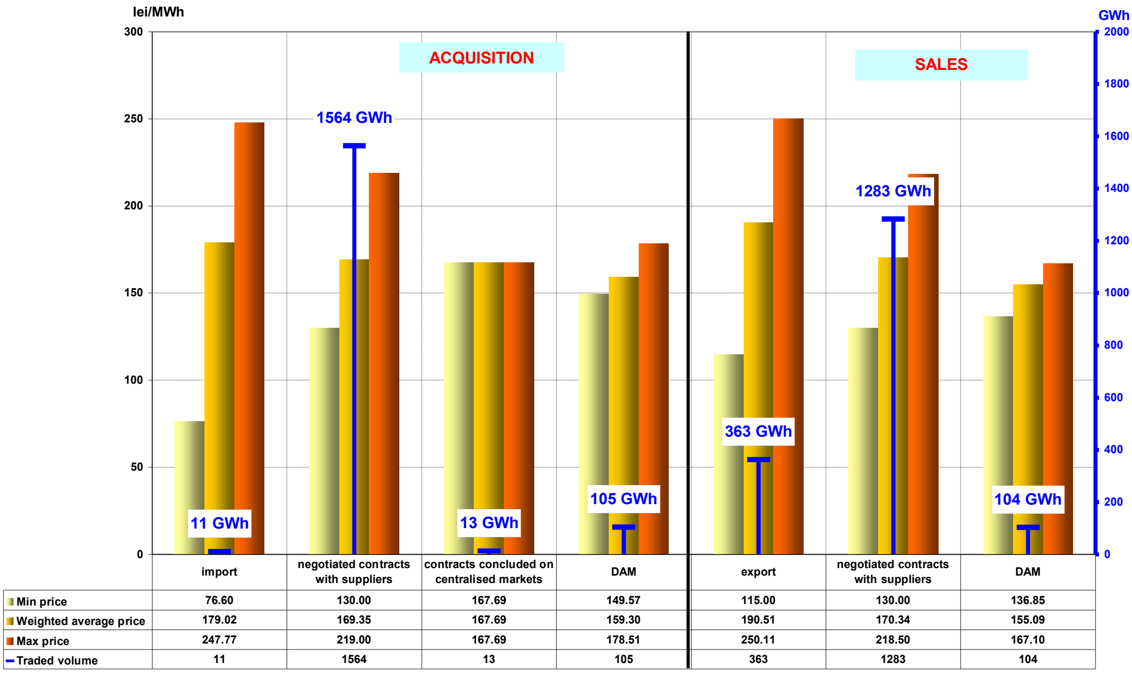
The following table shows the activity for September 2010 compared to September 2009 of the suppliers acting exclusively on WEM, acquisitions and sales being split by categories of markets/participants:

- GWh -

Transactions' structure of suppliers acting exclusively on WEM	September 2009	September 2010
Acquisitions		
Import	39.94	10.67
Negotiated contracts with suppliers	944.49	1563.64
Negotiated contracts with generators	144.36	0.00
Contracts concluded on centralized markets	167.75	12.96
DAM	70.70	104.51
Sales		
Export	58.13	362.70
Negotiated contracts with suppliers	1186.13	1282.91
Negotiated contracts with generators	0.00	0.00
DAM	45.32	103.68

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 September 2010:

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



	import	negotiated contracts with suppliers	contracts concluded on centralised markets	DAM	export	negotiated contracts with suppliers	DAM
Min price	76.60	130.00	167.69	149.57	115.00	130.00	136.85
Weighted average price	179.02	169.35	167.69	159.30	190.51	170.34	155.09
Max price	247.77	219.00	167.69	178.51	250.11	218.50	167.10
Traded volume	11	1564	13	105	363	1283	104

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

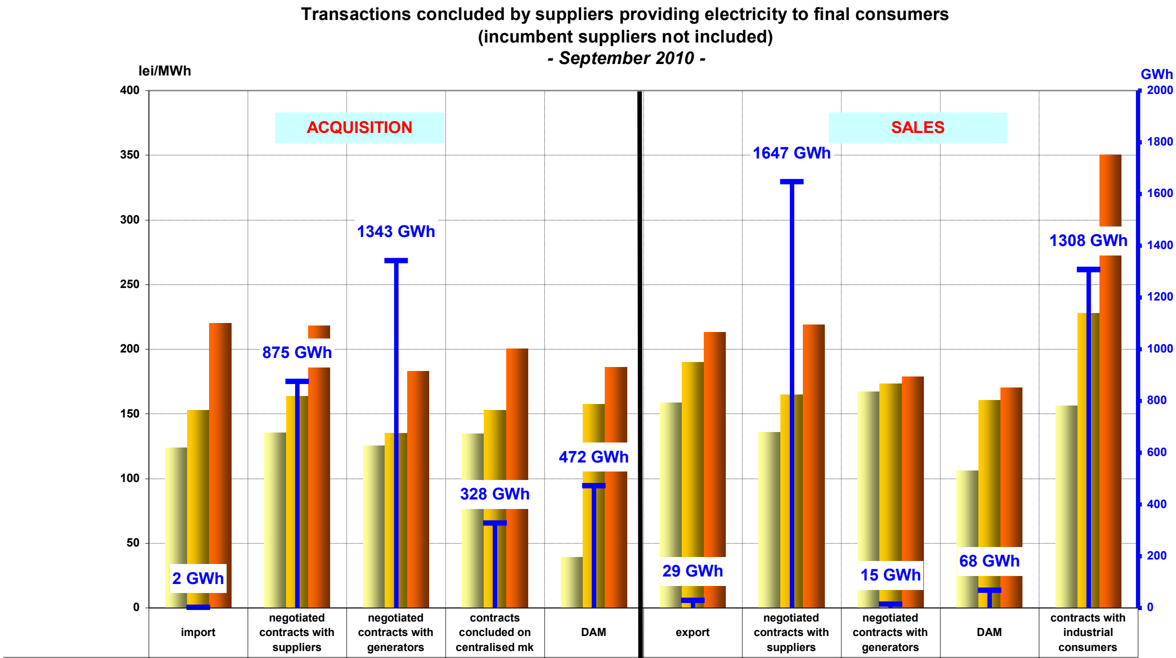
Active suppliers on REM (the incumbent suppliers are not included)

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

- GWh -

Transactions' structure of suppliers providing electricity to final consumers (the incumbent suppliers are not included)	September 2009	September 2010
Acquisitions		
Import	0.58	2.32
Negotiated contracts with suppliers	623.50	875.11
Negotiated contracts with generators	988.92	1343.11
Contracts concluded on centralized markets	201.31	327.85
DAM	161.80	472.27
Sales		
Export	0.25	29.35
Negotiated contracts with suppliers	697.70	1647.41
Negotiated contracts with generators	0.00	15.39
Contracts concluded on centralized markets	9.10	0.00
DAM	90.08	68.33
Final consumers	1185.15	1307.85

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 September 2010:



	import	negotiated contracts with suppliers	negotiated contracts with generators	contracts concluded on centralised mk	DAM	export	negotiated contracts with suppliers	negotiated contracts with generators	DAM	contracts with industrial consumers
Min price	123.91	135.60	125.62	135.00	39.32	158.65	135.91	167.00	106.05	156.31
Weighted average price	153.06	163.67	135.08	153.02	157.56	189.95	165.11	173.23	160.52	227.91
Max price	219.95	218.50	183.00	200.52	186.17	213.11	219.00	179.00	170.29	350.45
Traded volume	2.32	875	1343	328	472	29	1647	15	68	1308

