



QUARTERLY NEWSLETTER



Q2 / 2019



Contents:

- ♦ ROMANIAN ENERGY REGULATORY AUTHORITY

 - Mission and responsibilities**

- ♦ ELECTRICITY

 - Significant developments in the electricity market**

- ♦ NATURAL GAS

 - Significant developments in the natural gas market**

- ♦ ENERGY EFFICIENCY

 - New projects in energy efficiency**

- ♦ 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 markets 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. ANRE is constantly pursuing for the development of a clearer and more transparent secondary legislation.

ANRE's priority objectives are those related to 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 energy markets' efficiency, the harmonisation 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 member states, including cooperation agreements with the Agency for the Cooperation of Energy Regulators – ACER and the European Commission, for the harmonisation of the regulatory framework for the development of the regional and internal market, the rules on cross-border exchanges in electricity and natural gas, on



ROMANIAN ENERGY REGULATORY AUTHORITY

Department of International Cooperation, Communication and Relation with Parliament



the management and allocation of interconnection capacities, without prejudice to their powers and competences.

The Romanian Energy Regulatory Authority 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 Regulation.

ANRE is also a member of the Association of National Energy Efficiency Agencies in Europe - EnR Association, a voluntary network currently numbering twenty four European energy agencies, with responsibility for the planning, management or review of national research, development, demonstration or dissemination programmes in the fields of energy efficiency and renewable energy and climate change abatement.

THE ELECTRICITY MARKET

SIGNIFICANT DEVELOPMENTS IN THE ELECTRICITY MARKET

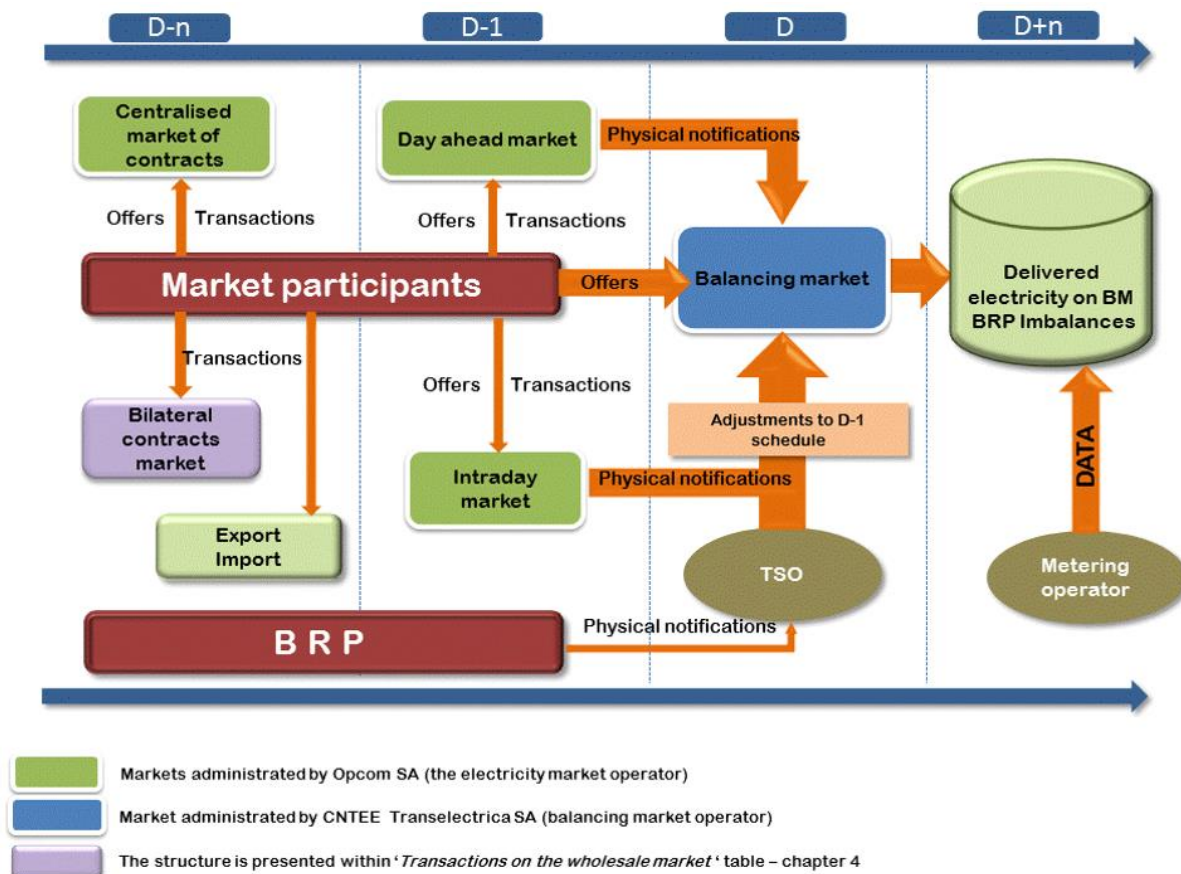
In the second quarter of 2019, ANRE regulatory activity on the electricity market was generally focused on:

- reviewing regulations to improve the

performance of retail electricity market;

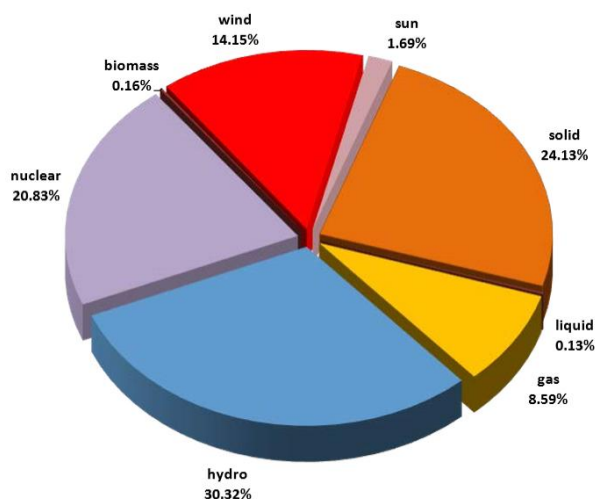
- implementing the provisions of the European network codes.

