

National Regulatory Authority
in Natural Gas Sector

DECISION

On approval of Criteria and methods for approving prices and establishing regulated tariffs in natural gas sector

According to provisions of art. 5 j) and art. 8 para. (4) and (5) in Government Ordinance no. 41/2000 concerning establishment, organization and function of National Regulatory Authority in Natural Gas Sector (ANRGN), approved and amended by Law 791/2001, with subsequent modifications,

The President of National Regulatory Authority in Natural Gas Sector adopts the present decision.

Art. 1. - Criteria and methods for approving prices and establishing regulated tariffs in natural gas sector, foreseen in the appendix part at the present decision, are approved.

Art. 2. – On the date of coming into force of the present decision, Decision of the President of National Regulatory Authority in Natural Gas Sector no. 654/2002 on approval for Criteria and methods for calculating regulated prices and tariffs in natural gas sector, published in Monitorul Oficial of Romania, Part I, no. 506 on July 12, 2002, is abrogated.

Art. 3. – Specialty compartments within ANRGN shall fulfill the provisions in the present decision.

Art. 4. – The present decision shall be published in Monitorul Oficial of Romania, Part I.

President of National Regulatory Authority
in Natural Gas Sector

Dan Pantilie

Bucharest, December 18, 2003
No. 1078

CRITERIA AND METHODS

for approving prices and establishing regulated tariffs in natural gas sector

CHAPTER I

General Principles

Art. 1. - The present criteria and methods have as a purpose to substantiate and set the:

- a). Regulated prices in natural gas sector, at which the regulated supplying for captive customers is accomplished, thereafter called *regulated final prices*.
- b). Regulated tariffs for natural gas transmission services through a transmission system, thereafter called *transmission tariffs*.
- c). Regulated tariffs for natural gas storage services into underground facilities, thereafter called *storage tariffs*.
- d). Regulated tariffs for natural gas distribution services through distribution systems, thereafter called *distribution tariffs*.

Art. 2. – (1) *Regulated final prices* – prices at which the regulated supplying of the equivalent of 1,000 m³ of natural gas toward final customers is accomplished, at standard pressure, temperature and quality, specified by Standard 3317.

(2) Regulated final prices are settled differentiated by customer categories, for each homogeneous distribution system, according to the configuration of the systems through which the supplying of natural gas is accomplished.

(3) Final prices do not include VAT.

Art. 3 - (1) *Transmission tariffs* - represent the equivalent value of the transmission services for reserving the transmission capacity and using the transmission through the transmission system of 1,000 m³ of natural gas at standard pressure, temperature and quality of natural gas, specified by Standard 3317.

(2) Transmission tariffs are settled different for each transmission licensee and for each transmission system operated by this, according to the technical characteristics and operating regime of each transmission system.

(3) Transmission tariffs do not include:

- a). The equivalent value of natural gas;
- b). The equivalent value of the services performed by transmission licensees as natural gas suppliers, for or related to natural gas commercialization;
- c). Tax for natural gas from internal production.
- d). Value of connection installations and connection works to transmission system.

(4) Transmission tariffs do not include VAT.

Art. 4. – (1) *Storage tariffs* – represent the equivalent value of the services performed for underground storage into an underground deposit and for using it, for a quantity equivalent of 1,000 m³ of natural gas at standard pressure, temperature and quality of natural gas, specified by Standard 3317, for a complete storage cycle.

(2) The storage tariffs are settled different, for each storage licensee and for each underground deposit operated by this, in compliance with the technical-geological characteristics and operation regime of each underground storage deposit.

(3) Storage tariffs do not include:

- a). The equivalent value of natural gas;
- b). The equivalent value of the services performed by storage licensees as natural gas suppliers, for or related to natural gas commercialization;
- c). Tax for natural gas from internal production.

(4) Storage tariffs do not include VAT.