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

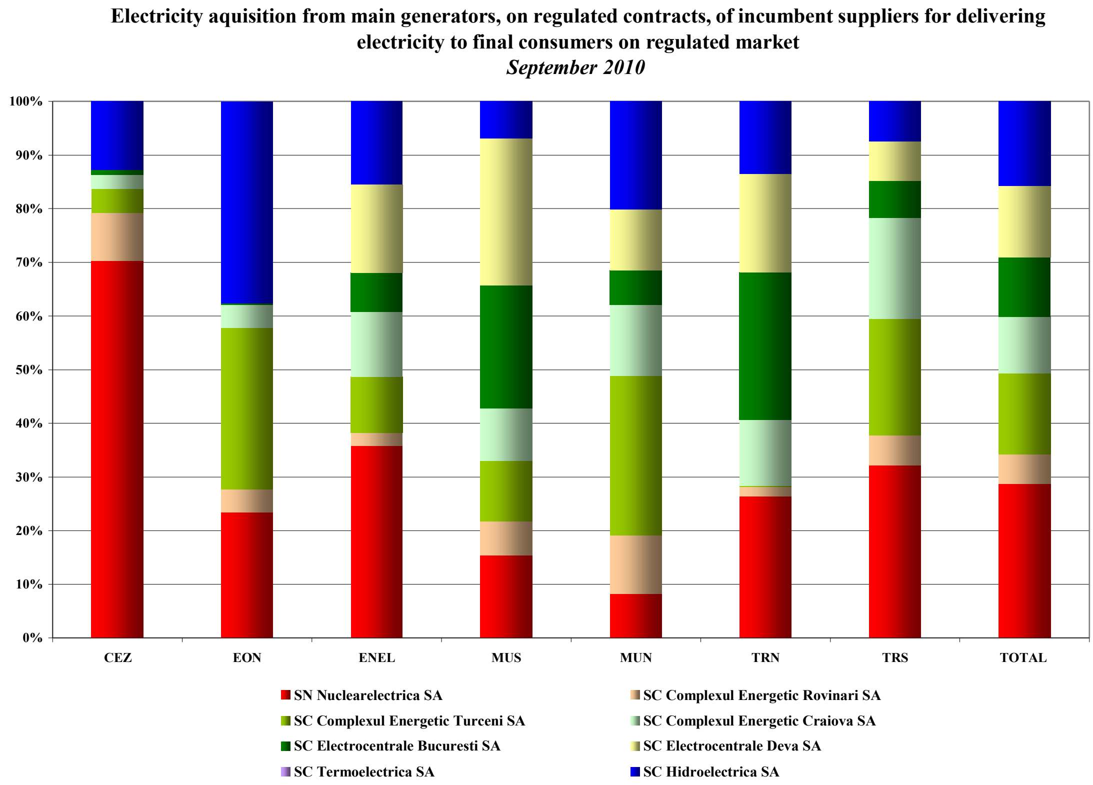
<u>Incumbent suppliers</u>

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

- GWh -

Acquisition structure of incumbent suppliers for regulated REM component	September 2009	September 2010
Regulated contracts with generators	1682.82	1655.97
Negociated contracts	57.15	32.60
Contracts concluded on centralized markets	0.00	0.00
DAM	25.72	27.06

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



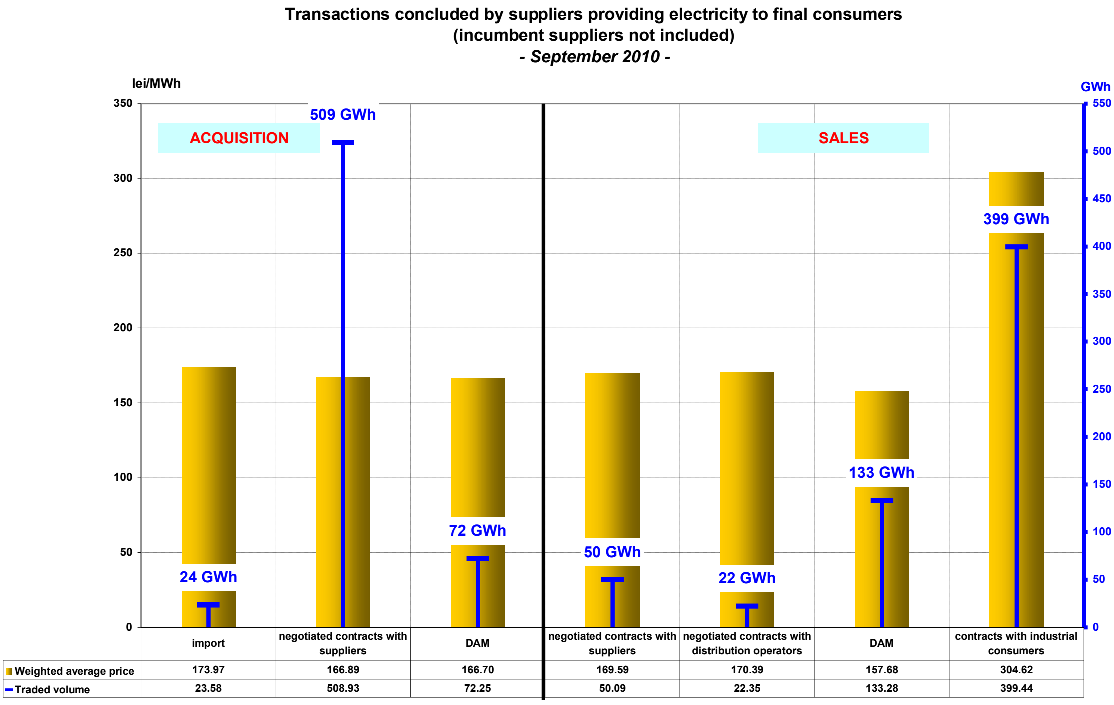
Source: Monthly reports of the incumbent suppliers – processed by MG

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 September 2010 compared to September 2009:

- GWh -

Transactions' structure of incumbent suppliers for competitive REM component	September 2009	September 2010
Acquisitions		
Import	12.36	23.58
Negotiated contracts with suppliers	275.91	508.93
Negotiated contracts with generators	0.00	0.00
Contracts concluded on centralized markets	7.44	0.00
DAM	56.47	72.25
Sales		
Negotiated contracts with suppliers	17.25	50.09
Negotiated contracts with distributors	0.00	22.35
DAM	72.53	133.28
Final consumers	353.65	399.44

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 September 2010:



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

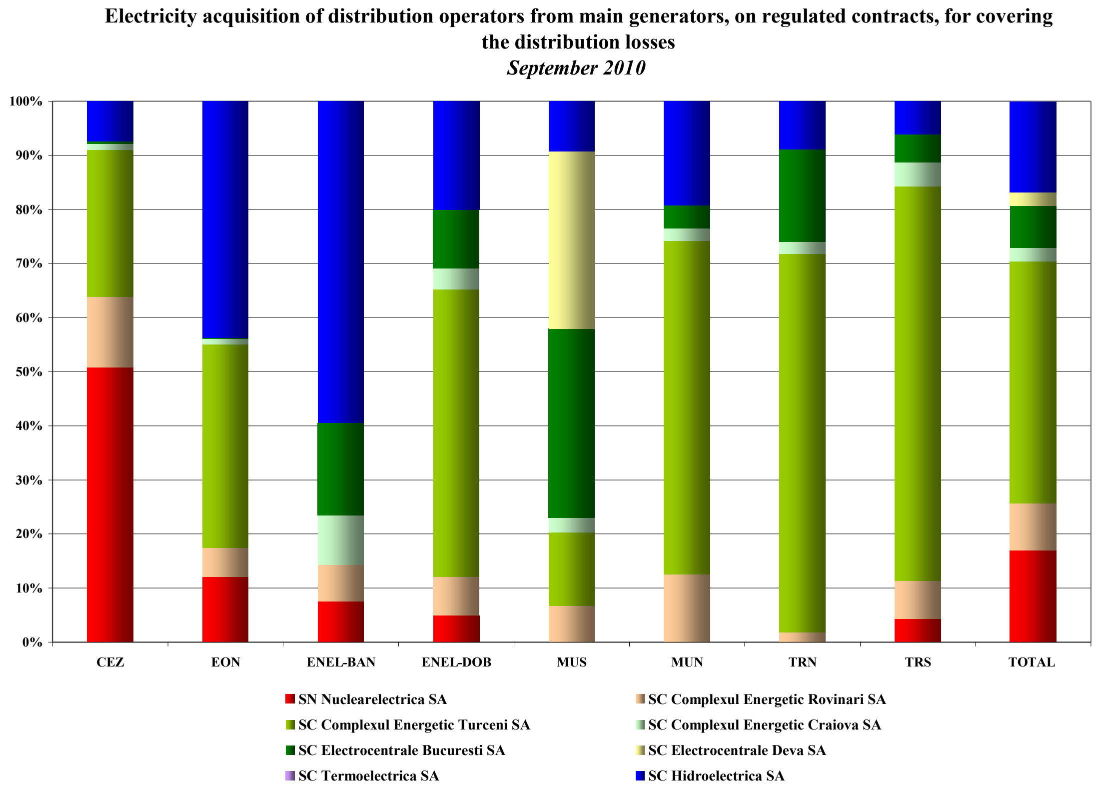
Main distribution operators

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

- GWh -

Acquisition structure	September 2009	September 2010
Regulated contracts with generators	412.47	291.42
Negotiated contracts with suppliers	0.00	22.35
Contracts concluded on centralized markets	0.00	0.00
DAM	32.27	46.10

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 September 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.