SCHEMATIC STRUCTURE OF THE WHOLESALE MARKET

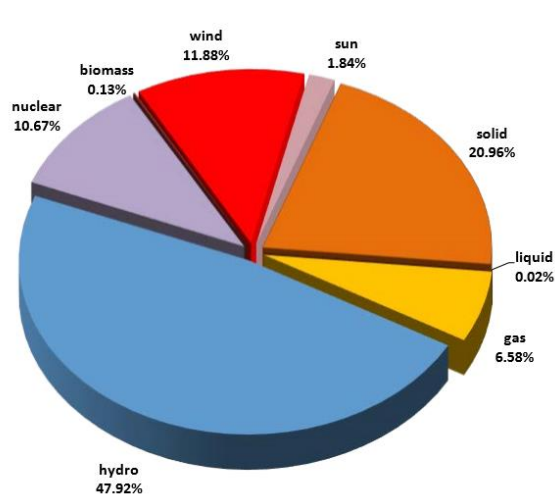


THE PRODUCTION STRUCTURE OF THE NATIONAL ENERGY SYSTEM BY TYPE OF RESOURCES DELIVERED BY PRODUCERS WITH DISPATCHABLE UNITS

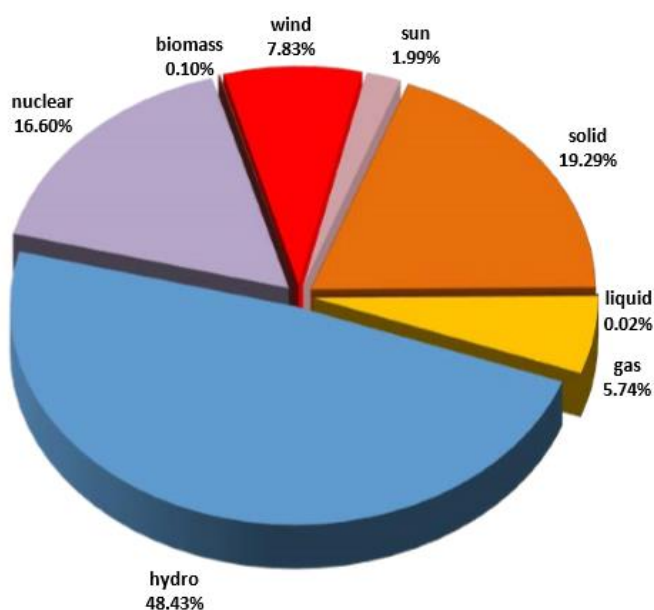
April 2019



May 2019



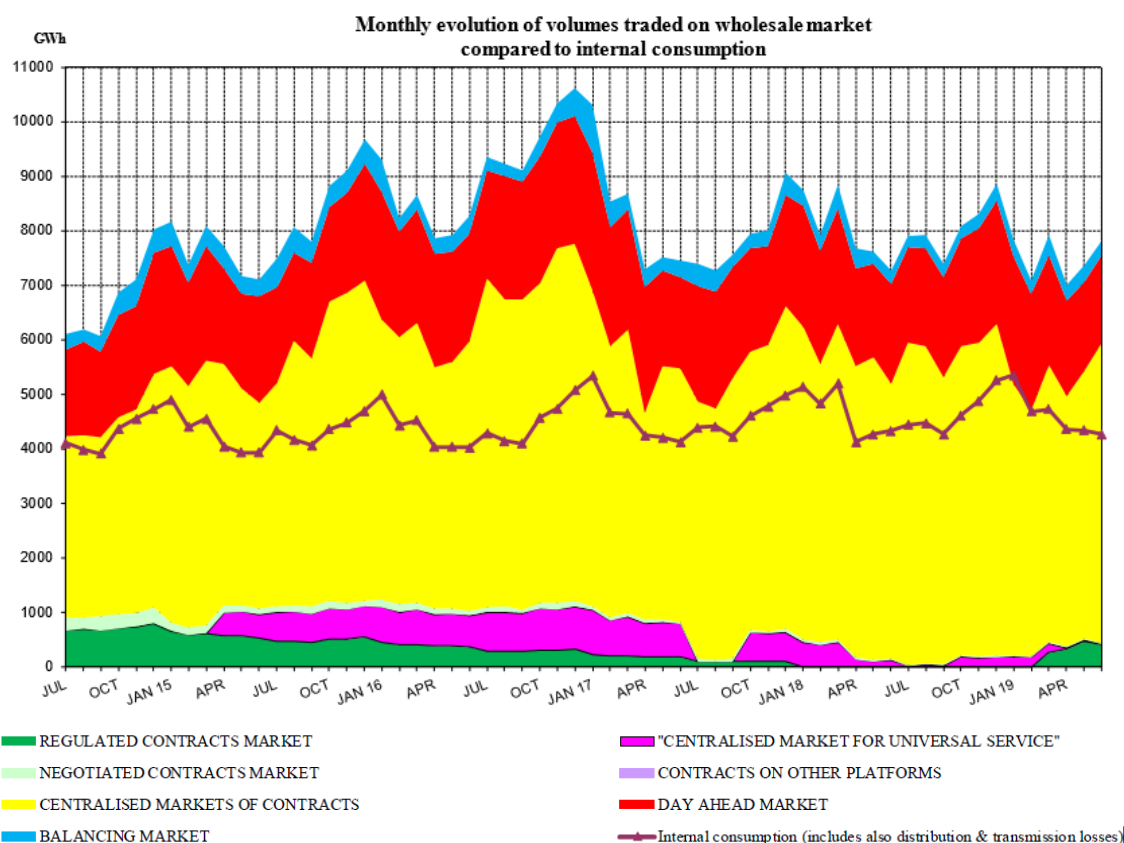
June 2019



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

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

The following graph presents the evolution, starting with June 2014, of the relation between the volumes sold on each market and the estimated internal consumption.



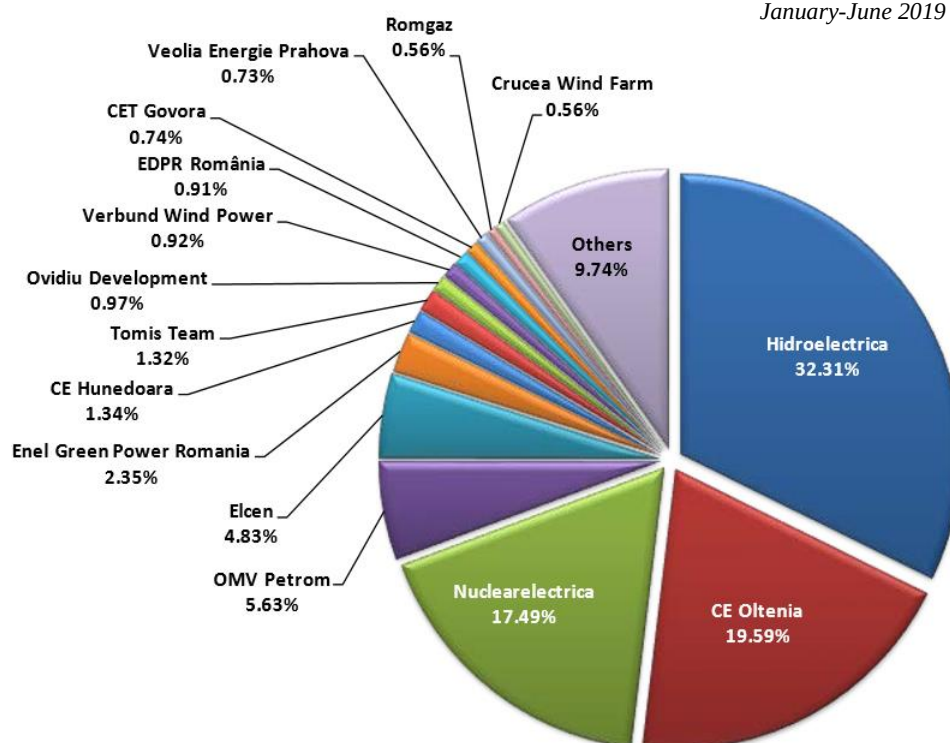
Source: Monthly reports of wholesale market participants, Opcom SA and CNTEE Transelectrica SA – Electricity Market Monitoring Unit assessment

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

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

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.

