



ROMANIAN ENERGY REGULATORY AUTHORITY
Department for Communication, Cooperation and Relation with Parliament



romania2019.eu

QUARTERLY NEWSLETTER



Q1 / 2019





Contents:

Romanian Energy Regulatory Authority - ANRE

- ♦ MISSION AND RESPONSABILITIES
- ♦ ELECTRICITY

Significant developments in the electricity market

- ♦ NATURAL GAS

Significant developments in the natural gas market

- ♦ ENERGY EFFICIENCY

Significant developments in the energetic efficiency sector

Energy efficiency targets

- ♦ PROSUMERS
- ♦ IN A NUTSHELL - Events in the sector with ANRE participation



MISSION AND RESPONSIBILITIES

ANRE is an autonomous administrative authority, with legal personality, under Parliamentary control, entirely self-financed, independent regarding its decision making, internal organisation and functioning, whose scope of activity is to elaborate, approve and monitor the application of the set of mandatory national regulations necessary for the operation of the sector and of the energy, thermal and natural gas market in terms of efficiency, competition, transparency and consumer's protection, as well as implementing and monitoring energy efficiency measures at a national level.

ANRE's mission is creating a system of regulations to meet the demands of ensuring truly functional and efficient competitive markets, as well as the demands of ensuring a customer-oriented regulatory framework. The latter is one of the objectives which ANRE is constantly pursuing for the development of clearer and more transparent secondary legislation.

ANRE's priority objectives are those related to the permanent updating and completion of secondary legislation in order

to ensure the development of the energy sector under conditions of competition, transparency and non-discriminatory treatment and to develop an appropriate regulatory framework to provide the necessary support to encourage large-scale investment projects designed to contribute to the diversification of Romania's energy sources for the benefit of end-users.

In order to achieve the proposed objectives, in a unitary approach and in compliance with the good practices in this field, ANRE focuses on aspects related to the increase of efficiency of the energy markets, the harmonization of secondary legislation with the provisions of primary legislation and European codes, applying the provisions of European regulations on integrity and transparency of markets, ensuring the integration of renewable energy sources in a safe and feasible way, encouraging investments and, last but not least, informing and protecting consumers.

ANRE collaborates with the regulatory authorities of the states in the region, including cooperation agreements with the Agency for the Cooperation of Energy



Regulators – ACER and the European Commission, for the harmonization of the regulatory framework for the development of the regional market, the rules on cross-border exchanges in electricity and natural gas, on the management and allocation of interconnection capacities, without prejudice to their powers and competences.

The Romanian Regulatory Authority for Energy is a founding member of the ERRA Regional Energy Regulators Association, which currently has 37 members, independent energy regulators in Central Asia, the Eurasian region, Africa, Asia, the Middle East and the USA.

ANRE maintains and develops collaboration links with the International Energy Regulatory Confederation (ICER), a confederation that provides structured and

cooperative contacts between energy regulators in more than 200 countries around the world and the International Regulatory Network of Energy (IERN), administered by the Florence School of Law.

ANRE is also a member of the Association of National Energy Efficiency Agencies in Europe - EnR Association, made up of 24 European Energy Agencies, responsible for the development, implementation or review of national research, development or dissemination programs in the field of energy efficiency, renewable energy and climate change, with a view to enhancing cooperation between Member Agencies and other European actors on all relevant aspects of sustainable energy.

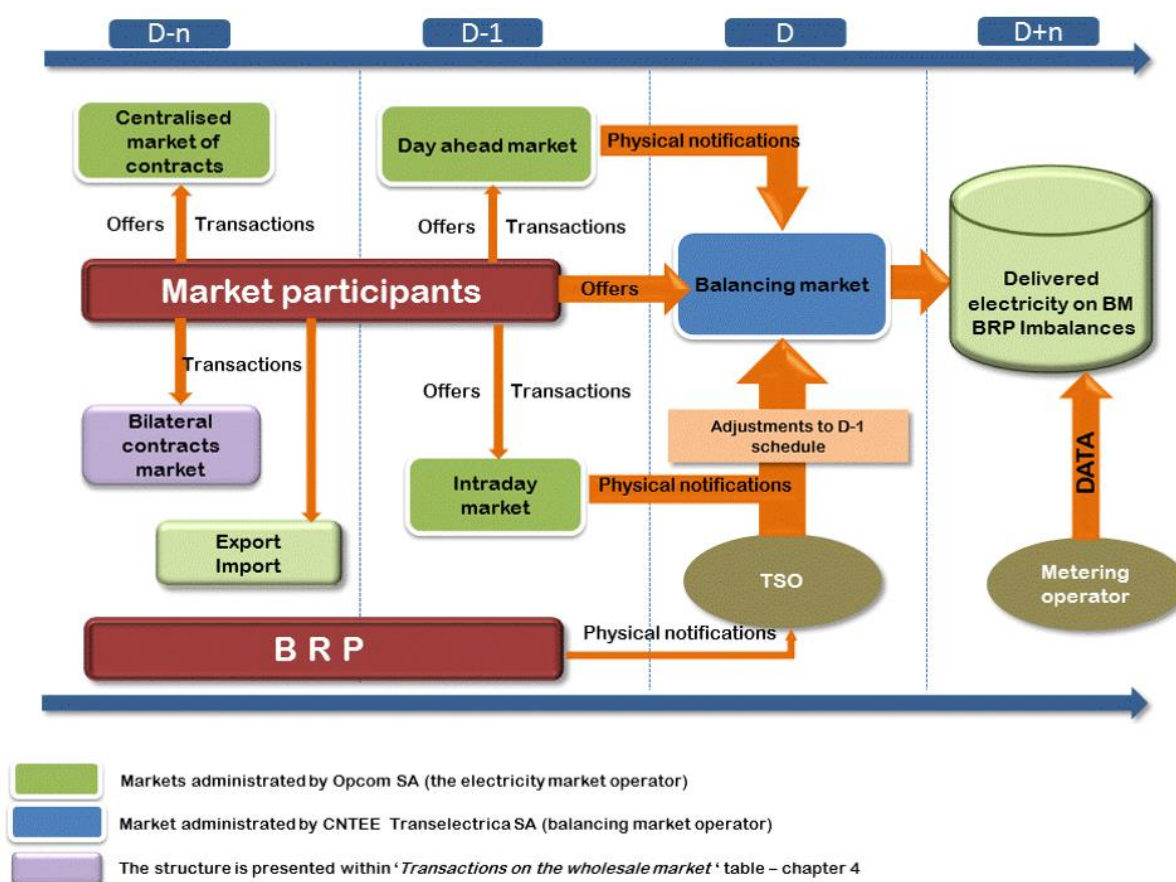
THE ELECTRICITY MARKET

SIGNIFICANT DEVELOPMENTS IN THE ELECTRICITY MARKET

In the first quarter of 2019, ANRE regulatory activity on the electricity market was generally focused on:

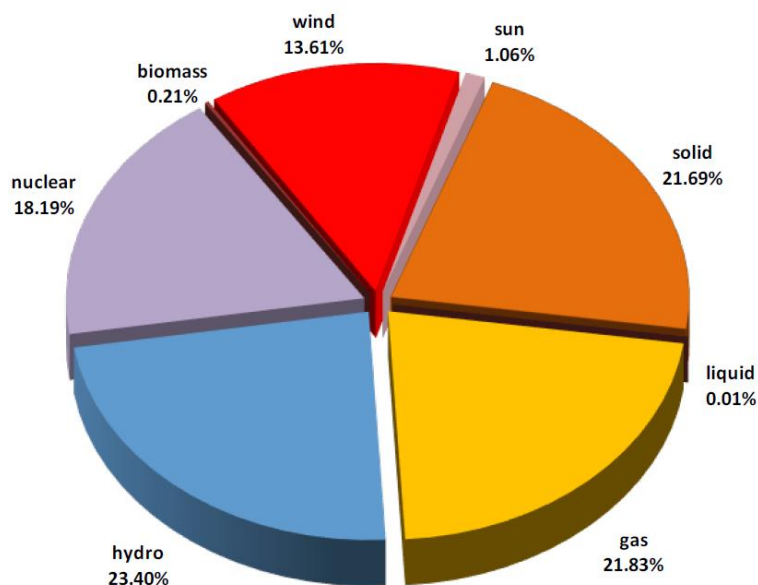
- reviewing regulations to improve the performance of retail electricity and natural gas markets;
- implementing the provisions of the European network codes.