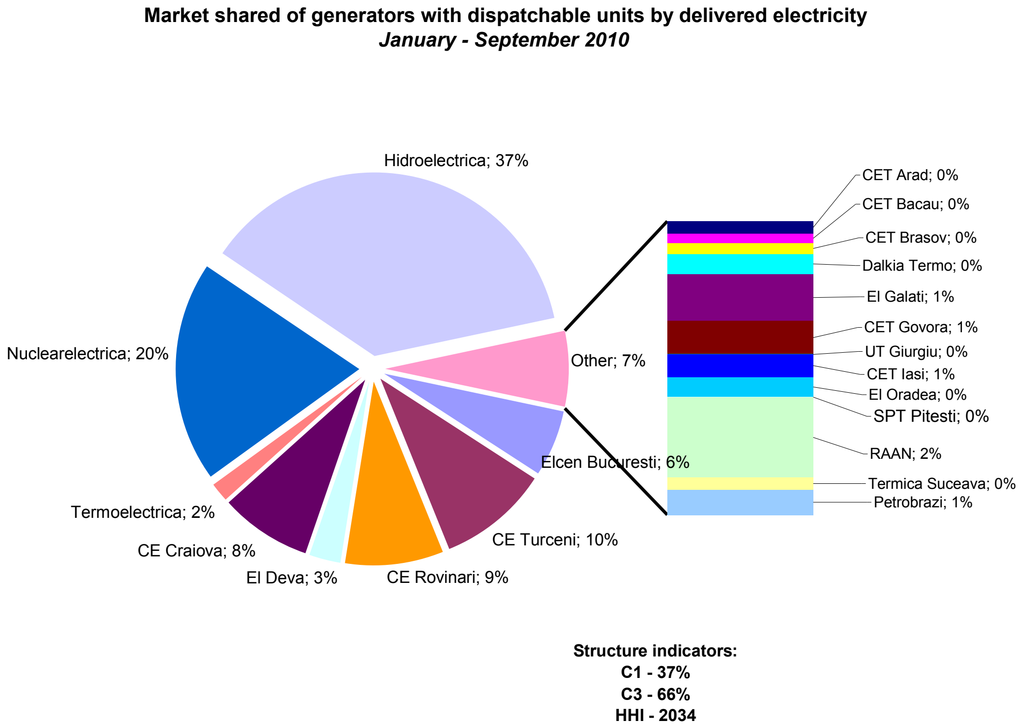
<u>Concentration indicators and market shares of the electricity generators</u>

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 September 2010, calculated based on electricity delivered into the networks by the generators with dispatchable units.

Concentration indicators - September 2010 -	C1 (%)	C3 (%)	HHI
Value	34	67	1936

The market shares of the electricity generators, taking into account all components of the wholesale electricity market, are presented in the following graph, for the first 9 months of 2010. These market shares are calculated based on the electricity delivered into networks.



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 September 2010:

Structure/concentration indicators of BM - SEPTEMBER 2010 -	Regulation					
	Secondary		Fast tertiary		Slow tertiary	
	upward	downward	upward	downward	upward	downward
C1 - % -	69	69	44	53	38	40
C3 - % -	98	98	74	80	74	78
HHI	5249	5232	2615	3317	2383	2532

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 September 2010. Starting with

September 2009, the acquisitions of electricity from the capacity market through biding process had been suspended:

Concentration indicators on ASM - September 2010 -		Secondary reserve	Fast tertiary reserve	Slow tertiary reserve
regulated component	contracted quantity (h*MW)	290000	482030	415438
	C1 (%)	80.1	85.0	44.4
	C3 (%)	100	91.8	91.9
competitive component	contracted quantity (h*MW)	0	0	0
	C1 (%)	0	0	0
	C3 (%)	0	0	0
	HHI	0	0	0

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.

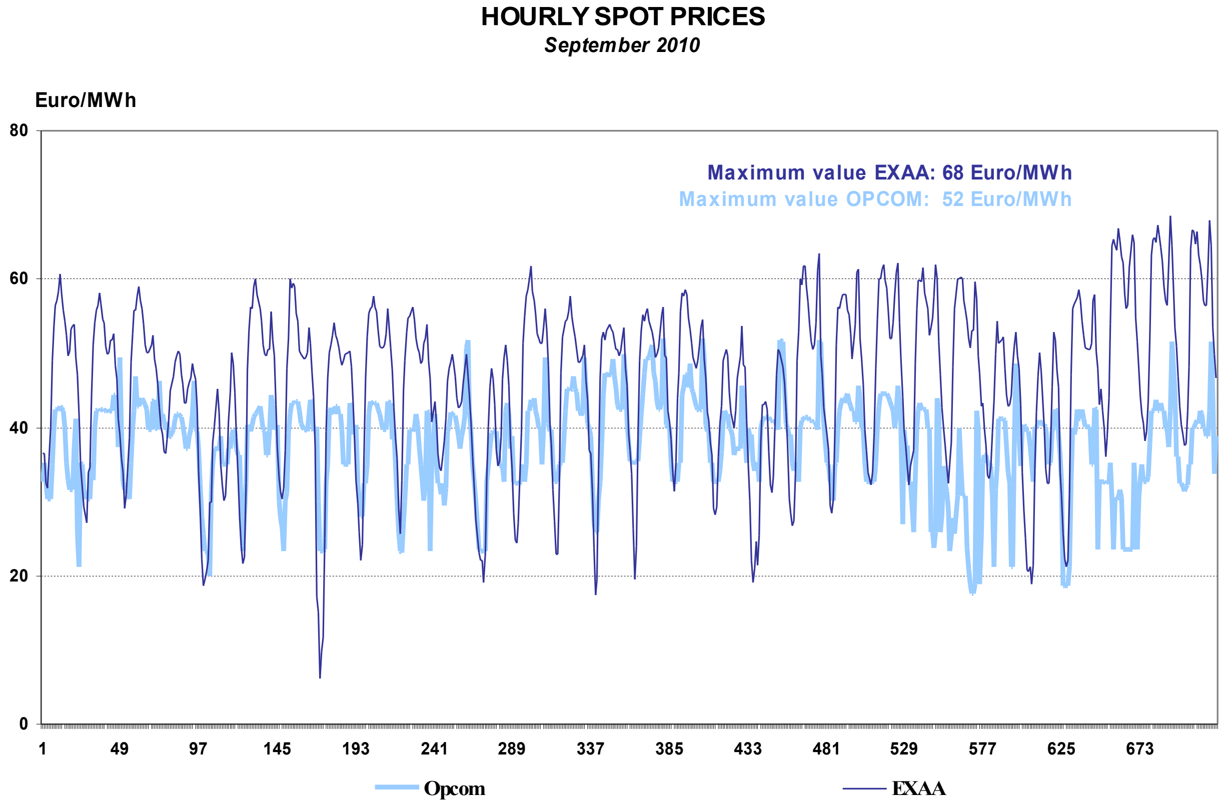
The concentration indicators on DAM reflects the level of competition between sellers and between buyers respectively, the dynamics of both influencing the price level. The following table presents C1, C3 and HHI for buying and for selling side of DAM in September 2010, based on quantities traded by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

Concentration indicators on DAM - September 2010 -	C1 (%)	C3 (%)	HHI
Buying transactions	18	35	709
Selling transactions	19	54	978

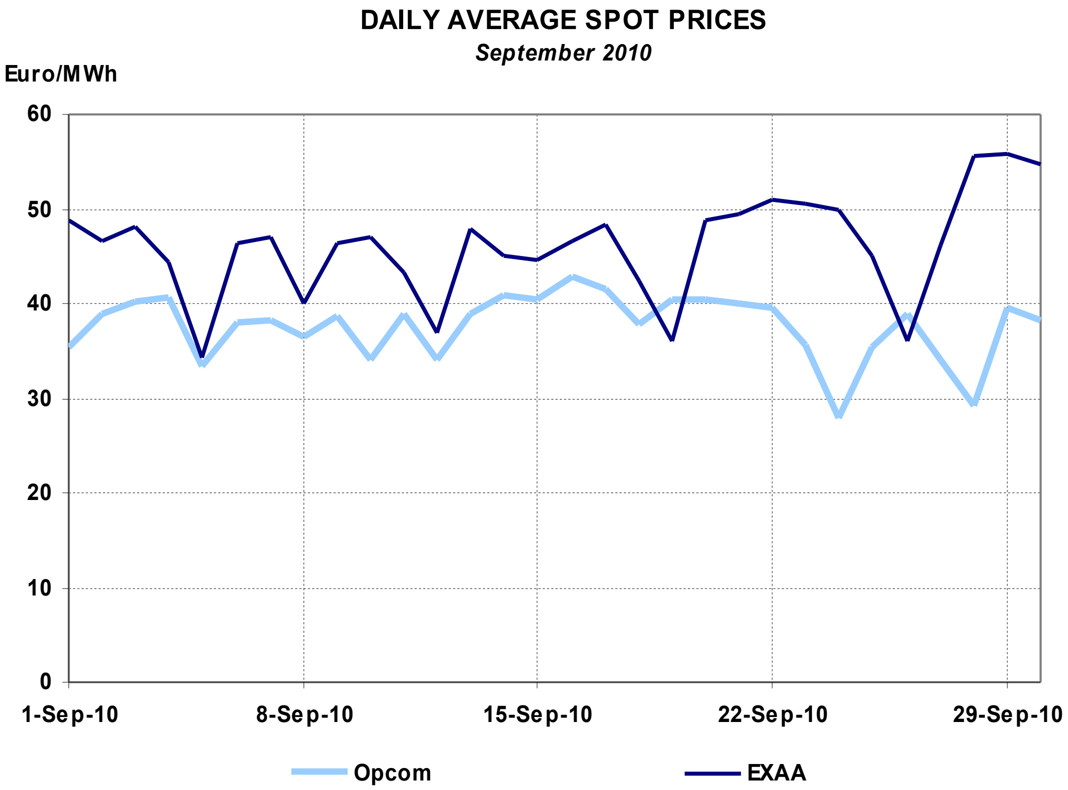
7. *Price evolution on wholesale electricity market*

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 September 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.