Art. 5. – (1) *Distribution tariffs* – represent the equivalent value of distribution services for reserving the distribution capacity and for using the distribution system for 1,000 m³ of natural gas at standard pressure, temperature and quality of natural gas, specified by Standard 3317.

(2) Distribution tariffs are settled different by customer categories and for each homogeneous distribution system, according to the technical characteristics and operating regime of each distribution system.

(3) Distribution tariffs do not include:

- a). The equivalent value of natural gas supplied to customers;
- b). The equivalent value of the services performed by the distribution licensees, as natural gas suppliers, for or related to natural gas commercialization;
- c). The tax for natural gas from internal production;
- d). Value of connection-disconnection works

(4) Distribution tariffs do not include VAT.

CHAPTER II

Definition of regulatory periods

Art. 6 – (1) *Regulatory period* is the period of time while ANRGN regulates total or unit revenue, thereafter called *regulated revenue*, that an operator is entitled to achieve each year of the regulatory period for developing a regulated activity.

(2) Regulated revenue determination is accomplished based on formulas and parameters next presented.

Art. 7 - The regulatory period for each of the regulated activities is 5 years, excepting the first regulatory period (transit stage), which lasts for 3 years.

Art. 8 - For licensed operators that accomplish regulated activities on the date of publishing the present criteria and methods the following dates for starting the first regulatory period are established:

- a). For underground storage of natural gas – April 1, 2004;
- b). For natural gas transmission through national transmission system, including natural gas transit – July 1, 2004;
- c). For natural gas distribution and supply – January 1, 2005.

Art. 9 - For licensed operators that do not develop regulated activities on the date of publishing the present criteria and methods, the first regulatory period starts on the date of starting the regulated activity.

CHAPTER III **Definition of regulated activities**

Art. 10 - The activities for which ANRGN settles tariffs and approves regulated prices are as follows:

- a). Transmission of natural gas
- b). Underground storage of natural gas
- c). Transit of natural gas
- d). Distribution of natural gas
- e). Regulated supply of natural gas

SECTION 1

Transmission of natural gas

Art. 11 - *Transmission of natural gas* means the activities and operations accomplished by the transmission licensee for or related to construction, operation and development of transmission capacities and their use.

Art. 12 - *Operation of transmission capacities* means the activities and operations accomplished by the licensee for and/or related to maintenance, repair, verification, ensuring security of function of the transmission capacity and others alike.

Art. 13 - *Development of transmission capacities* means the activities and operations accomplished by the licensee for and/or related to increase the transmission capacity.

Art. 14 - *Using the system* means the activities and operations accomplished by the transmission licensee for or related to:

- a). Taking over natural gas from production fields, from underground storage and from import;
- b). Circulation of natural gas through transmission system, between delimitation points of transmission system;
- c). Delivery natural gas to supply stations or export;
- d). Measurement of the quantities of natural gas at delimitation points;
- e). Reading the measurement device meters/equipment and/or systems.

Art. 15 - *Ancillary activities for using the system* are considered the activities and operations accomplished by the transporter for:

- a). Dispatching the quantities of natural gas notified by users, by elaborating the routs and applying the optimal function regimes of the transmission system and the management of congestions of the systems;

- b). Ensuring the physical balance of the transmission system and continuous correlation of inputs and outputs of natural gas into and out of the system, according to the notifications of the users;
- c). Accomplishing the exchanges of natural gas between the users of the transmission system, the linepack, the counter-current transmission of natural gas.

SECTION 2

Underground storage of natural gas

Art. 16 - *Underground storage of natural gas* means all the activities and operations accomplished by the storage licensee for or related to construction, operation and development of underground capacities and their use.

Art. 17 - *Operation of underground storage capacities* means the activities and operations accomplished by the storage licensee for and/or related to maintenance, repair, verification, ensuring security of function of the storage capacity and others alike.

Art. 18 - *Development of storage capacities* means the activities and operations accomplished by the storage licensee for and/or related to increase of underground storage capacity.