January-June 2019



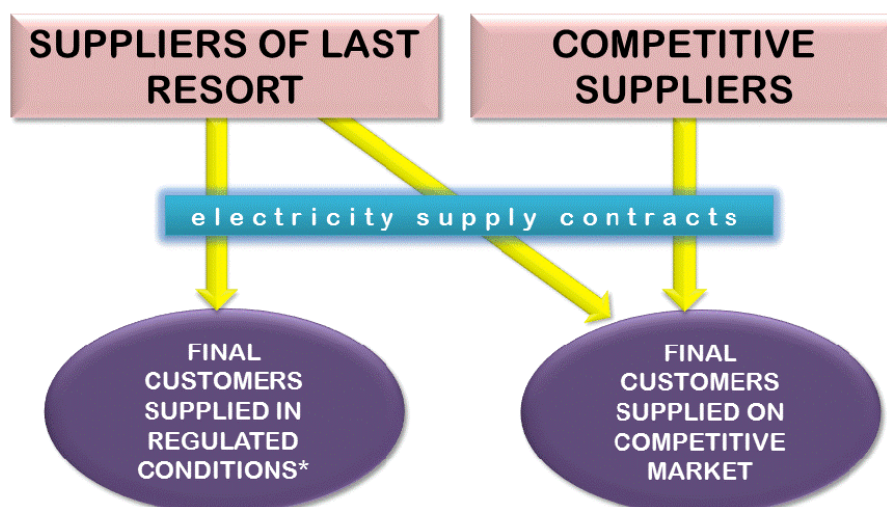
Delivered electricity – 28115 Gwh

C1 – 32.31%; C3 - 69.39%; HHI – 1408

The category "Others" comprises 108 generators with market share less than 0,5%

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

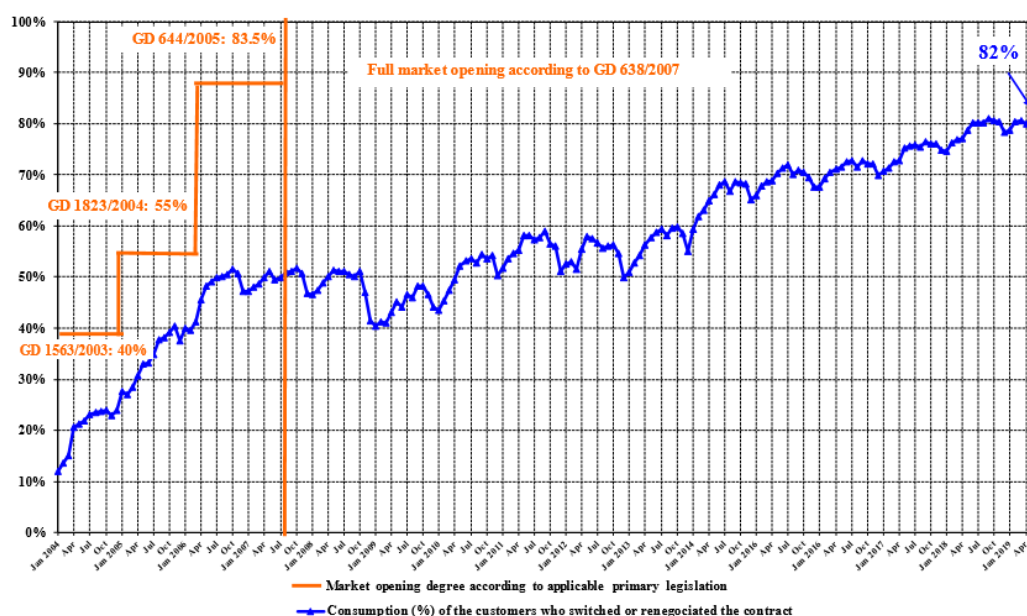
STRUCTURE OF THE RETAIL ELECTRICITY MARKET



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

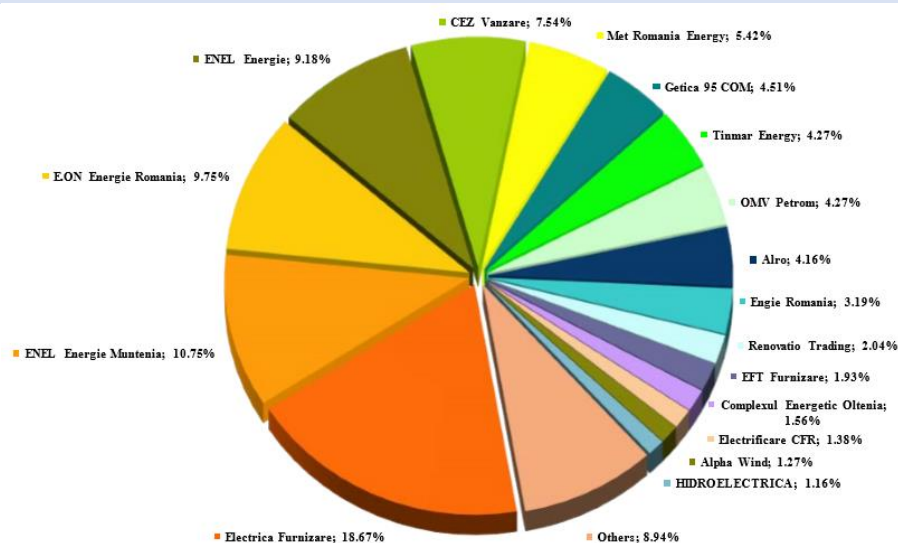
ELECTRICITY MARKET OPENING DEGREE

The following graph contains the quota of the consumption (from total consumption) of the customers who switched their supplier or renegotiated their contracts with the suppliers of last resort, between January 2004 – June 2019. The values presented are cumulated from the beginning of the market opening process and are presented monthly:



Source: Monthly reports of suppliers of final customers– Electricity Market Monitoring Unit assessment