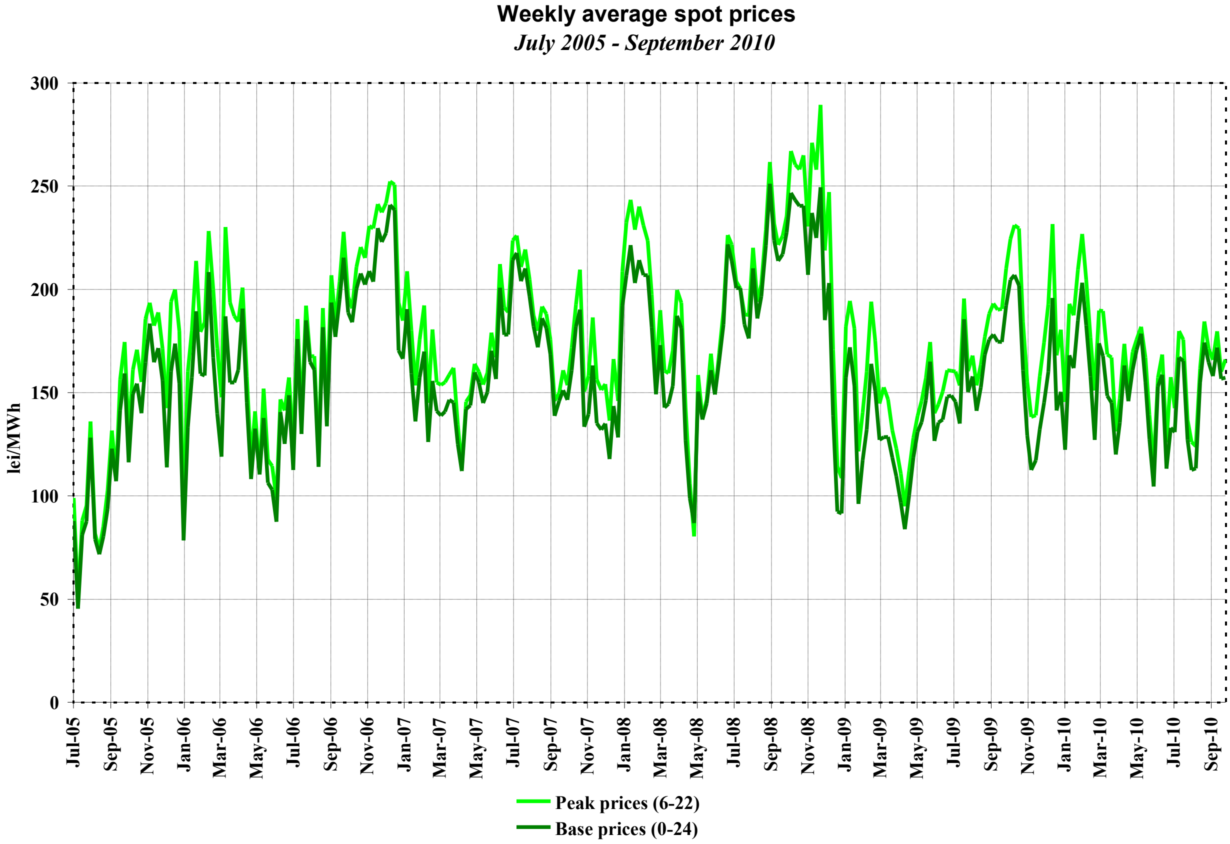


Source: Daily reports of SC Opcom SA and published data of EXAA – processed by MG



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

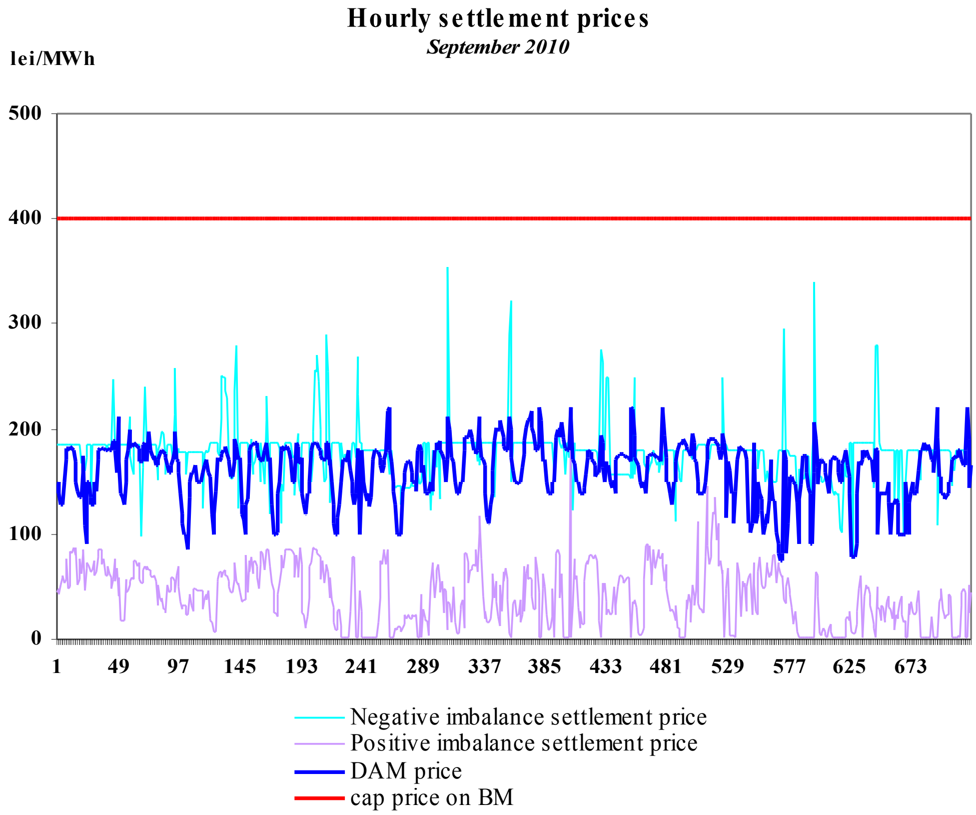
The following graph presents the evolution of weekly average spot prices starting with July 2005:



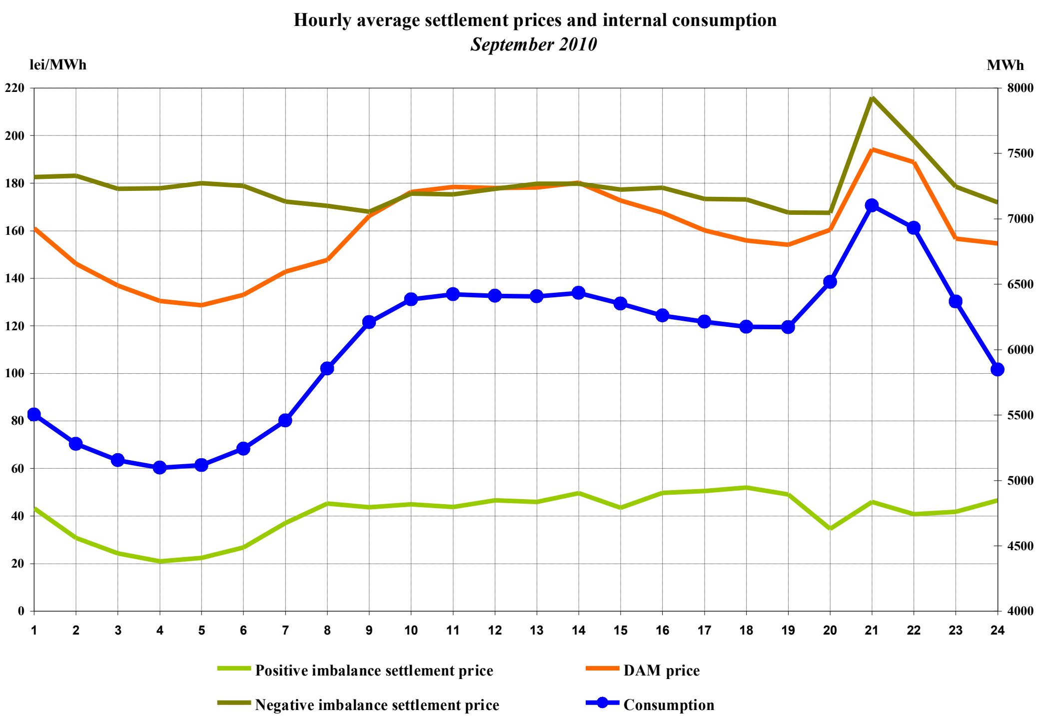
Source: Daily reports of SC Opcom SA – processed by MG

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.