Art. 19 - *Using the underground storage capacities* means the activities and operations accomplished by the storage licensee for and/or related to:

- a). Injection of natural gas into the underground facilities;
- b). Depositing and managing the quantities of natural gas into the underground facilities;
- c). Extraction of natural gas from underground facilities.

Art. 20 - *Injection of natural gas into the underground facilities* means the activities and operations accomplished by the storage licensee for ensuring the taking over of natural gas, its measurement, treatment and circulation through ground facilities and putting into underground facilities.

Art. 21 - *Extraction of natural gas from the underground facilities* means the activities and operations accomplished by the storage licensee for ensuring the driving out of natural gas from the underground facilities, its treatment, circulation and measurement through ground facilities and the delivery to the transporter and/or the beneficiary.

SECTION 3

Natural gas transit

Art. 22 – (1) *Natural gas transit* means the activities and operations accomplished by the transit licensee for or related to the transmission through the national transmission system and/or main lines, through the Romanian territory, of natural gas from another state and dedicated to a third state.

(2) – The transit activity accomplished through the national transmission system is included into transmission activity as defined in section 1 “Natural gas transmission”, excepting the transit accomplished through transmission systems or direct lines meant exclusively to this activity, for which the present criteria and methods do not apply.

SECTION 4 *Natural gas distribution*

Art. 23 - *Natural gas distribution* means the activities and operations accomplished by the distribution licensee for or related to construction, operation and development of distribution capacities and their use.

Art. 24 - *Operation of distribution capacities* means the activities and operations accomplished by the licensee for and/or related to maintenance, repair, verification, ensuring security of function of the distribution capacity and others alike.

Art. 25 - *Development of distribution capacities* means the activities and operations accomplished by the licensee for and/or related to increase of distribution capacity.

Art. 26 - *Using the system* means the activities and operations accomplished by the distribution licensee for or related to:

- a). Taking over natural gas from production fields, from transmission systems or directly from import;
- b). Circulation of natural gas through distribution system, between delimitation points of distribution system;
- c). Delivery natural gas to final customer or another distributor;
- d). Measurement of the quantities of taken over/ supplied natural gas,
- e). Reading the measurement meters/equipment and/or systems.

SECTION 5 *Regulated supply of natural gas*

Art. 27 - *Regulated supply of natural gas* means the activities and operations accomplished for or related to:

- a). natural gas purchasing;
- b). commercialization of natural gas to final customers, based on standard supplying contracts and at regulated prices;
- c). relationships with customers determined by concluding and developing the supply contracts .

CHAPTER IV **Regulated revenue**

Art. 28 – (1) *Regulated revenue* is the revenue related to a year of the regulatory period, recognized and permitted by ANRGN to an operator for covering the costs

under the management of the operator, necessary for developing, in a prudent style, the regulated activity.

(2) – *Regulated revenue* does not cover the costs that could not be controlled and upon which the management of the operator may not directly action for increasing the efficiency of the developed activity, thereafter called *pass-through costs*, representing:

- a). contributions to healthy fund, special funds, others alike, related to wages fund;
- b). taxes, duties, contributions to special funds, others alike established in compliance with legal regulations in force;
- c). royalties for concession of state public property goods ;
- d). royalties foreseen by concession contracts of distribution service and/or related goods, rents foreseen by rent contracts for goods forming distribution grids, as well as local taxes established by authorities for accomplishing distribution services;
- e). costs for purchasing natural gas meant or re-sell, in case of regulated supply, including costs of related services and tax for natural gas from internal production;
- f). other costs beyond operator's control, accepted as it is by ANRGN.

Art. 29 – (1) For transmission activity, respectively underground storage activity, the revenue is regulated at the level of covering total costs related to one year of regulatory period, necessary for prudently accomplishing the regulated activity, thereafter called *total regulated revenue*.

(2) For distribution activity, respectively supply activity, the revenue is regulated at the level of covering total costs related to one year of regulatory period, necessary for prudently accomplishing the regulated activity, thereafter called *unit regulated revenue*.