SCHEMATIC STRUCTURE OF THE WHOLESALE MARKET



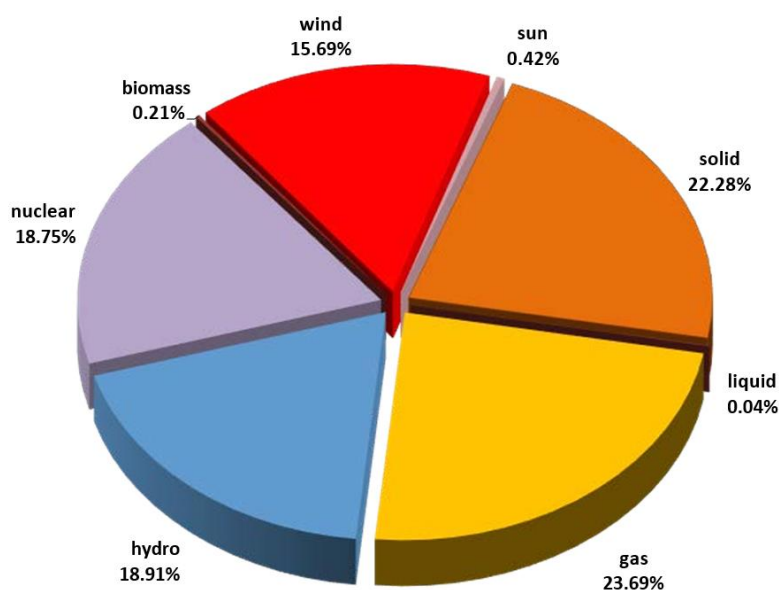
THE PRODUCTION STRUCTURE OF THE NATIONAL ENERGY SYSTEM BY TYPE OF RESOURCES DELIVERED BY PRODUCERS WITH DISPATCHABLE UNITS

- January 2019



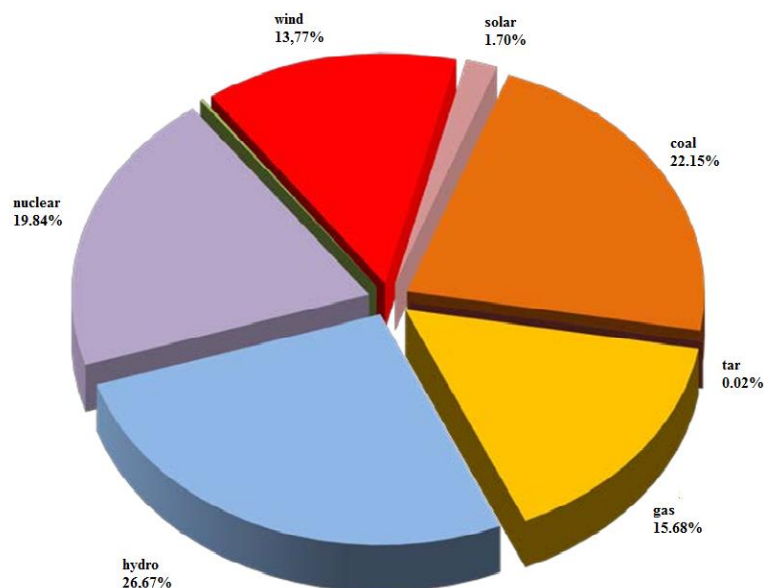
Source: Monthly reports of producers – Electricity Market Monitoring Unit assesment

- February 2019



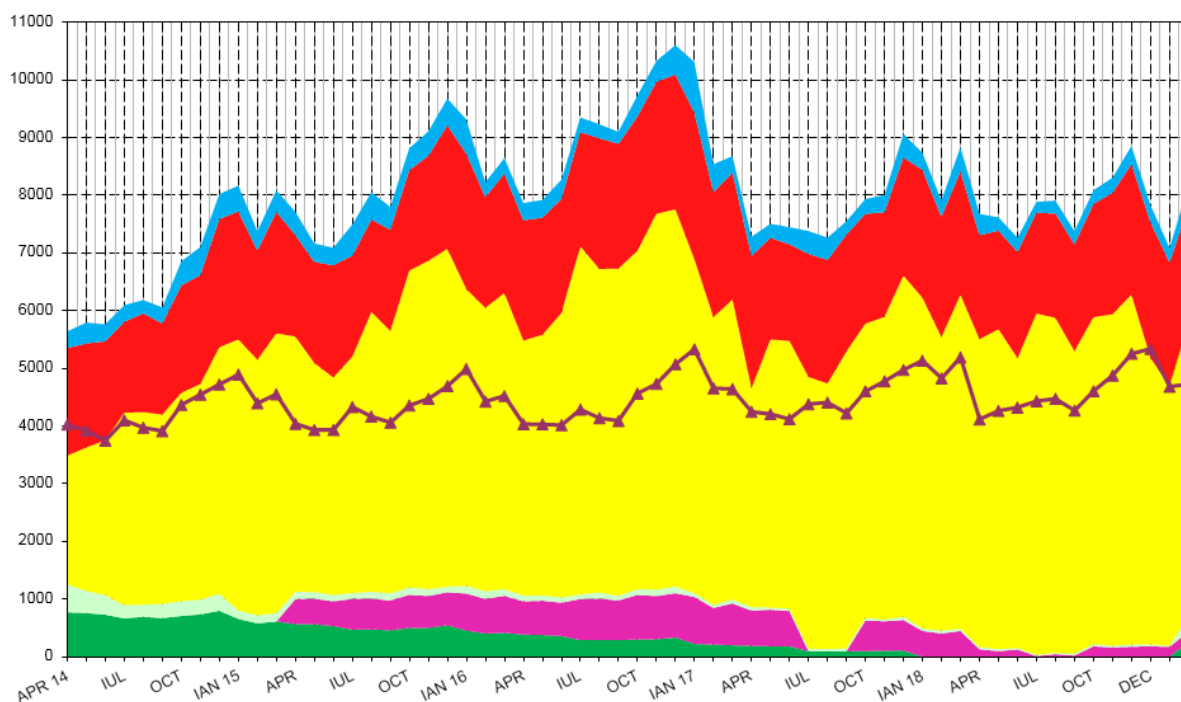
Source: Monthly reports of producers – Electricity Market Monitoring Unit assesment

- March 2019



Source: Monthly reports of producers – Electricity Market Monitoring Unit assesment

MONTHLY EVOLUTION OF VOLUMES TRADED ON WHOLESALE MARKET COMPARED TO INTERNATIONAL CONSUMPTION



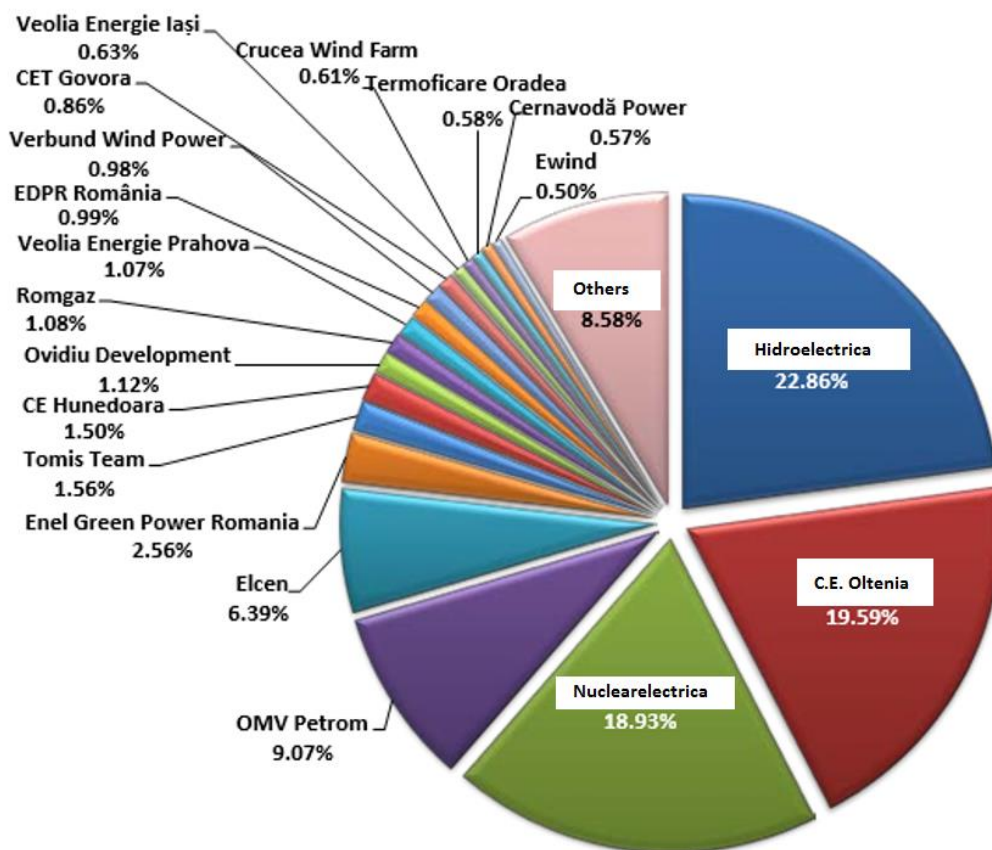


Source: Monthly reports of wholesale market participants, Opcom SA and CNTEE Transelectrica SA – Electricity Market Monitoring Unit assessment

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

The graph below shows the market shares of the electricity producers, holders of dispatchable production units, made on the whole components of the wholesale electricity market and established on the basis of the electricity supplied to the grids.