MARKET SHARES OF SUPPLIERS FOR FINAL CUSTOMERS JANUARY – JUNE 2019

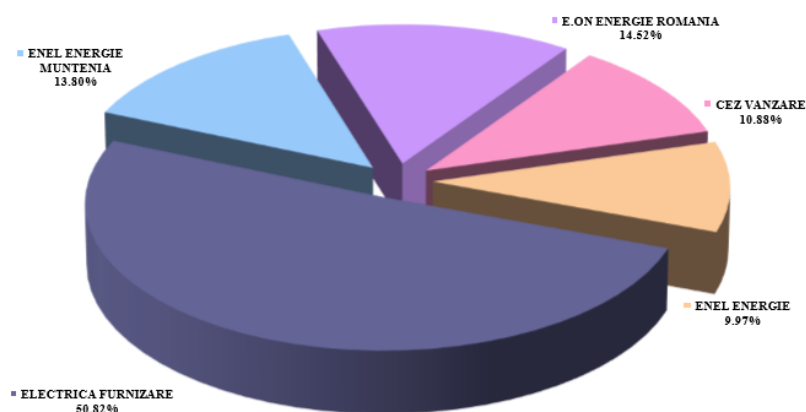


Final consumption: 24821 GWh

Others category includes 72 suppliers with individual market shares less than 1%

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

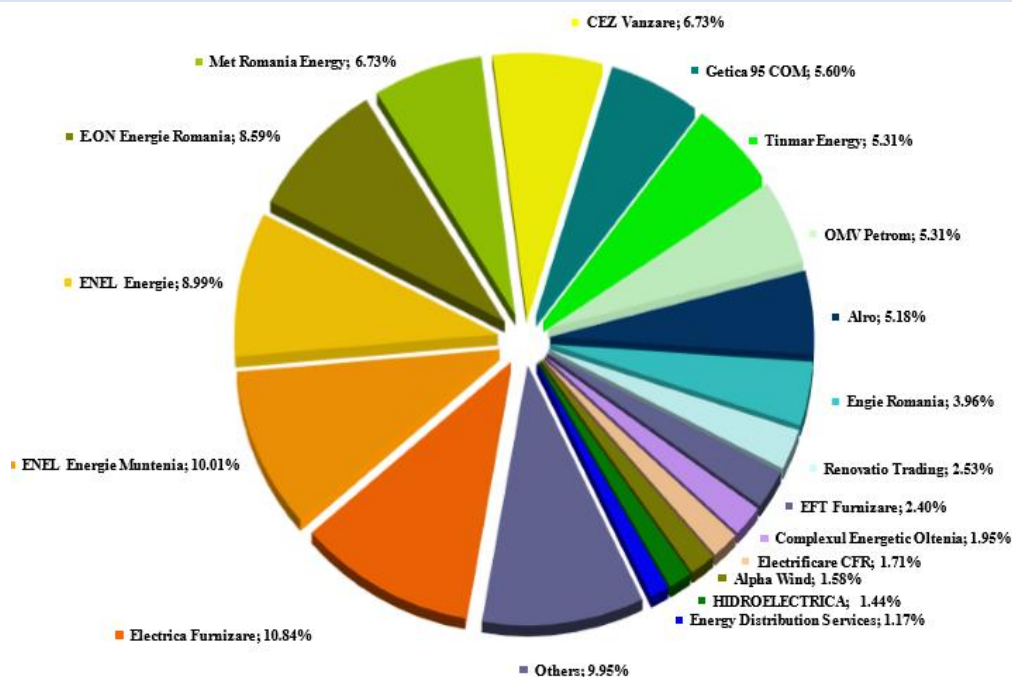
MARKET SHARES OF SUPPLIERS OF LAST RESORT FOR THE ELECTRICITY SUPPLIED TO REGULATED, UNIVERSAL SERVICE, LAST RESORT REGIME CLIENTS AND TO INACTIVE CLIENTS - JANUARY – JUNE 2019



Consumption of regulated, Universal service and last resort regime clients and of inactive clients: 4859 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 – JUNE 2019



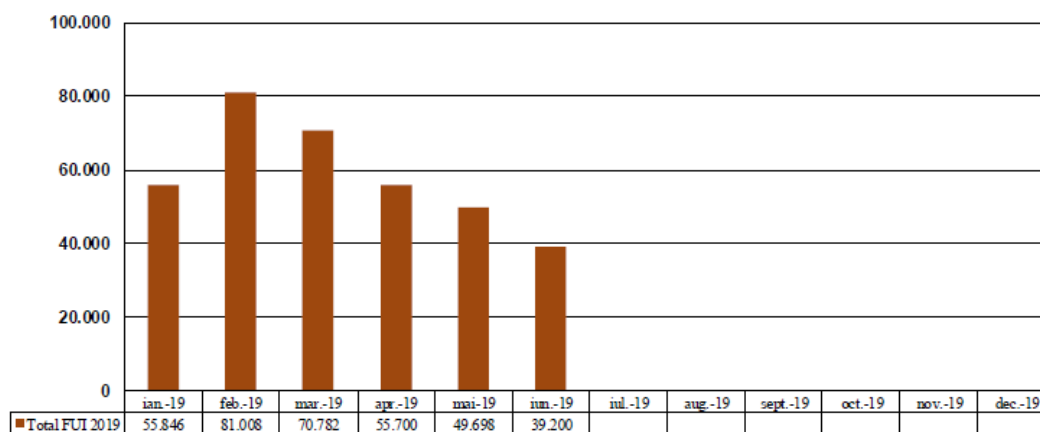
Consumption on competitive market: 19961 Gwh; C1 – 11%; C3 – 30%; HHI – 623;

Others category includes 71 suppliers with individual market share less than 1%

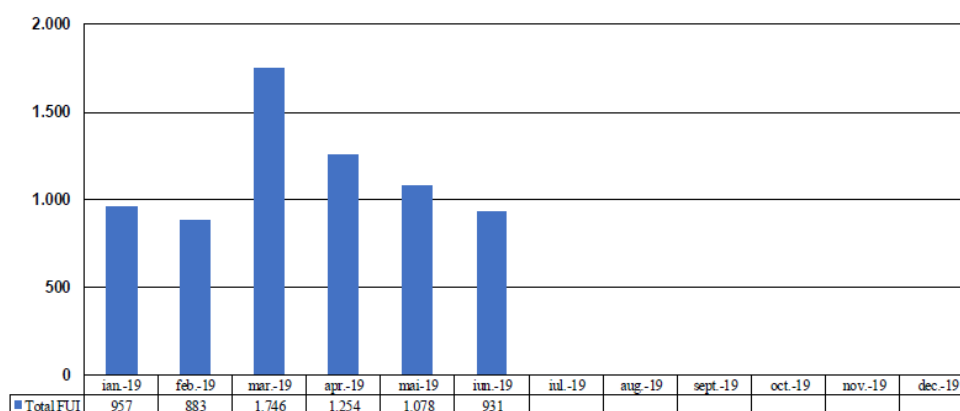
Source: Monthly reports of the competitive suppliers – Electricity Market Monitoring Unit assessment

MIGRATION OF ELECTRICITY FINAL CUSTOMERS TO COMPETITIVE MARKET

The graphics below show the evolution household and non-household customers migration to competitive market.