Art. 30 – (1) For the distribution activity, the unit regulated revenue for the first year of the regulatory period is determined, for each operator, by dividing the base revenue related to distribution activity to the total quantity estimated to be distributed within the first year of the regulatory period;

(2) For the regulated supply activity, the unit regulated revenue for the first year of the regulatory period, is determined, for each supplier, by dividing the base revenue related to regulated supply activity to the total quantity estimated to be distributed within the first year of the regulatory period.

(3) The total quantity estimated to be distributed during the first year of regulatory period foreseen at para. (1), respectively total quantity estimated to be supplied during the first year of regulatory period foreseen at para. (2), shall be substantiated by each operator. Reasons basing the substantiation and the used forecast methods are presented to ANRGN in the same time with these.

Art. 31 - During the regulatory period, the regulated revenue of each operator is adjusted only based on the specific formulas for each regulated activity and the pre-

defined parameters for each operator, established at the beginning of the regulatory period.

SECTION 1

Regulated revenue for the first year of the regulatory period

Art. 32 – (1) Total revenue related to the first year of the regulatory period is calculated for the first year of the regulatory period, for each regulated activity and each operator.

(2) Total revenue related to the first year of the regulatory period includes the base revenue, representing the regulated revenue for the first year of the regulatory period and related pass-through costs.

Art. 33 – (1) Base revenue covers the operator's costs necessary for prudently developing the regulated activity during the first year of the regulatory period. The costs are accepted by ANRGN in compliance with principles and rules in the present criteria and methods.

(2) The base revenue does not include pass-through costs.

Art. 34 – (1) The general formula for calculating the base revenue for the first year of regulatory period, for any company and/or regulated activity, is the following:

$$VB_o = OPEX_o + R_oR \times RAB_o + AR_o + DV_o$$

where:

VB_o – base revenue, calculated as total revenue necessary to the operator for the first year of the regulatory period;

$OPEX_o$ – total operational expenditures of the operator for the first year of the regulatory period;

R_oR – regulated rate of return, recognized by ANRGN for each regulated activity;

RAB_o – regulated value of assets, representing the value of tangible and intangible assets at the beginning of the first year of the regulatory period, including working capital, recognized by ANRGN;

AR_o – regulated depreciation of tangible and intangible assets, recognized by ANRGN for the first year of the regulatory period;

DV_o – redistribution component between operator and customers of the increase of economic efficiency accomplished during the previous regulatory period. For the first regulatory period, this value is zero.

(2) Pass-through costs, foreseen at art. 28, para (2), a) - d), are calculated based on legal regulations existing on the date of establishing the base revenue and are added to the base revenue established in compliance with the formula at para. (1).

(3) Pass-through costs, foreseen at art. 28, para (2), e), are calculated based on provisions at arts. 40, 41 and 42 and add to the base revenue established in compliance with the formula at para. (1).

Art. 35 - The elements that define the base revenue, for any of the regulatory periods, are determined according to the rules established by the present criteria and methods and are recognized by ANRGN for the substantiation of the base revenue only as far as they obey these rules.

Art. 36 – (1) The economic efficiency growth is defined as the difference between costs recognized by ANRGN for establishing the base revenue in the first year of the regulatory period and the level of costs accomplished by the operator during the same period.

(2) The economic efficiency growth does not include cost savings generated by decreases of profit tax.

Art. 37 - At the end of each regulatory period, ANRGN analyzes the information provided by the operator and quantifies the economic efficiency growth he accomplished for each year of the regulatory period.

Art. 38 - The operator is entitled to keep all the financial equivalent of the economic efficiency growth obtained during the regulatory period, for a period of 5 years from the year it was obtained.

Art. 39 – For the regulated supply activity, when determining the total revenue related to the first year of the regulatory period, the costs for purchasing natural gas, including the costs of related services and the tax for natural gas from internal production, are not included into operation costs (OPEX).