MARKET SHARE OF PRODUCERS WITH DISPATCHABLE GENERATION UNITS BY THE ELECTRICITY DELIVERED INTO THE NETWORKS



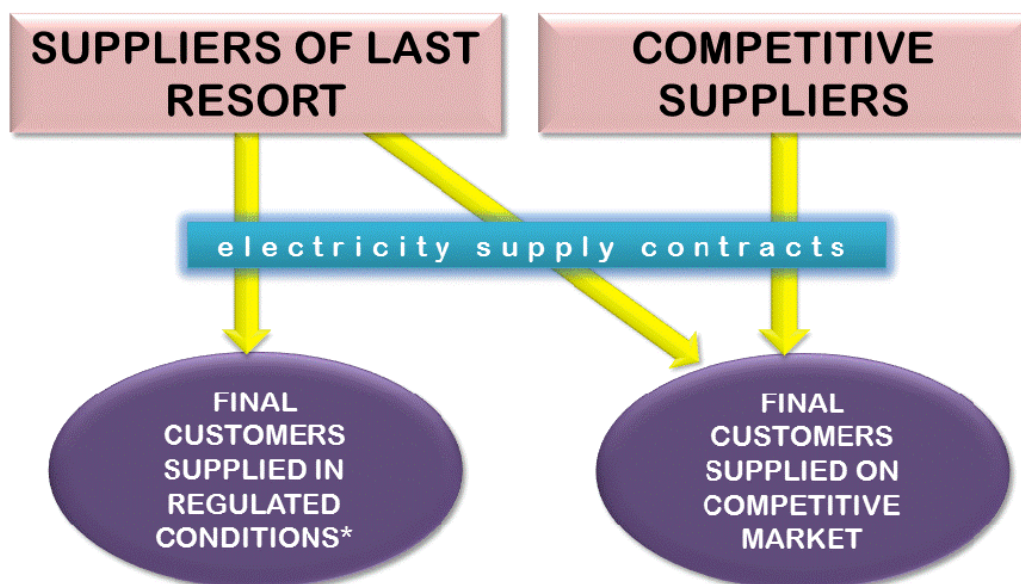
Delivered electricity – 14484 Gwh

C1 – 22.86%; C3 – 61.37%; HHI – 1408

The "Others" category includes 103 producers with individual market share is less than 0.50%

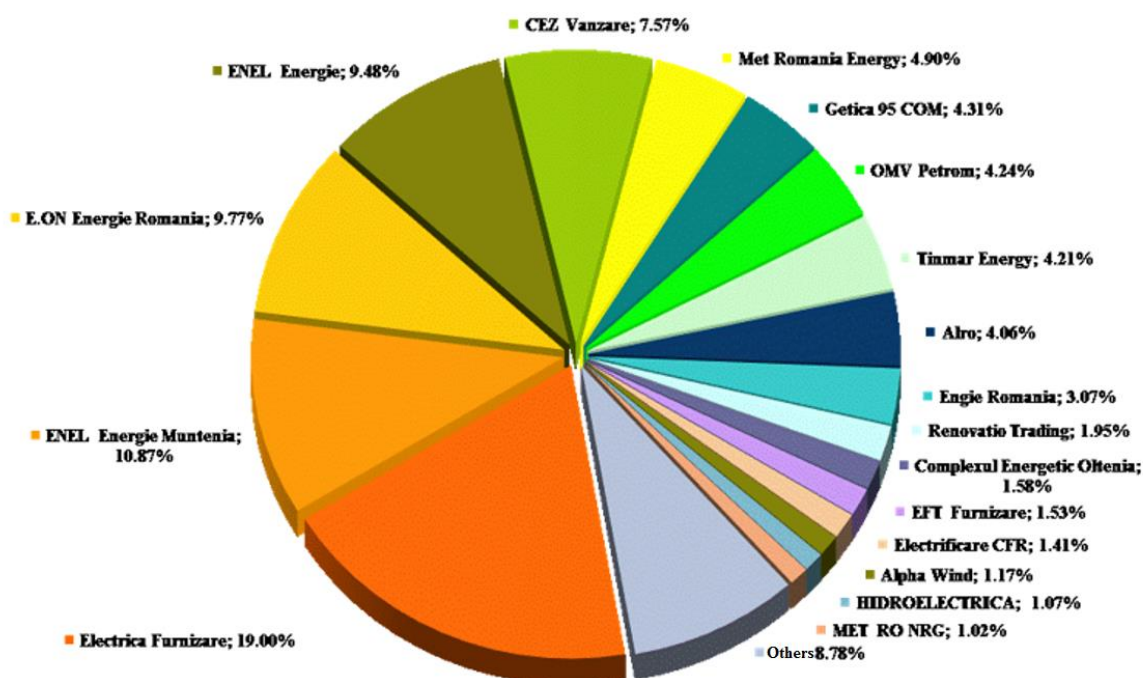
Source: Monthly reports of producers – Electricity Market Monitoring Unit assessment

STRUCTURE OF THE RETAIL ELECTRICITY MARKET



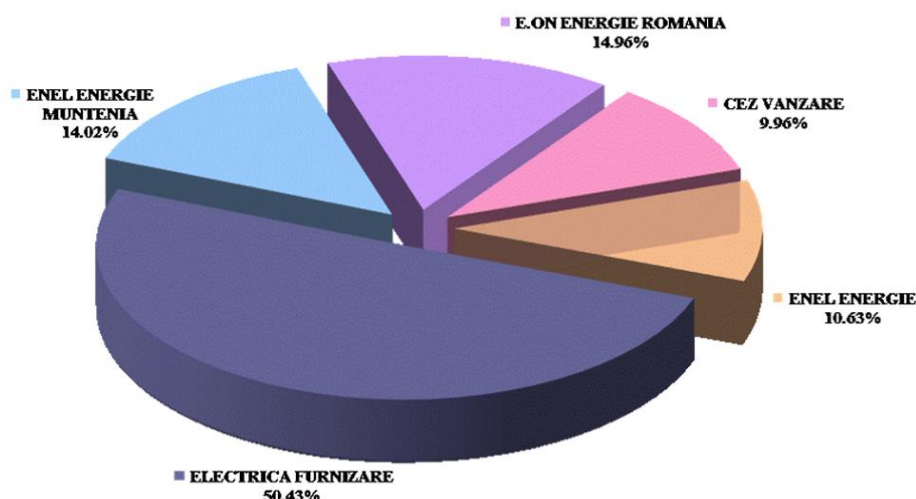
* according to art. 53 (2) and art. 55 (1) from Electricity and Gas Law no. 123/2012

MARKET SHARES OF SUPPLIERS FOR FINAL CUSTOMERS JANUARY – MARCH 2019



Source: Monthly reports of the suppliers of last resort – Electricity Market Monitoring Unit assessment