Source: Monthly reports of the SoLR - Electricity Market Monitoring Unit assessment



Source: Monthly reports of the SoLR - Electricity Market Monitoring Unit assessment

Average number of household customers transferred to competitive market decreased by 30,36% in the second quarter of 2019 compared to first quarter of 2019, respectively the number of non-household decreased by 9,01%.

NATURAL GAS

SIGNIFICANT DEVELOPMENTS IN 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 transmission system operator) and on the retail market (between suppliers, including producers and eligible customers).

The market structure of Romania according to the destination of natural gas is the following:

- **The wholesale market** represents the 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 size of the wholesale market is determined by the total of the transactions carried out by the participants.

- **The retail market** represents sales to final customers both on the regulated market and on the competitive market.

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

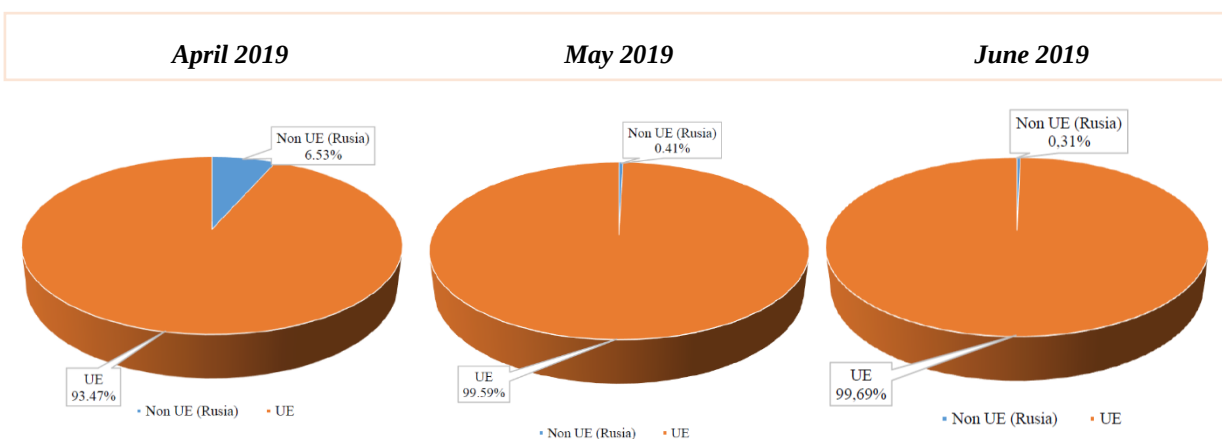
In April 2019, **domestic gas production** delivered for consumption was 7.784.260,303 MWh and accounted for 86,37% of the total consumption. The May delivery to the consumption was 5.317.963,205 MWh and accounted for 86,42% of the total consumed sources. Gas production in June, delivered for consumption, was 3.345.487,465 MWh and accounted for 83.74% 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 April 2019 was 1.262.138,947MWh and accounted for 14,00% of total sources consumed. The import of gas that was delivered for

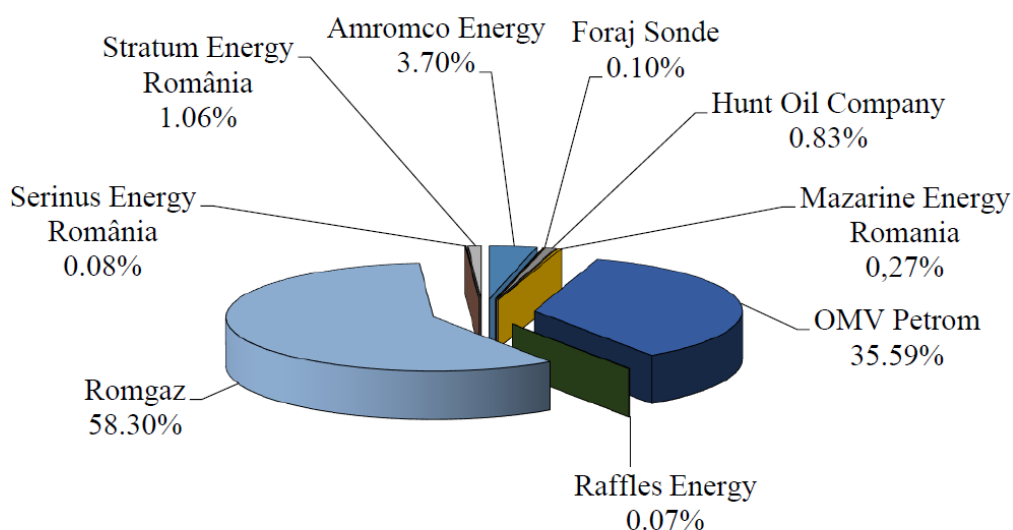
consumption in May was 938.769,749 MWh and accounted for 15,25% of total sources consumed and the import that was delivered for consumption in June was 769.507,963 MWh and accounted for 19,26% of total sources consumed.

THE CURRENT IMPORT OF NATURAL GAS DEPENDING ON THE SOURCE



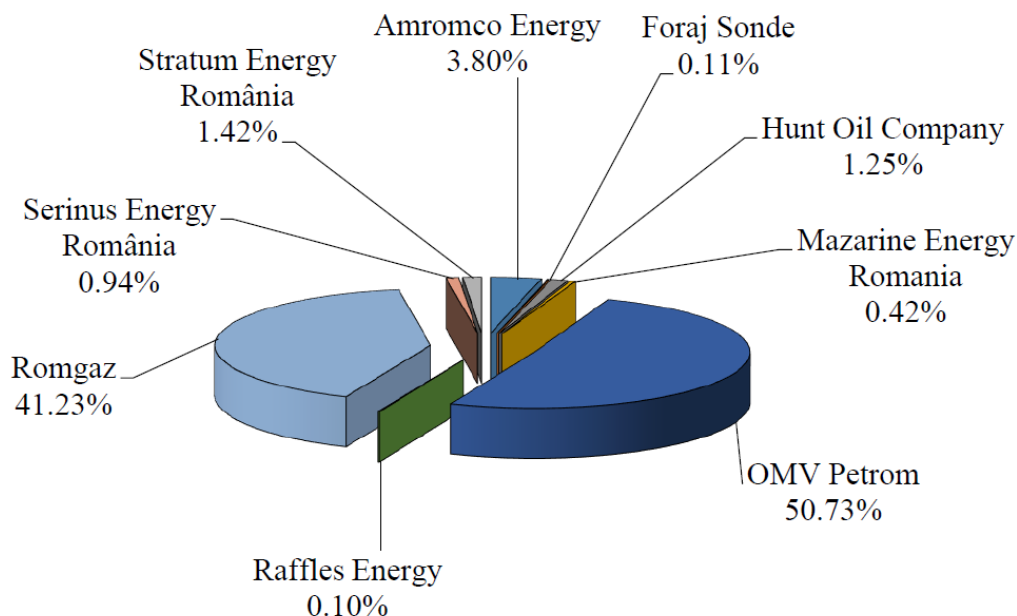
Source: reports on the natural gas market processed by ANRE