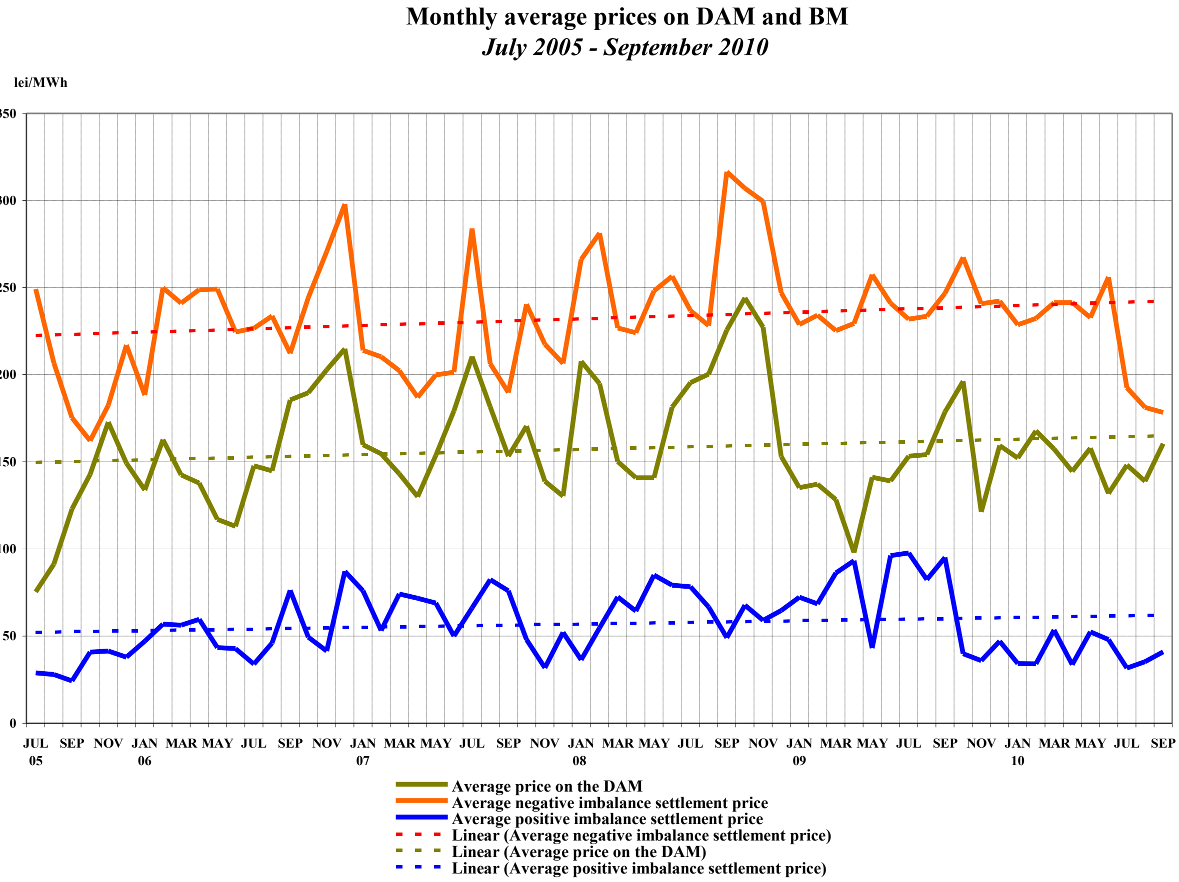
The settlement prices (MCP on DAM, negative imbalance settlement price and positive imbalance settlement price) are represented on the same graph, showing the two markets correlation degree. In the first graph the prices are expressed in hourly values, in the second graph in hourly average values compared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



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



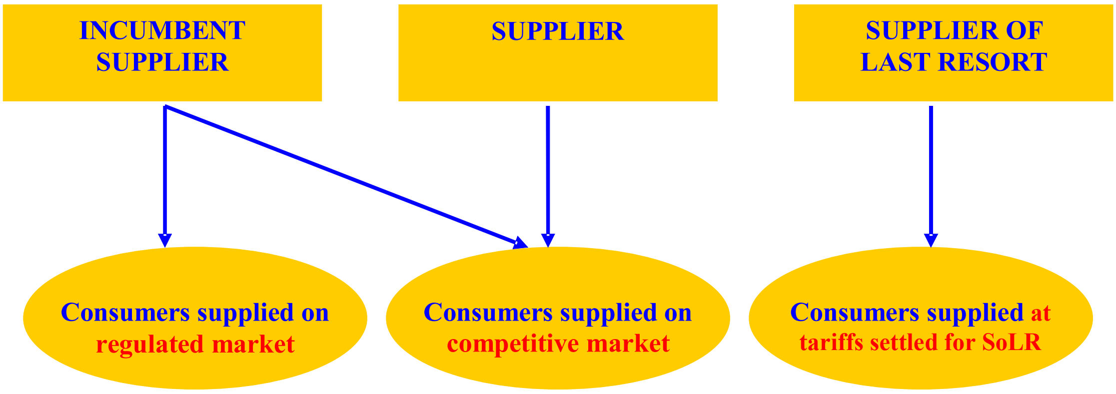
Source: Monthly reports of SC Opcom SA and CN Transelectrica SA – processed by MG



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

III. RETAIL ELECTRICITY MARKET

1. Structure of the retail electricity market

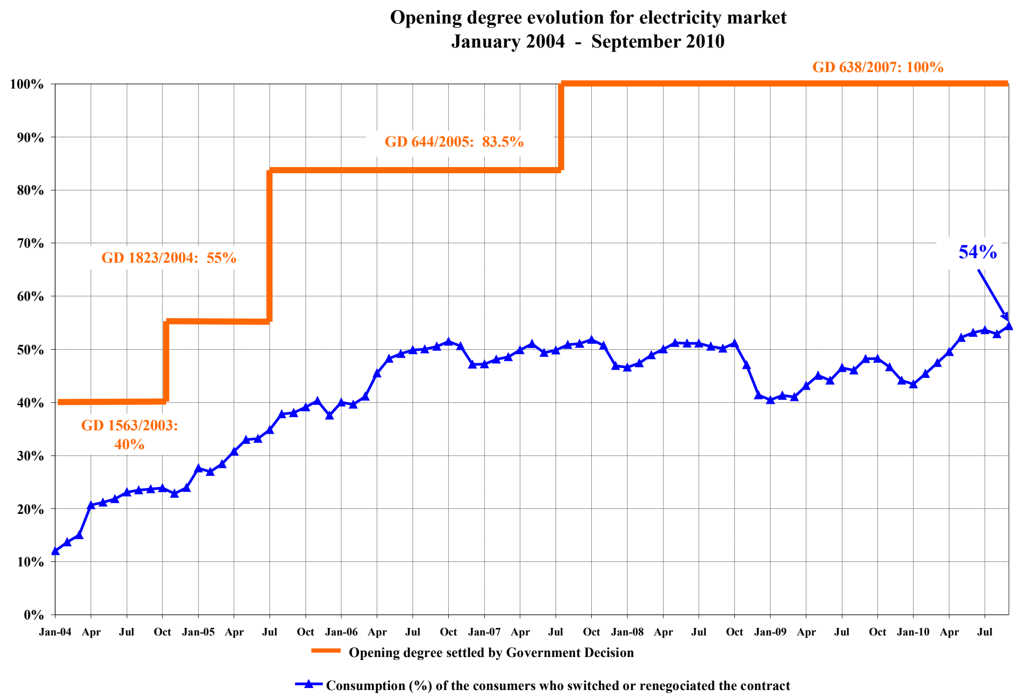


2. Steps in the opening process of the electricity market

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 – September 2010. The values presented are cumulated from the beginning of the opening process and are presented monthly:

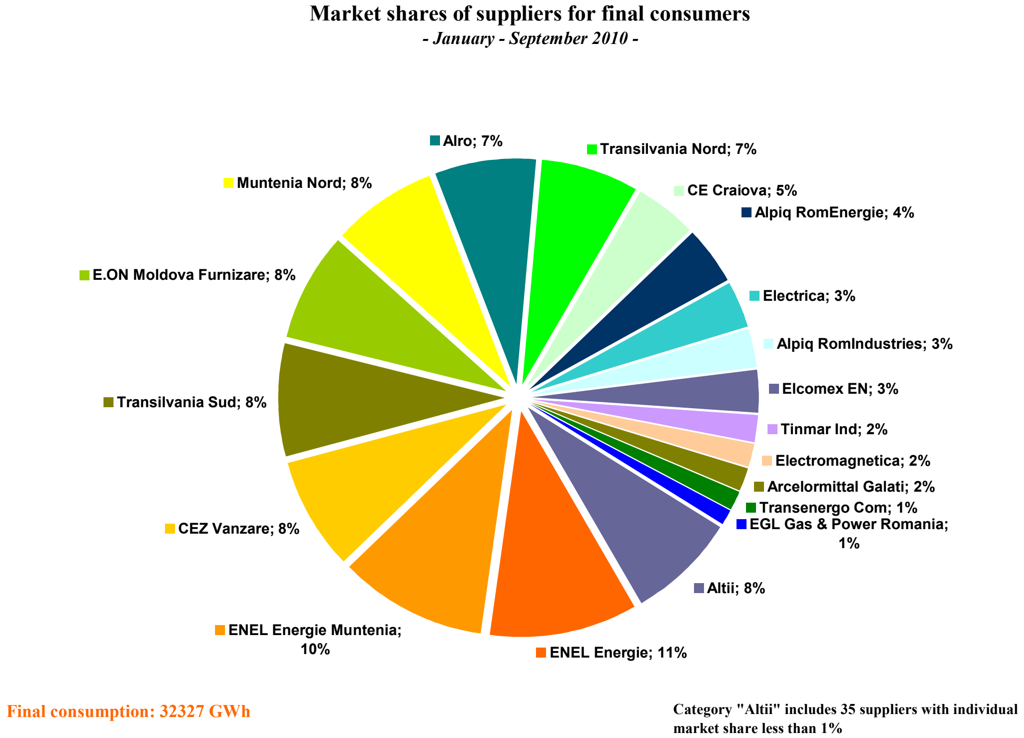


Source: Monthly reports of the final consumers' suppliers – processed by MG

4. *Market shares of the electricity suppliers*

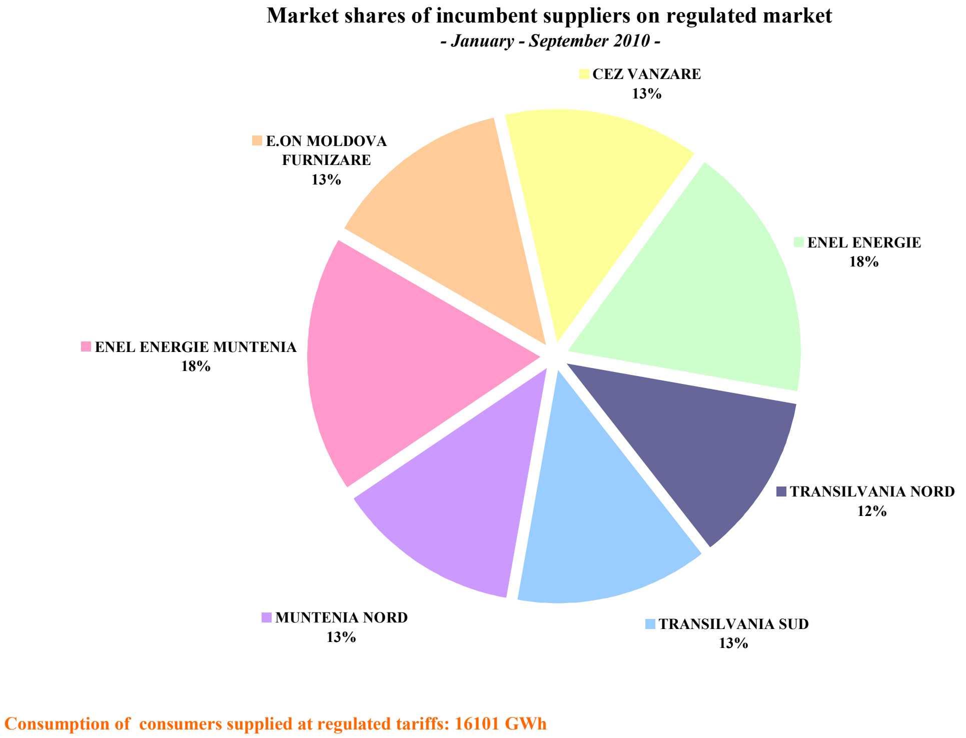
In the following three graphs there are presented the market shares of electricity suppliers on the retail market, calculated:

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

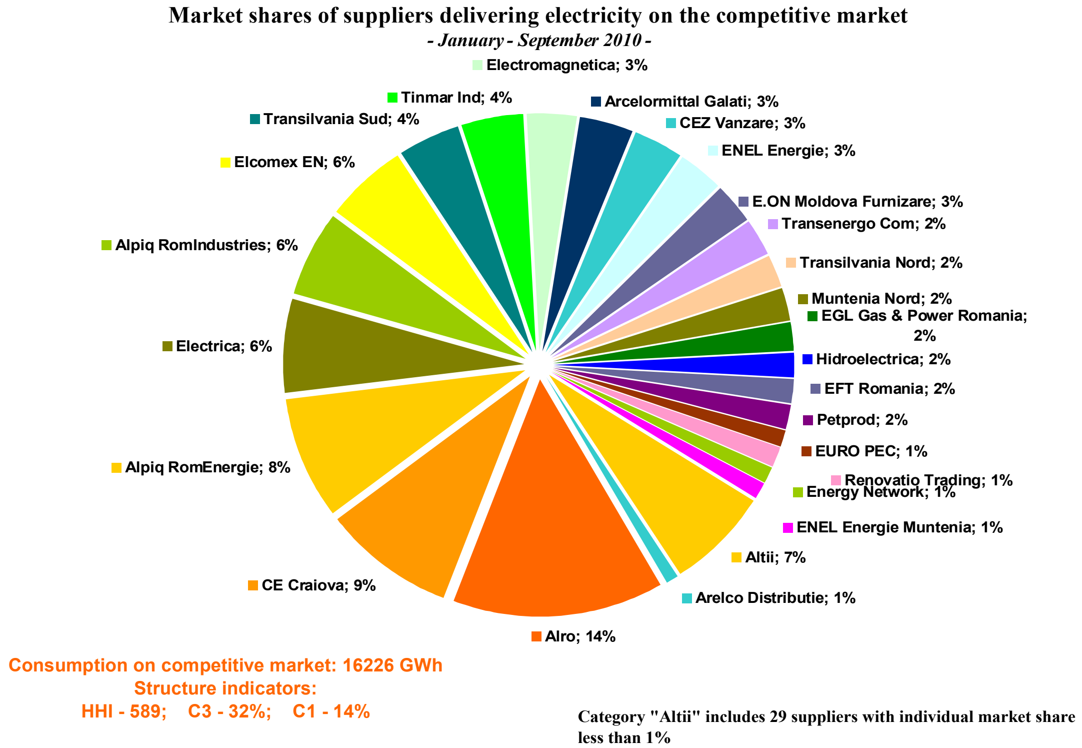
b) for incumbent suppliers - based on the electricity supplied to the consumers at regulated tariffs,



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:



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.