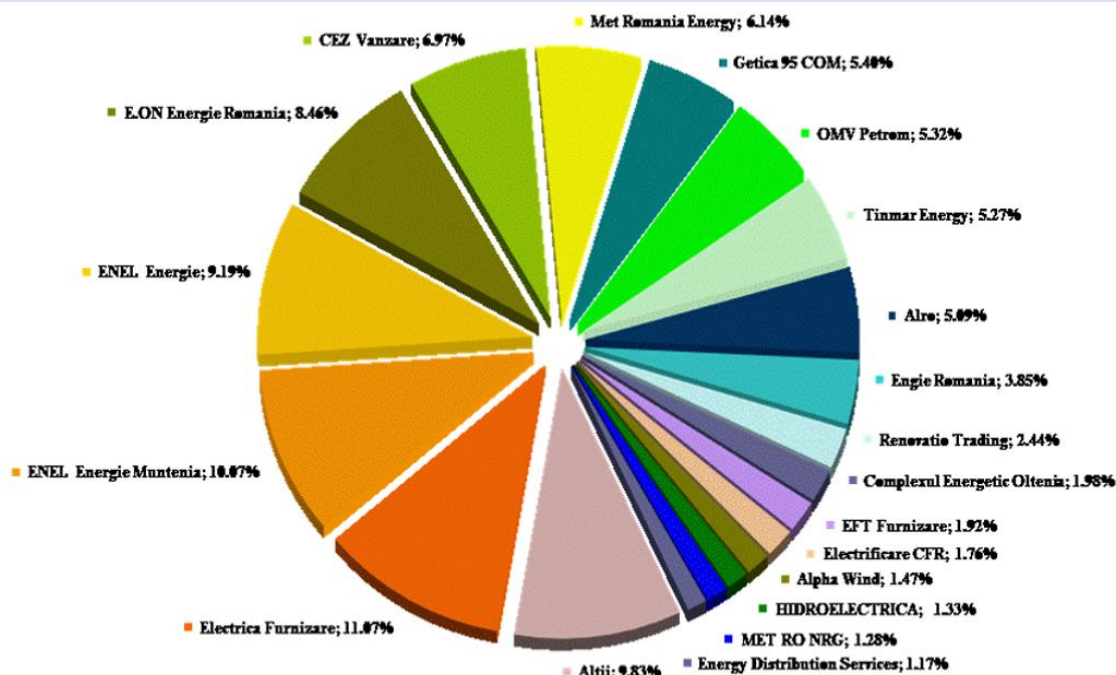
MARKET SHARES OF SUPPLIERS OF LAST RESORT FOR THE ELECTRICITY SUPPLIED TO UNIVERSAL SERVICE, LAST RESORT AND INACTIVE CLIENTS - JANUARY – MARCH 2019



Consumption of Universal service, last resort and inactive clients: 2577 GWh

Source: Monthly reports of the suppliers of last resort – Electricity Market Monitoring Unit assessment

MARKET SHARES OF SUPPLIERS DELIVERING ELECTRICITY ON THE COMPETITIVE MARKET – JANUARY – MARCH 2019



Consumption on competitive market: 10209Gwh; C1 – 11%; C3 – 30%; HHI – 620;

Others category includes 66 suppliers with individual market share less than 1%

Source: Monthly reports of the competitive suppliers – Electricity Market Monitoring Unit assessment

NATURAL GAS

SIGNIFICANT DEVELOPMENTS IN THE NATURAL GAS MARKET

The internal market for natural gas consists of:

- **The regulated market**, which includes the activities with a natural monopoly, the related activities and the provision at regulated prices and on the basis of framework contracts, approved by ANRE;
- **The competitive market**, which includes the sale of natural gas on the wholesale market (between suppliers - a natural or legal person carrying out natural gas supply activities, including natural gas producers, between suppliers and distributors, as well as between suppliers and the carrier and system operator) and on the retail market (between suppliers, including producers and eligible customers).

The size of the wholesale market is determined by the total of the transactions carried out by the participants. All transactions include resale to obtain financial benefits, as well as balancing the portfolio of each natural gas supplier. The market structure of Romania according to

the destination of natural gas is the following:

- **The wholesale market** - where produced and imported natural gas are marketed / traded between natural gas operators, mainly for the purpose of covering contractual obligations / consumption and portfolios adjustment;
- **The retail market** (represents sales to final customers both on the regulated market and on the competitive market).

Natural gas consumption in the first quarter of 2019 was covered by natural gas from domestic production (current and storage) as well as natural gas from import (current and storage).

The domestic gas production in January 2019, which was delivered for consumption, was 15,139,418,641 MWh and accounted for 76.96% of the total consumption. The February delivery to the consumption was 12,347,443,584 MWh and accounted for 79.72% of the total consumed sources. Production for March, delivered for consumption, was 10,441,578,232 MWh and accounted for 83.98% of the total consumption. These

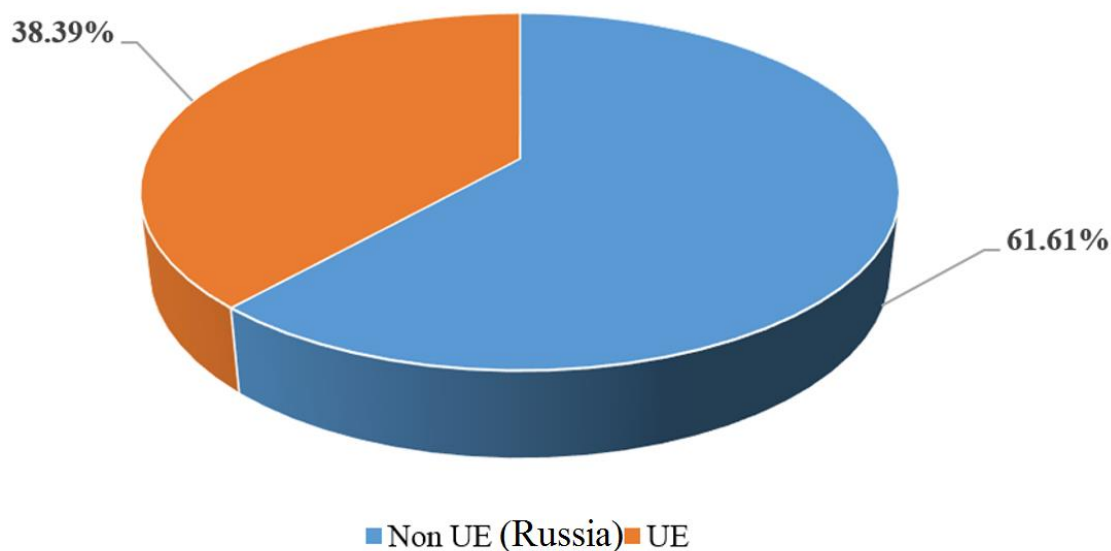
numbers include, in addition to the domestic production of that month, the extraction of natural gas from domestic production from underground storage facilities.

The import of natural gas that was delivered for consumption in January 2019 was 4,515,456,044 MWh and accounted for

22.95% of total sources consumed. The import of gas that was delivered for consumption in February was 3,134,519,145 MWh and accounted for 20.24% of total sources consumed and the import that was delivered for consumption in March 2019 was 2,013,149,440 MWh and accounted for 16.19% of total sources consumed.