GAS DOMESTIC PRODUCTION ENTERED IN CONSUMPTION IN APRIL 2019



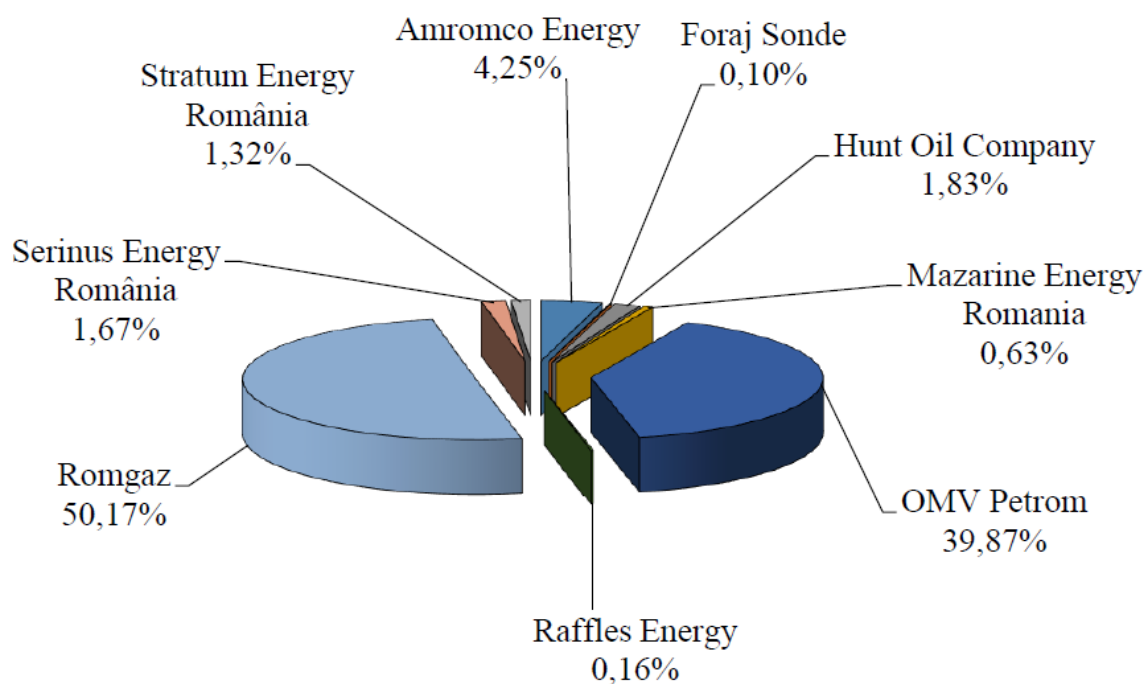
Source: reports on the natural gas market processed by ANRE

GAS DOMESTIC PRODUCTION ENTERED IN CONSUMPTION IN MAY 2019



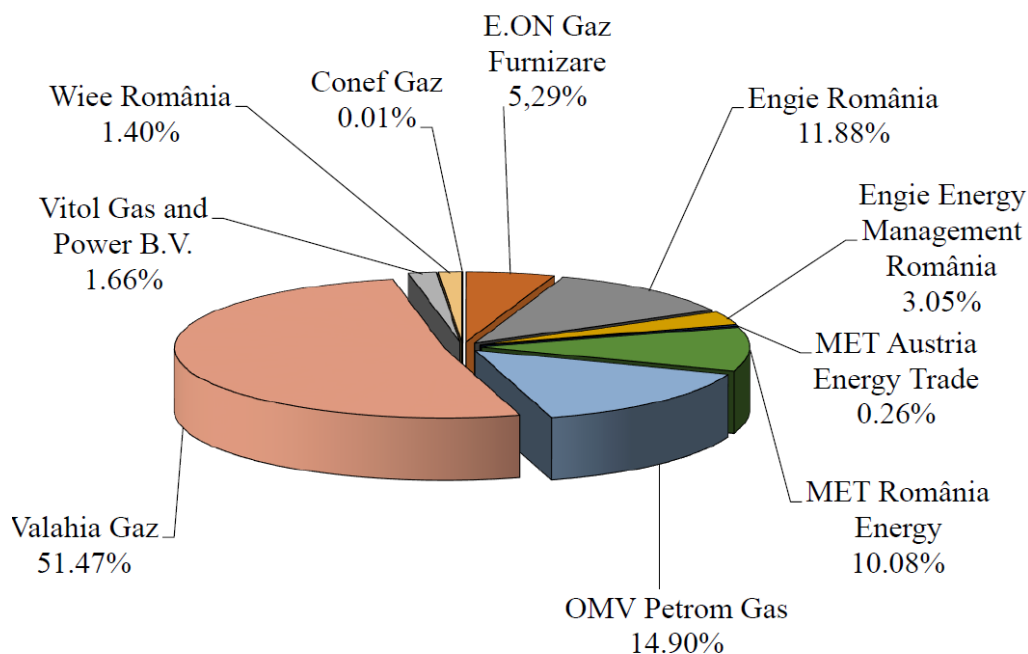
Source: reports on the natural gas market processed by ANRE

GAS DOMESTIC PRODUCTION ENTERED IN CONSUMPTION IN JUNE 2019



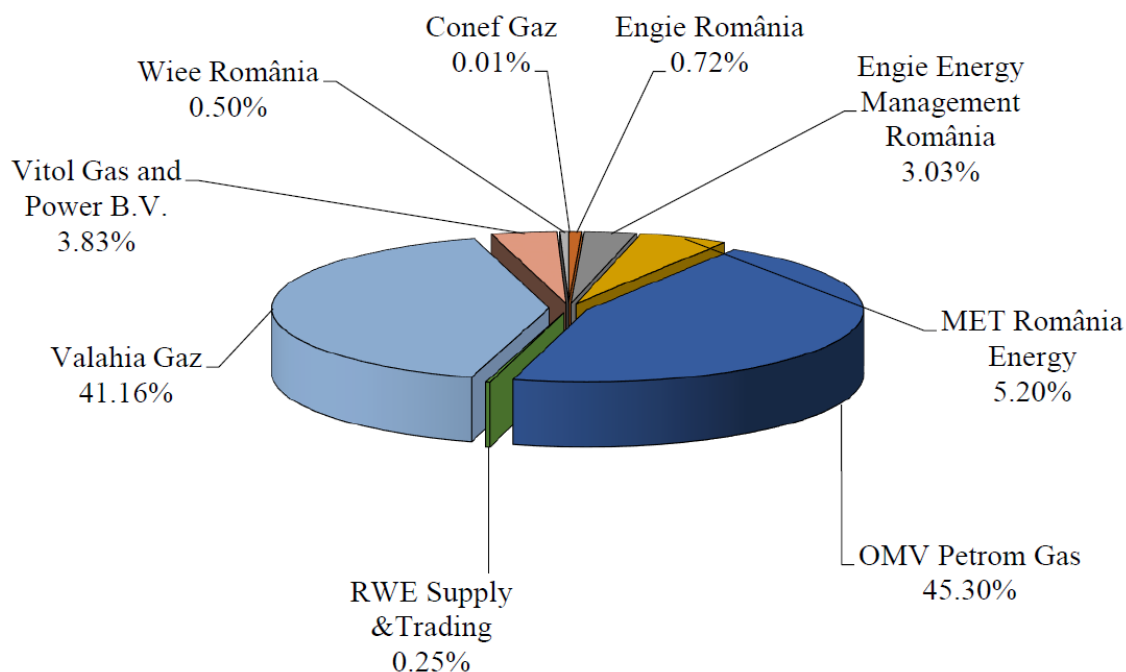
Source: reports on the natural gas market processed by ANRE