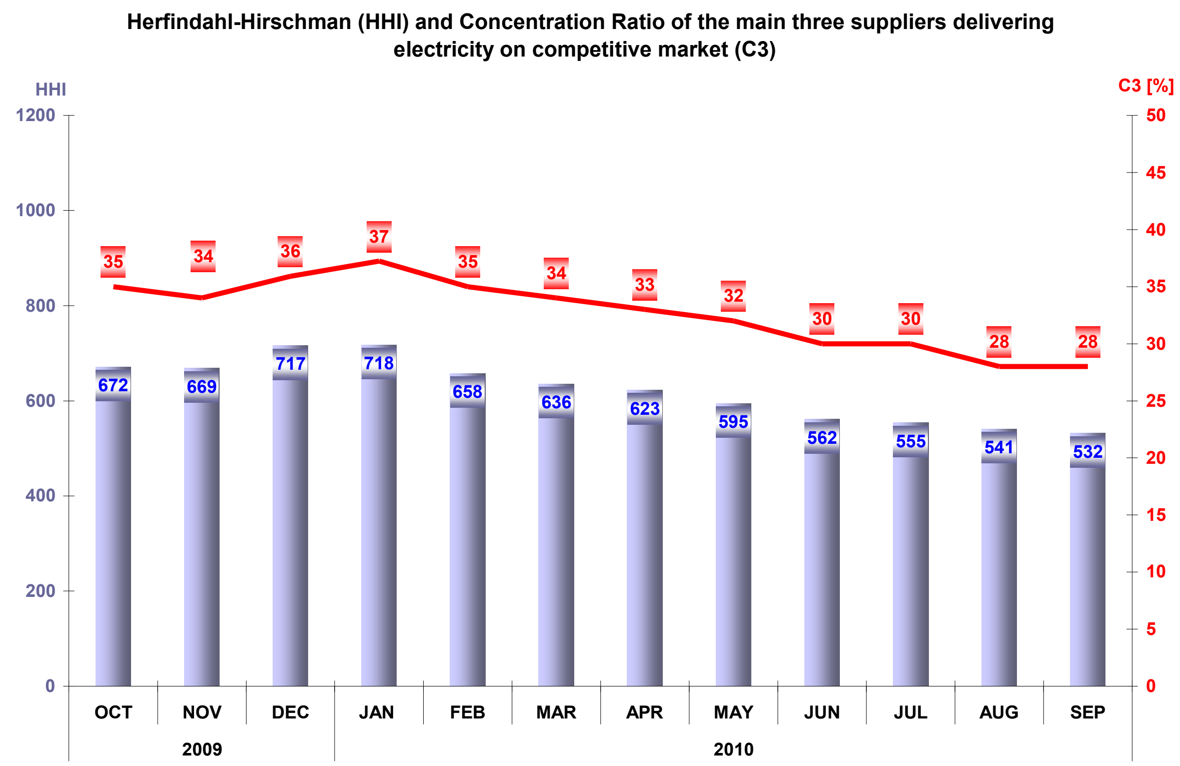
The electricity supplied to the final consumers used for calculating the market share of every supplier includes also the self-consumption of that particular supplier (e.g. consumers with supply license who buy electricity for themselves from WEM as competitive suppliers).

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 September 2010:

Number of suppliers	Share of sales to final consumers from total sales transactions			
	100%	75% - 100%	50% - 75%	<50%
Competitive	**9**	**4**	**7**	**18**
Incumbent	**0**	**6**	**0**	**1**

5. *Concentration indicators of the competitive retail electricity market*

The monthly evolution of concentration indicators (C3, HHI) determined on the competitive component of the REM is presented for October 2009 – September 2010 in the following graph:



Source: Monthly reports of the suppliers – processed by MG

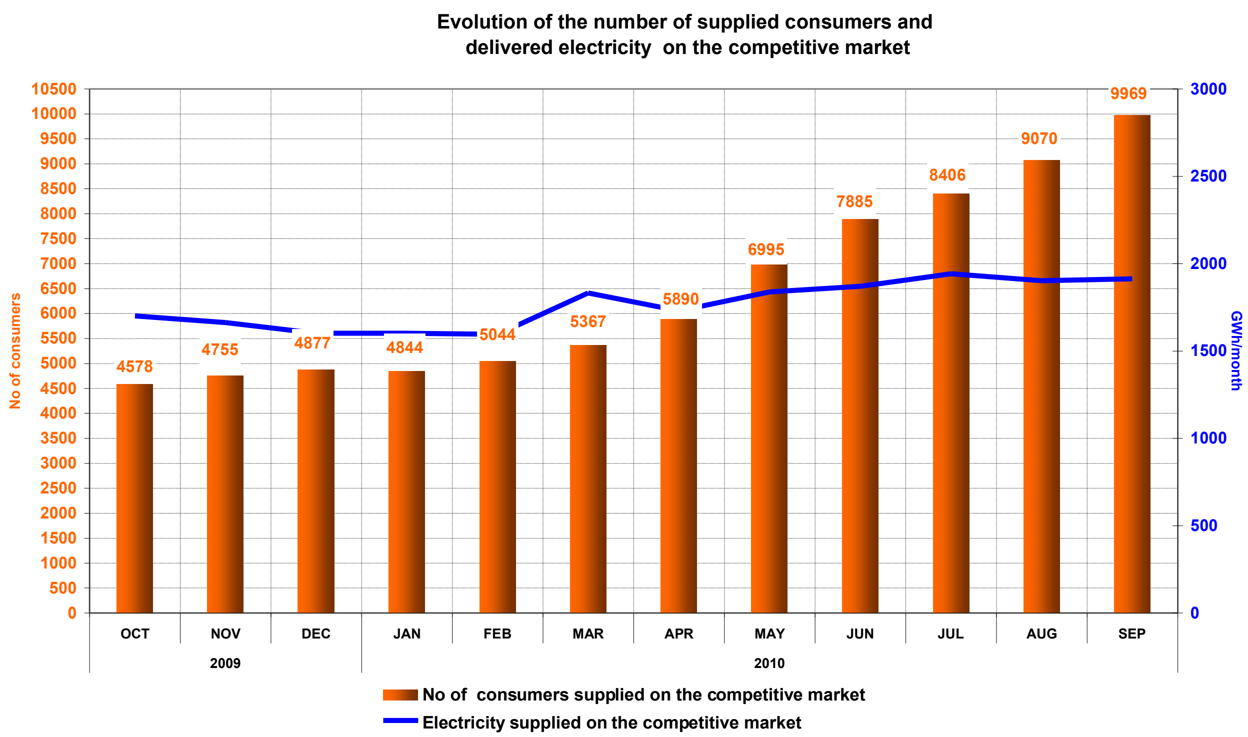
The table below shows the values of structure indicators of competitive component of REM for and the number of active suppliers in September 2010, calculated for each consumer category as defined by the European Council Directive no. 90/377/EEC, modified by the Commission Decision no. 2007/394/EC:

Indicators - September 2010	Consumer category							Total REM
	IA	IB	IC	ID	IE	IF	Other	
C1 - % -	70	20	16	15	13	19	28	**13**
C3 - % -	92	49	37	36	32	53	56	**28**
HHI	5209	1112	787	726	666	1185	1418	**532**
Consumption - GWh -	6.1	83	144	399	226	166	889	**1913**
No. of SUPPLIERS	15	34	38	36	19	10	14	**50**
No. of incumbent suppliers	7	7	7	7	5	2	1	**7**
No. of competitive suppliers	7	24	27	27	13	8	10	**38**
No. of producers	1	3	4	2	1	0	3	**5**

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

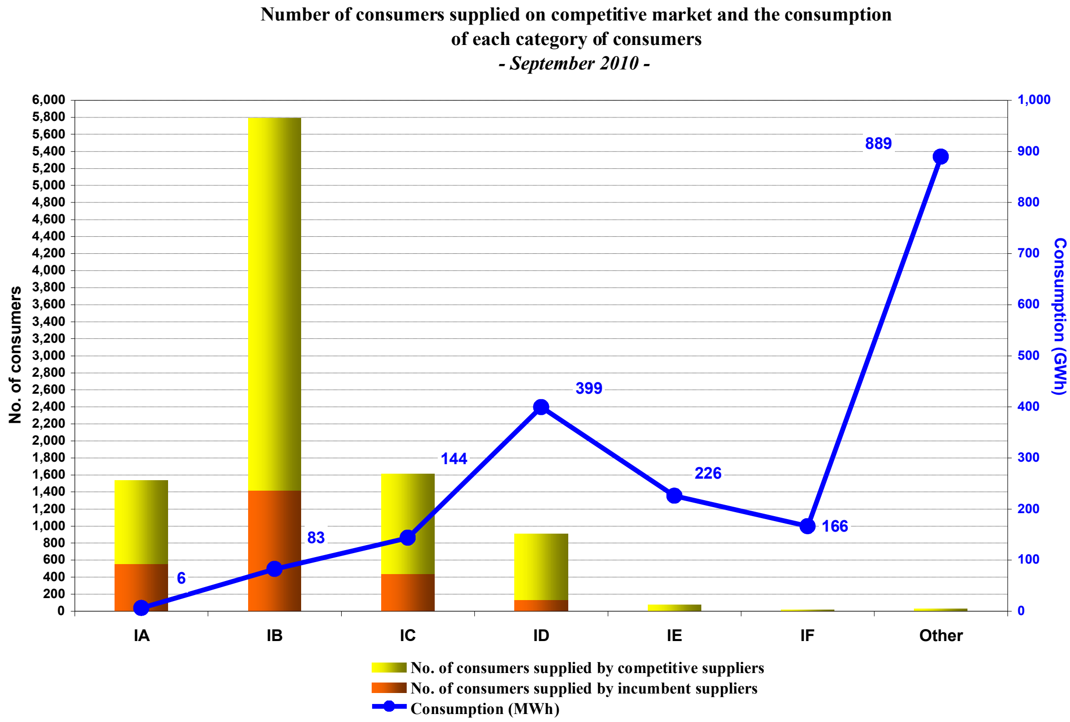
Number of consumers supplied on the competitive market is presented as total value from the beginning of the market opening process; for September 2010 this number is split into categories, according to the provisions of the European Council Directive no. 90/377/EC, with subsequent modifications. The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