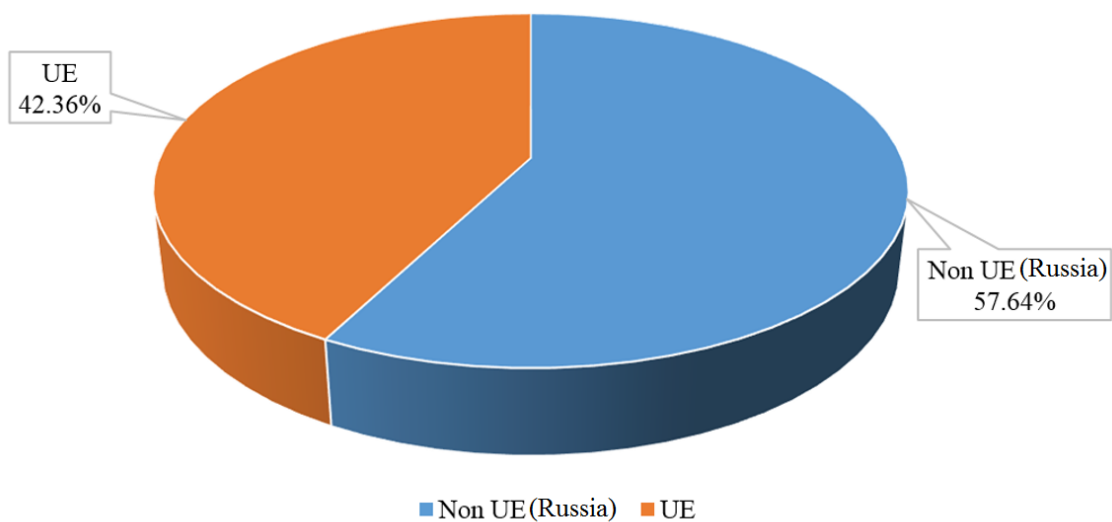
THE CURRENT IMPORT OF NATURAL GAS DEPENDING ON THE SOURCE

JANUARY 2019



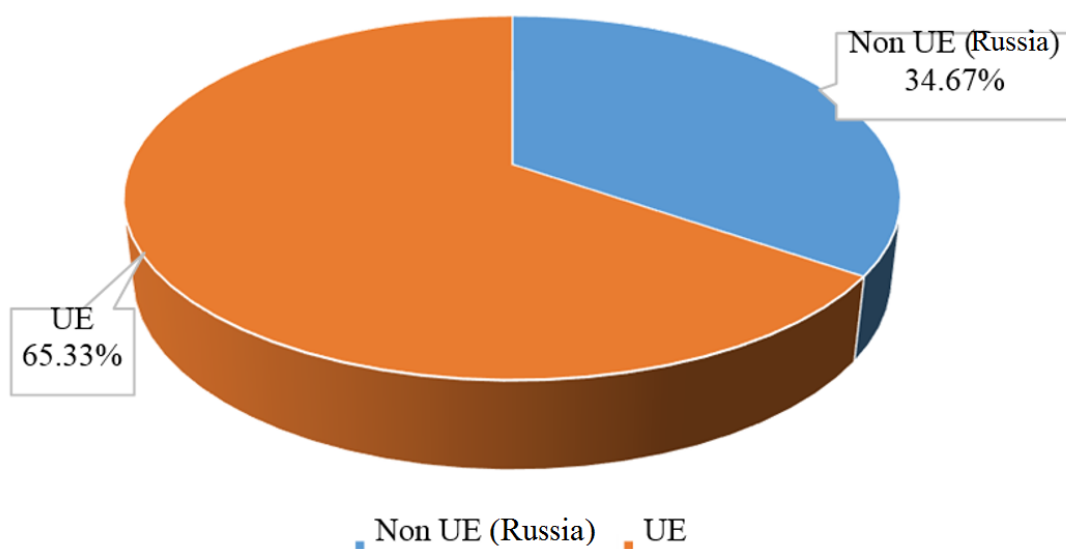
Source: reports on the natural gas market processed by ANRE

FEBRUARY 2019



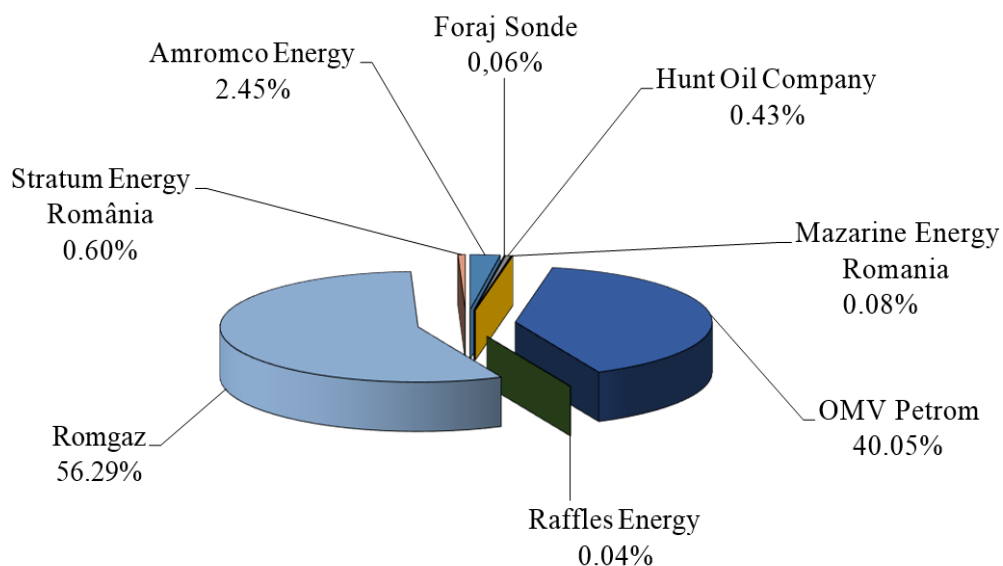
Source: reports on the natural gas market processed by ANRE

MARCH 2019



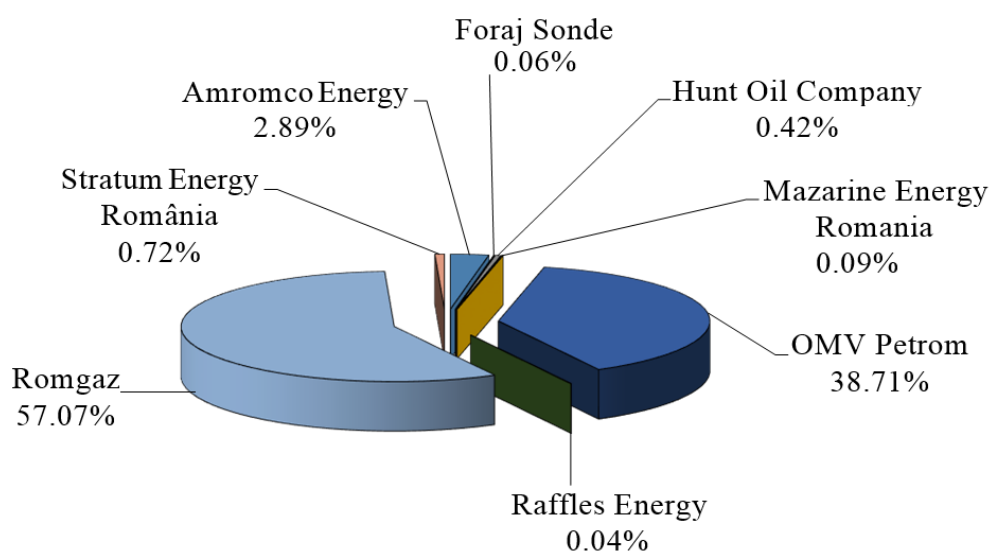
Source: reports on the natural gas market processed by ANRE

GAS STRUCTURE OF DOMESTIC PRODUCTION ENTERED IN CONSUMPTION IN JANUARY 2019



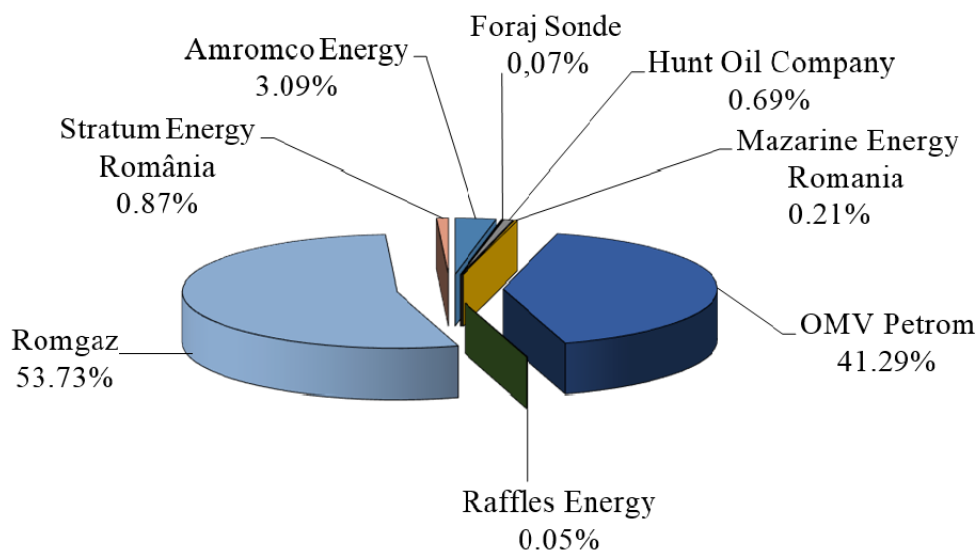
Source: reports on the natural gas market processed by ANRE