GAS IMPORT ENTERED IN CONSUMPTION IN APRIL 2019



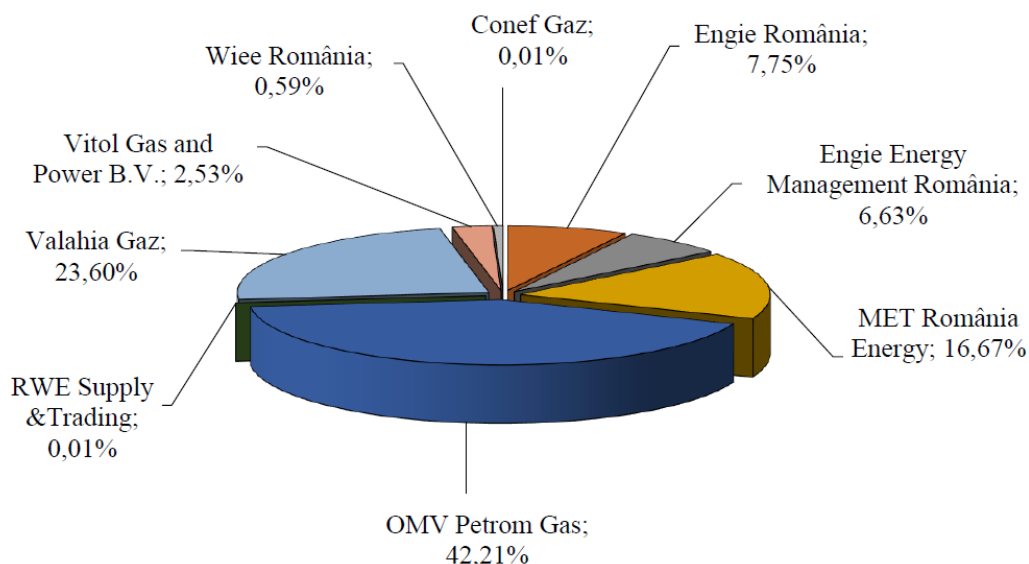
Source: reports on the natural gas market processed by ANRE

GAS IMPORT ENTERED IN CONSUMPTION IN MAY 2019



Source: reports on the natural gas market processed by ANRE

GAS IMPORT ENTERED IN CONSUMPTION IN JUNE 2019



Source: reports on the natural gas market processed by ANRE

WHOLESALE NATURAL GAS MARKET

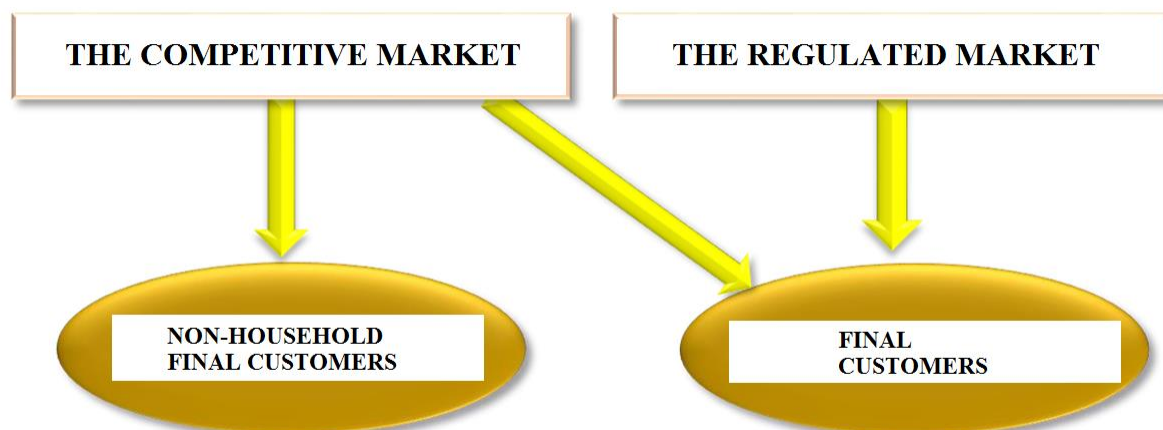
Centralized markets on which transactions can currently take place are as follows:

- 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.

RETAIL NATURAL GAS MARKET

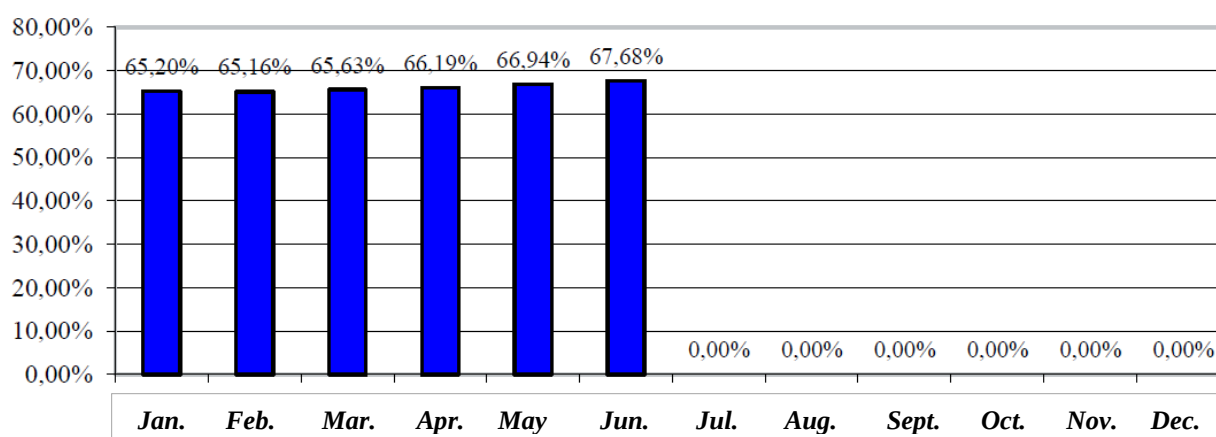
THE SCHEMATIC STRUCTURE OF THE RETAIL NATURAL GAS MARKET



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

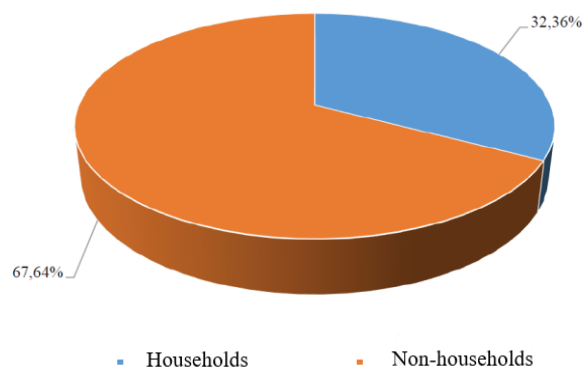
used to produce heat in cogeneration plants and in public heat plants (PETs).