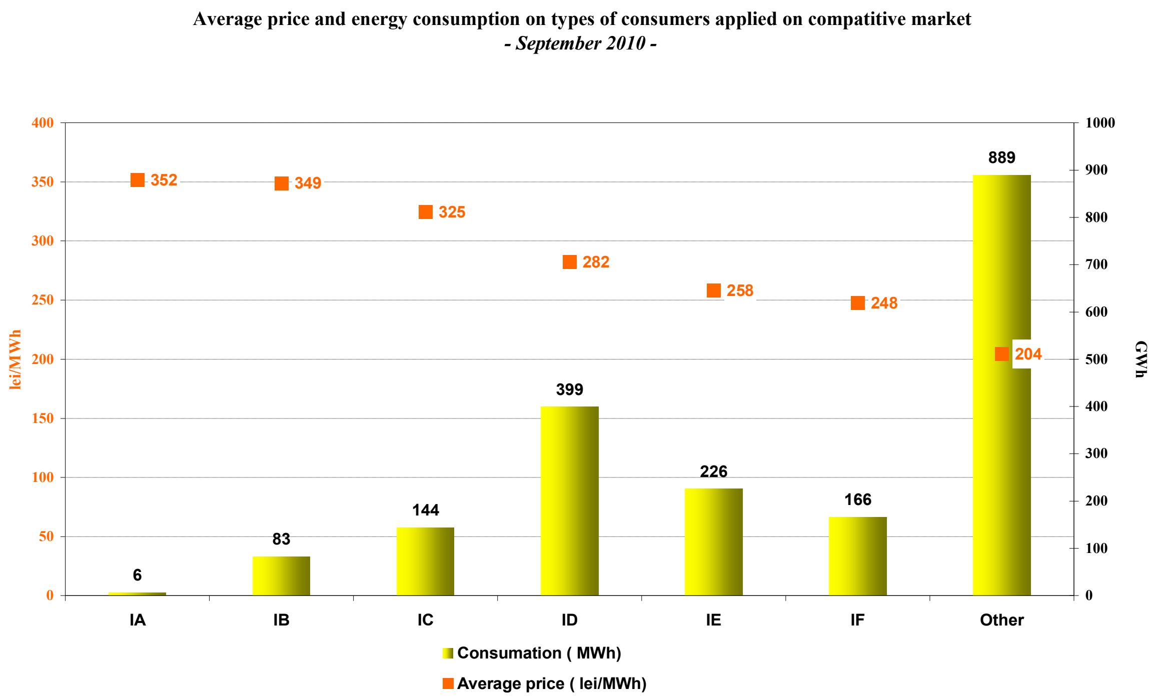
NOTE: the number of consumers is presented based on the suppliers reports. However, there have been identified two suppliers which sent wrong figures corresponding to January-September 2010. Following the MG warnings, they should send their reports containing the accurate figures until December, 20th 2010. The corrections will be visible in the following Monitoring report.



Source: Monthly reports of the suppliers – processed by MG

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

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



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

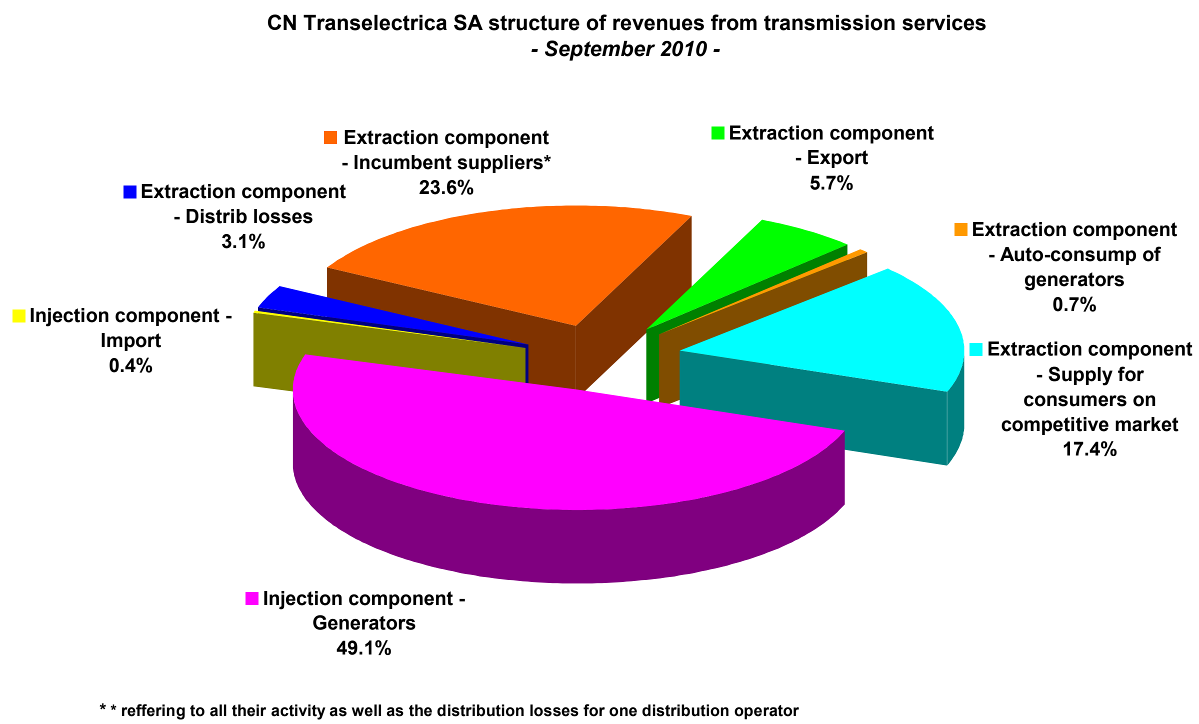
Note: The average selling price on each category was calculated as weighted average of prices applied by suppliers with quantities supplied, according to the provisions of the European Directive. The average prices do not include VAT, excise or other taxes but include the supplied services (injection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

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

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

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

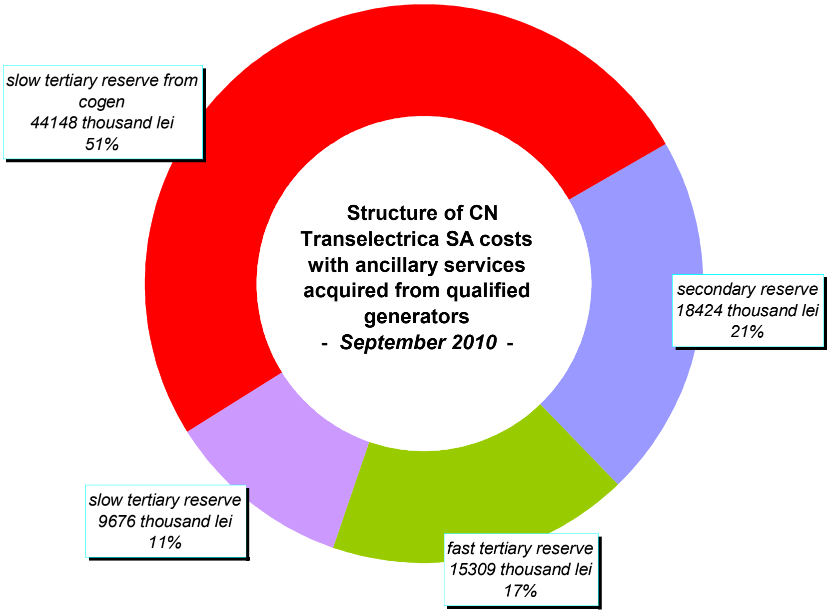
The following graph presents the structure of CN Transelectrica SA revenues from performing the transmission services and reflects the structure of its clients benefiting from this type of service in September 2010.



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 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 September 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. EVOLUTION OF MARKET RULES IN SEPTEMBER 2010

- In September 2010 ANRE has issued the following:
- Order no. 26/2010 for approving the Authorisation procedure for new projects/refurbish of cogeneration units;
- Decisions for modifying regulated prices and quantities in 2010 for producers and incumbent suppliers;
- Decisions for modifying regulated quantities of ancillary services acquired by CN Transelectrica SA from qualified producers

VI. EXPLANATIONS AND ABBREVIATION

1. Explanations

- *Self-consumption of generators* – in the graph regarding the revenues of CN Transelectrica SA, the self-consumption exclusively represents the generators consumption at consumption places other than the generation sites.
- *Internal consumption* represents the electricity covered by the wholesale market participants and calculated as *Delivered electricity* + *Import – Export*.
- *Consumption of consumers on regulated market* represents the consumption of consumers supplied at regulated tariffs by the incumbent suppliers.
- *Consumption of consumers on competitive market* represents the consumption of consumers supplied at 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
- 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