GAS STRUCTURE OF DOMESTIC PRODUCTION ENTERED IN CONSUMPTION IN FEBRUARY 2019



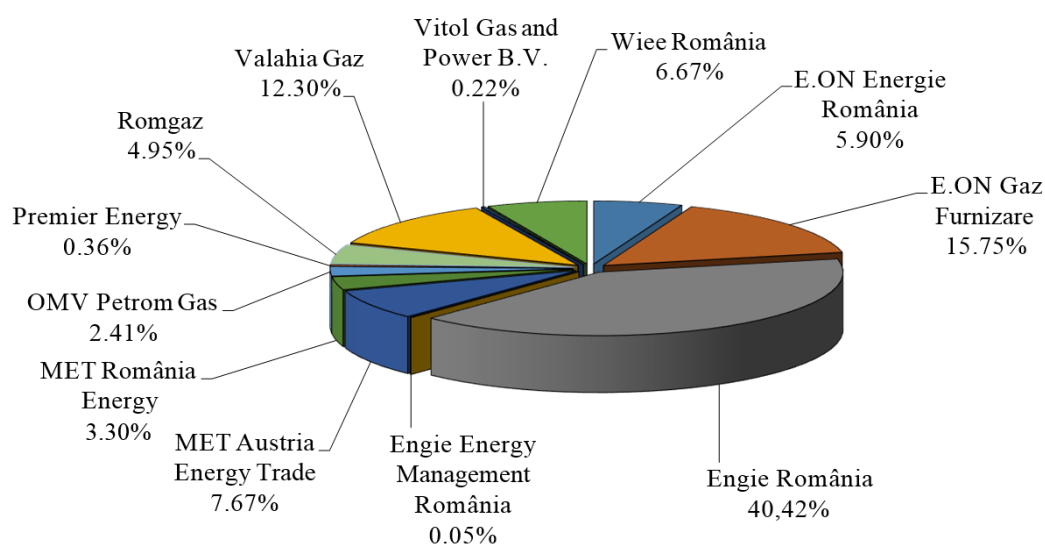
Source: reports on the natural gas market processed by ANRE

GAS STRUCTURE OF DOMESTIC PRODUCTION ENTERED IN CONSUMPTION IN MARCH 2019



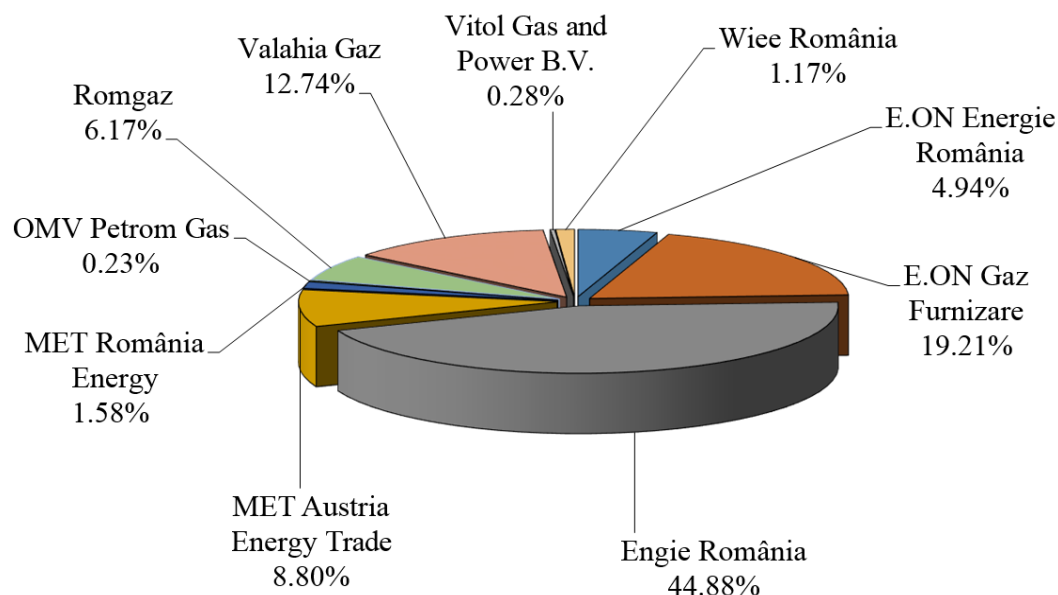
Source: reports on the natural gas market processed by ANRE

GAS STRUCTURE OF DOMESTIC PRODUCTION ENTERED IN CONSUMPTION IN JANUARY 2019



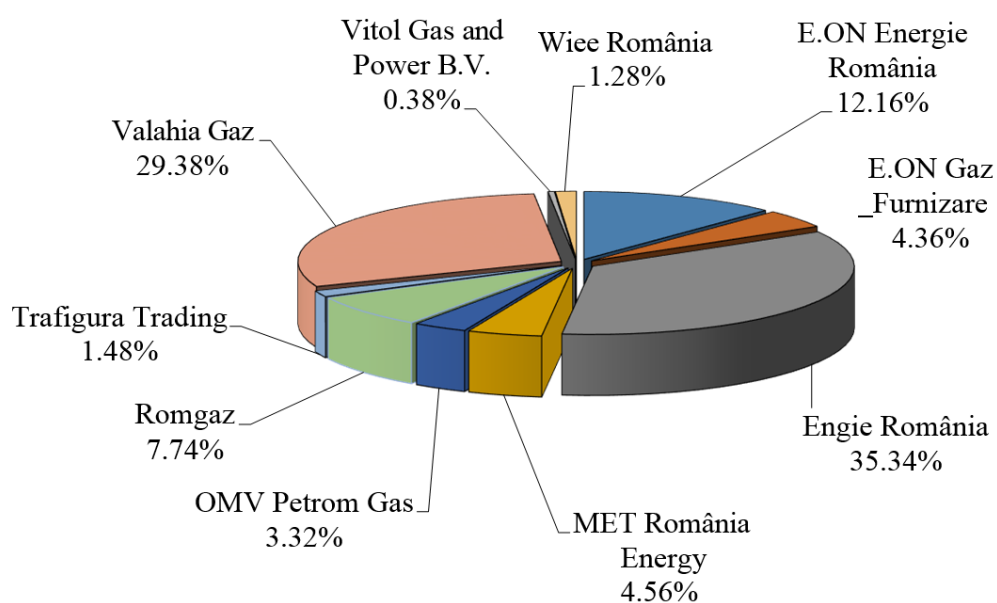
Source: reports on the natural gas market processed by ANRE

GAS STRUCTURE OF DOMESTIC PRODUCTION ENTERED IN CONSUMPTION IN FEBRUARIE 2019



Source: reports on the natural gas market processed by ANRE

GAS STRUCTURE OF DOMESTIC PRODUCTION ENTERED IN CONSUMPTION IN MARCH 2019



Source: reports on the natural gas market processed by ANRE

Centralized markets on which transactions can currently take place are as follows:

- Available Platform (RCE);
- STEG Platform (BRM);
- PCGN-LN (OPCOM);
- PCGN-LP (OPCOM);
- PCGN-OTC (OPCOM);
- Day-Ahead Market (OPCOM);
- Day-Ahead Gas Market Platform (BRM);
- Within Day Platform (BRM).

In addition to the existing centralized markets, which have to ensure the conditions stipulated by the Law, bilateral transactions, export contracts and import contracts are also carried out on the wholesale market.

THE RETAIL NATURAL GAS MARKET

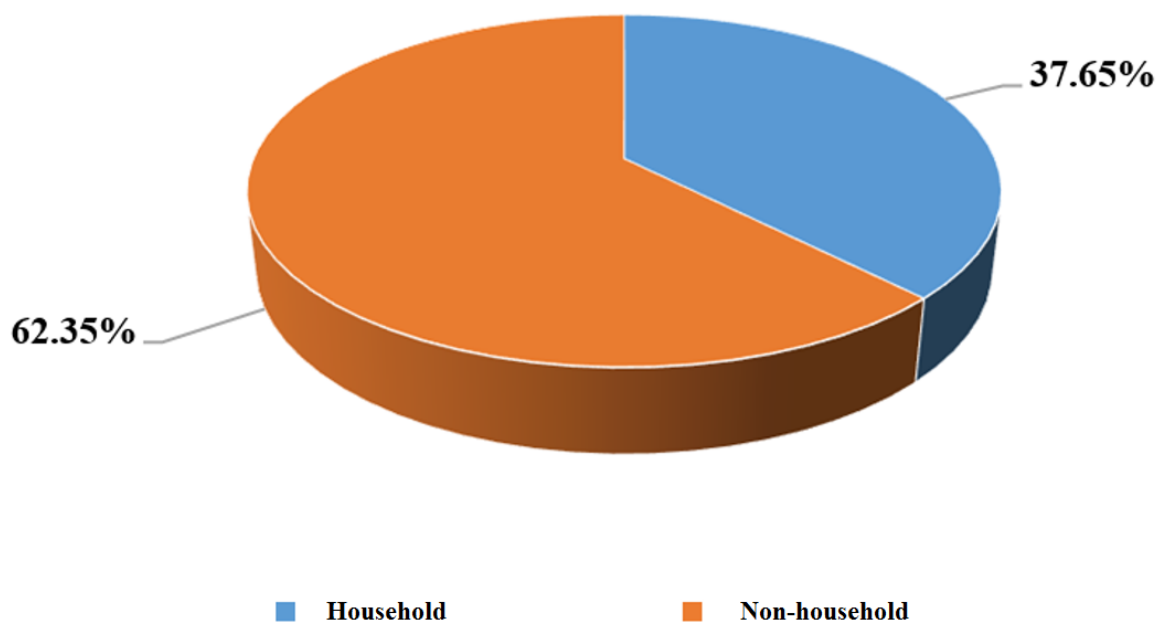
THE SCHEMATIC STRUCTURE OF THE RETAIL NATURAL GAS MARKET



The category of non-household final customers also includes thermal energy producers for the quantities of natural gas