OPENING DEGREE OF INTERNAL NATURAL GAS MARKET



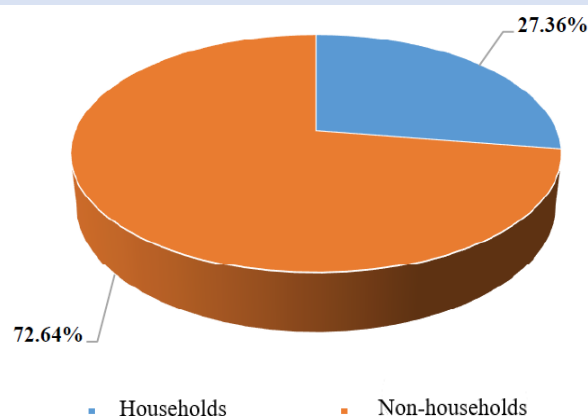
Source: reports on the natural gas market processed by ANRE

SHARE OF FINAL CUSTOMERS CONSUMPTION IN APRIL 2019



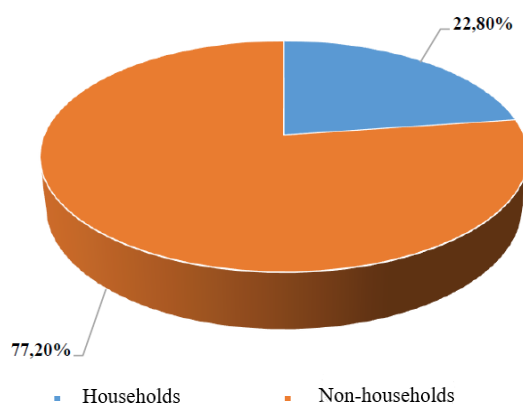
Source: reports on the natural gas market processed by ANRE

SHARE OF FINAL CUSTOMERS CONSUMPTION IN MAY 2019



Source: reports on the natural gas market processed by ANRE

SHARE OF FINAL CUSTOMERS CONSUMPTION IN JUNE 2019



Source: reports on the natural gas market processed by ANRE

ENERGY EFFICIENCY

NEW PROJECTS IN ENERGY EFFICIENCY

LABEL 2020

ANRE participates as co-beneficiary, starting June 2019, for a period of 42 months, together with 19 other European organizations within the LABEL 2020 project - New Label driving supply and demand of energy efficient products, which aims to support all the stakeholders in the transition process from the energy label of type A +++ - D, to the original concept of A-G class. According to the provisions of Law no. 121/2014 on energy efficiency, with the subsequent amendments and completions, of the Government Decision no. 917/2012 on establishing measures for the application of Regulation 1369/2017 of the European Parliament and of the Council, the Delegated Regulations (EU) regarding the indication, through labeling and standard information about the product, of the energy consumption and other resources of the products with energy impact and for the repeal of some normative acts, ANRE ensures the supervision of the equipment and appliances market for which

there are specific regulations regarding the energy efficiency and the ecological design, being designated as competent national authority for the market supervision for the product categories that are subject to the provisions of the abovementioned delegated regulations (EU) of the Commission.

ENSMOV PROJECT

ANRE participates as co-beneficiary, together with 14 other European organizations in the project ENSMOV - Enhancing the Implementation and Monitoring and Verification practices of Energy Saving Policies under Article 7 of the EED. Over the next three years, it will help Member States to monitor, review, improve and implement energy efficiency policies by developing existing resources (projects) focusing on practical and strategic issues arising from Article 7 of the Energy Efficiency Directive (EED). The project is coordinated by the Institute for European Energy and Climate Policy Stichting (IEECP) and it will run from June 2019 to May 2022 (36 months).



IN A NUTSHELL- EVENTS IN THE SECTOR WITH ANRE PARTICIPATION

- On **May 15th and 16th, 2019**, three high-level meetings listed within the calendar of the events of the Romanian Presidency at the Council of the European Union took place at the Conference Center of the Romanian Patriarchate Palace:

- *The 146th General Assembly Meeting of the Council of European Energy Regulators (GA CEER);*

- *The 27th Energy Regulatory Forum (ERF);*

- *The 82nd Board of Regulators Meeting of the Agency for the Cooperation of Energy Regulators (BoR ACER).*

The events were organized by the Romanian Energy Regulatory Authority with the kind support of the Ministry for Foreign Affairs, Ministry of Interior and the generosity of the Romanian Patriarchate. The meetings were attended by high-level representatives of the EU member states regulatory authorities, members and designated observers and representatives of ACER, CEER and European Commission. The discussions held on these occasions revealed that there is a major interest for

the continuation of the dialogue among the national regulatory authorities and for a careful analysis of the current issues related to the energy field.

- On **May 15th, 2019**, took place a meeting with high level representatives of Romanian Energy Regulatory Authority (ANRE) and National Energy Regulatory Agency of Moldova (ANRE) in order to discuss co-operation in the field of energy regulations and sector functioning. Also, the parties discussed upon signing a new protocol focusing on the consultancy activity and best practices that ANRE Romania will grant to the Moldovan colleagues.
- On **May 15th**, took place the 13th Edition of the Conference “Energy Efficiency, an essential condition towards a sustainable development”. The debate discussion themes focused on the new provisions of the Directive on Energy Efficiency and National Energy Efficiency Action Plan.
- On **May 20th and 21th**, took place Eurelectric Power Summit, in Florence. It is the leading forum where the



European power sector ecosystem connects. The main discussions focused on the necessity to harmonize industrial development with environmental protection requirements in order to face challenges of climate change.

- **On June 11th**, took place the 5th edition of Energy Strategy Summit, organized in partnership with ANRE. Most influential decision makers in the Romanian energy industry met for the largest professional debate dedicated to the national, European and corporate strategy. The leaders of thought in the most dynamic organizations shared their views on strategies for investment,

strategies for integration, and strategies for transformation.

- **On June 20th**, representatives of Romanian Energy Regulatory Authority (ANRE) were visited by a delegation representing the Energy Regulatory Authority from Azerbaijan. The delegation was particularly interested in ANRE's role and status, the activity regarding license granting, methodologies setting tariffs and prices, regulatory framework for retail and wholesale markets functioning, market monitoring, transparency and communication with interested parties, renewable energy and energy efficiency.