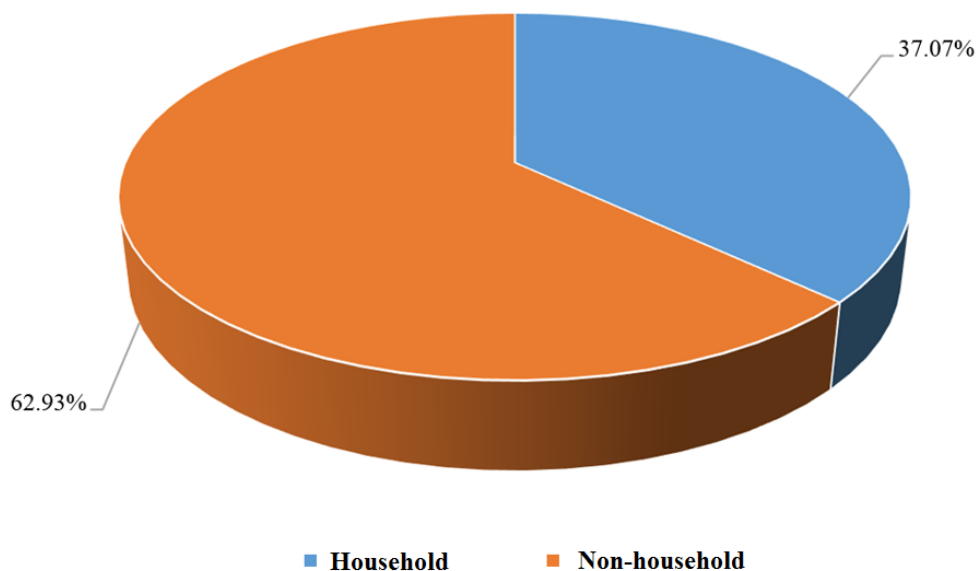
used to produce heat in cogeneration plants and in public heat plants (PETs).

SHARE OF FINAL CUSTOMERS CONSUMPTION, JANUARY 2019



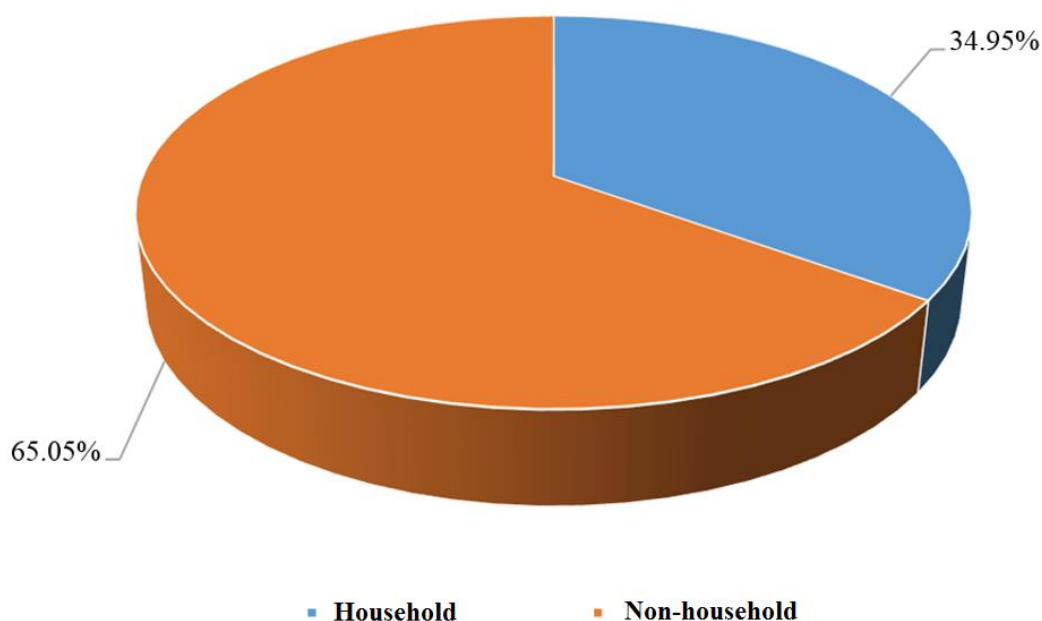
Source: reports on the natural gas market processed by ANRE

SHARE OF FINAL CUSTOMERS CONSUMPTION, FEBRUARY 2019



Source: reports on the natural gas market processed by ANRE

SHARE OF FINAL CUSTOMERS CONSUMPTION, MARCH 2019



Source: reports on the natural gas market processed by ANRE

ENERGY EFFICIENCY

SIGNIFICANT DEVELOPMENTS IN THE ENERGY EFFICIENCY SECTOR

In the field of energy efficiency, the Department of Energy Efficiency within ANRE contributes to the following strategic objectives:

- **Improving energy efficiency**

- a strategic goal of national energy policy, due to its major contribution to achieving energy security, sustainable development and competitiveness,

saving primary energy resources and reducing greenhouse gas emissions.

- **Implementing the national energy efficiency policy through:**

- removing barriers to the promotion of energy efficiency;
- promoting energy efficiency mechanisms and financial instruments for energy saving;



- educating and raising awareness among final consumers about the importance and benefits of implementing energy efficiency improvement measures;
- cooperation between end-users, producers, suppliers, energy distributors and public bodies in order to achieve the objectives set by the national energy efficiency policy;
- promoting fundamental and applied research in the field of efficient energy use;
- Ensures measures to improve energy efficiency in all sectors of the national economy, with special reference to:
- introducing high energy efficiency technologies, modern measurement and control systems, and energy management systems, for monitoring, continual energy efficiency assessment and energy consumption forecasting;
- promoting the use of energy-efficient equipment and appliances and of renewable energy sources in end-users;
- reducing the environmental impact of industrial activities and producing, transporting, distributing and consuming all forms of energy;
- application of the modern principles of energy management;
- granting financial and fiscal incentives, under the provisions of the law;
- developing the market for energy services.

In the field of energy efficiency, the Romanian Energy Regulatory Authority has carried out specific activities on: the implementation of current legislation for the promotion of energy efficiency and the development of secondary regulations, the authorization of energy auditors / energy management attestation, projects financed under the Horizon 2020 Program, domestic and international work groups.

TARGETS OF ENERGY EFFICIENCY

Within the *Europe 2020* national targets on *Energy and Climate Change*, increasing energy efficiency is one of three national priorities alongside reducing greenhouse

gas emissions and increasing the share of renewable energy in gross final energy consumption. At the same time, in the context of the *Europe 2030* targets and the

Clean Energy Package for all Europeans, European fora gives a major role to energy efficiency, in order to create a sustainable European and national legislative framework for the next decade in energy.

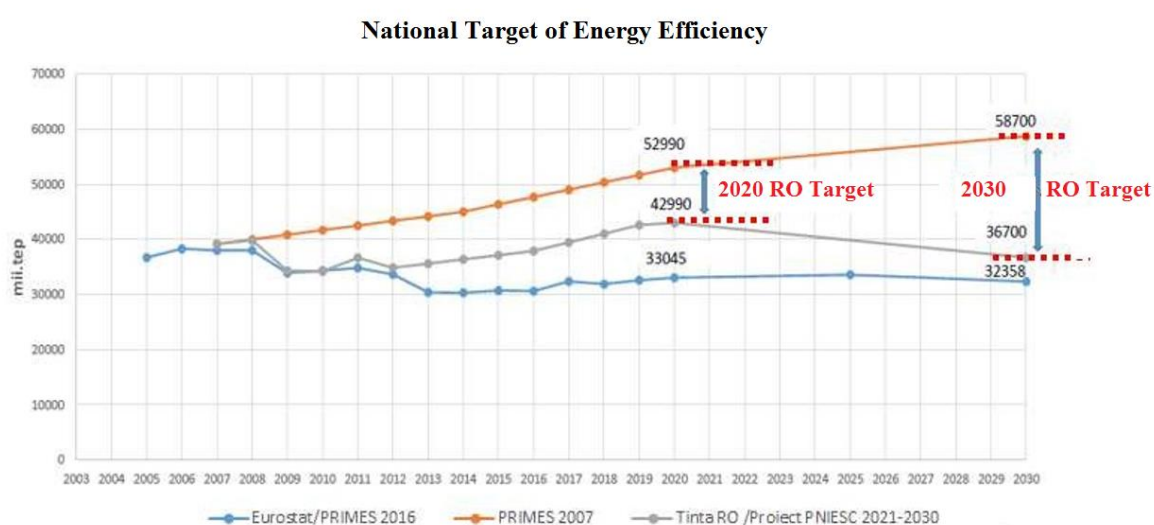
The indicative national target for energy efficiency is based on primary energy consumption. Romania has set an indicative national energy efficiency target to achieve a primary energy savings of 10 Mtoe in 2020, which represents a 19% reduction in forecasted primary energy consumption (52.99 Mtep) in the PRIMES 2007 model for a realistic scenario. Achieving this goal requires that in 2020

primary energy consumption to be 42.99 Mtoe and final energy consumption should be 30.32 Mtoe.

According to the National Reform Program in Romania that corresponds to the *Europe 2020* Strategy, the national targets for climate change and sustainable energy are:

- greenhouse gas emissions 20% lower than in 1990;
- increasing the share of renewable energy in gross final energy consumption by 24%;
- increase in energy efficiency (expressed as a 10 Mtep (19%) reduction in primary energy consumption).

THE 2010-2030 OBJECTIVES



Source: ANRE

By the objectives assumed in the field, Romania has to contribute to achieving the European Union's energy efficiency target (primary energy consumption of 1273 Mtoe or 956 Mtoe of final energy respectively). Thus, the global target is at least 32.5% at EU level, an objective that can be revised upwards in 2023.

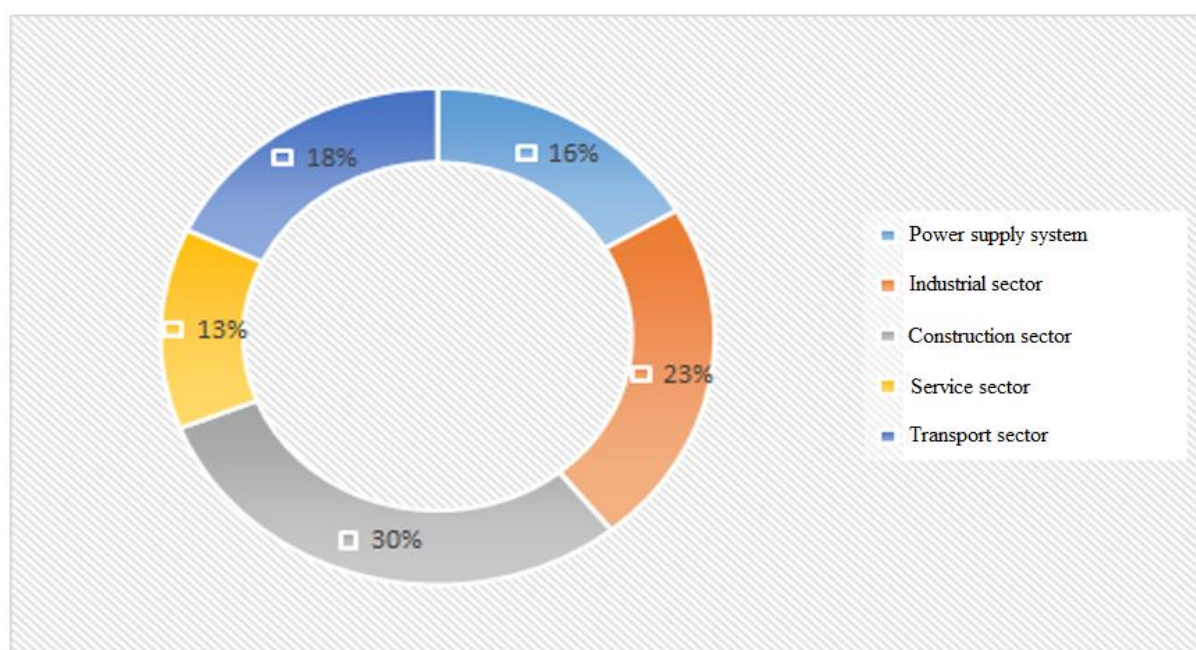
Given the assumptions and calculations used, which take into account the increase in industrial production and living

standards, primary energy consumption is projected to reach 36.7 Mtoe in 2030.

Relative to the 2030 primary energy forecast, as calculated in the PRIMES 2007 scenario for Romania, respectively 58.7 Mtoe, the WPM scenario indicates a 37.5% drop in 2030.

The measures set out in the National Action Plan for Energy Efficiency (PNAEE IV) of NEEAP IV are the basis for setting the 12 national energy efficiency programs, grouped into 5 sectors.

THE FIVE SECTOR'S SHARE IN ACHEIVING THE NATIONAL OBJECTIVE



Source: NEEAP IV (National Energy Efficiency Action Plan - PNAEE IV)

THE PROSUMERS

ANRE has developed the regulatory framework that ensures the right of final consumers to become prosumers and to be paid for the electricity supplied to the grid, measures necessary to open new perspectives for end-users, including by facilitating the conditions for their participation in the electricity market as prosumers.

The package of regulations for prosumers includes:

- **ANRE Order nr. 226/2018** to approve the commercial rules for prosumers that own RES power generation plants with an installed capacity of up to 27 kW, at most.
- **ANRE Order nr. 227/2018** to approve the Framework Contract for the purchase/sale of E-RES produced by prosumers holding E-RES power plants with an installed capacity of up to at most 27 kW per consumption place.
- **ANRE Order nr. 228/2018** to approve the Technical Norm for the connection to the electricity network of prosumers injecting active power into the grid.

The price for the electricity produced from the E-RES supplied to the electricity network by prosumers is equal to:

- **The negotiated price:** The negotiated price for electricity produced from renewable energy sources by public authorities who own electricity generating units from renewable energy sources with an installed power of no more than 27 kW on the spot, the capacities being partially realized or totally, from structural funds, in projects that are not "income-generating" within the meaning of Art. 55 of Council Regulation (EC) Council Regulation (EC) No 1083/2006 of 11 July 2006 laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and repealing Regulation (EC) 1,260 / 1990;
- **The weighted average price recorded in DAM:** The weighted average price recorded in the Next Day Market (DAM) in the previous year. (Article 14 (62) of Law 220/2008).



This price is published by OPCOM "Electricity and Natural Gas Market Operator" - S.A. on their own site on the first working day of January of each calendar year. (Article 3 (3) of ANRE President Order 226/2018), in the case

of electricity produced from E-RES supplied to the electricity grid by prosumers who hold units producing electricity from renewable energy sources with the power up to 27 kW installed on the spot.

IN A NUTSHELL- EVENTS IN THE SECTOR WITH ANRE PARTICIPATION

- On January 22-24, the international conference "Energy poverty, clean energy, and the European energy divide", organized by Babeş-Bolyai University of Cluj-Napoca, through CSD (Center for the Study of Democracy), in partnership with ANRE and with the support of the European Commission Representation in Romania and Enel Romania. The purpose of the conference was to discuss the challenges of energy poverty in the transition to a clean economy.
- On 27-28 February, the European Commission - DG Justice and Consumers organized in Porto, the closing event of the Energy Efficiency Awareness Raising Campaign, which was attended by Zoltan Nagy-Bege, Vice President of ANRE. The purpose of the campaign was to inform consumers about the practical possibilities of making energy consumption more efficient and improving its usage habits through concrete measures to reduce household spending without reducing the level of comfort.
- On 12 March, the Cybersecurity Forum was held, bringing together state officials, ambassadors, business people, representatives from companies such as cyber security, IT, energy, banks, capital markets, telecoms, gambling, industry, military and others, as well as journalists and other specialists in the field. During his event he debated cyber security issues and presented practical and effective solutions for defense against cyber attacks.



- The fourth plenary session of the Concerted Action-Energy Efficiency Directive (CA-EED2) took place in Helsinki, Finland, between 19-20 March, attended by members of the Department for Energy Efficiency within ANRE. Discussions focused on topics such as: good practices on promoting energy efficiency potential in rented housing and energy efficiency solutions for energy poverty.