SUBSECTION 1.1

Unit fix sum for covering the purchasing costs for natural gas

Art. 40 - ANRGN determines the unit fix sum – CUG^{fr} for covering the costs related to purchasing natural gas, including related services and tax for natural gas from internal production, dedicated to re-sell within the regulated supply activity, for the beginning of each year of the regulatory period and it is recognized into the unit regulated revenue.

Art. 41 – (1) The unit fix sum for covering the costs related to purchasing natural gas is estimated for each year of the regulatory period, before its beginning, based on the following elements:

- a). forecast on total natural gas demand, final customers demand related to regulated supply activity;
- b). forecast on structure of sources of natural gas from internal production and from import, necessary for covering the total demand;
- c). forecast on the part from the quantities of natural gas meant to re-sell by regulated supply, that shall be transported and/or stored;
- d). forecast of evolution of purchasing prices of natural gas from import, including the customs tax and others alike;
- e). forecast of evolution of purchasing prices of natural gas from internal production;
- f). Tariffs for transmission and underground storage services;

g). Tax for natural gas from internal production.

(2) ANRGN elaborates the forecast related to elements that base the estimation of the fix unit sum for covering costs related to natural gas purchasing, mentioned at para. (1), based on own methodology, published within 6 months from coming into force of the present criteria and methods.

Art. 42 - (1) The general formula for calculating the fix unit sum for covering costs related to natural gas purchasing, dedicated to re-sell within the activity of regulated supply, is:

$$\text{CUG}^{\text{fr}} = \frac{Q_{\text{imp}}^{\text{fr}} * P_{\text{imp}} + Q_{\text{int}}^{\text{fr}} * P_{\text{int}} + Q_{\text{int}}^{\text{fr}} * \text{IMP} + Q_{\text{t}}^{\text{fr}} * T_{\text{t}} + Q_{\text{ds}}^{\text{fr}} * (T_{\text{ds}} + T_{\text{t}})}{Q_{\text{imp}}^{\text{fr}} + Q_{\text{int}}^{\text{fr}}}$$

Where:

$Q_{\text{imp}}^{\text{fr}}$ – annual quantity of natural gas from import;

$Q_{\text{int}}^{\text{fr}}$ – annual quantity of natural gas from internal production;

Q_{t}^{fr} – annual quantity of transported natural gas;

$Q_{\text{ds}}^{\text{fr}}$ – annual quantity of natural gas stored into underground facilities;

P_{imp} – average import price;

P_{int} – average price of internal production;

T_{t} – regulated tariff for transmission services;

T_{ds} – regulated tariff for underground storage services;

IMP – tax for natural gas from internal production, established in compliance with legal provisions in force.

(2) Elements in the formula presented at para. (1) are forecasted by ANRGN in compliance with own methodology, mentioned at art. 41, para. (2).

SECTION 2

Adjustment of regulated revenues during regulatory period

Art. 43 - During the regulatory period, ANRGN applies annually adjustment formulas of the revenues of the operators developing regulated activities, as it follows:

- a). The adjustment formulas shall be applied to regulated revenue, in case of natural gas transmission and, respectively, underground storage;
- b). The adjustment formulas shall be applied to unit regulated revenue, in case of natural gas distribution and, respectively, regulated supply;

SUBSECTION 2.1

Transmission Activity

Art. 44 – (1) During the regulatory period, the annual adjustment formula of the total annual revenue of transmission activity is the following:

$$VRT_i^t = [VRT_{i-1}^t \times (1 + RI_i - X^t)] + CE_{i-1}^t + \Delta DP_i^t + \Delta CS_{i-1}^t + \Delta VRT_{i-1}^t + \Delta INV_{i-1}^t$$

Where:

VRT_i^t – total regulated revenue in the year „i”;

VRT_{i-1}^t – total regulated revenue for the year „i-1” (previous year);

RI_i - ratio of inflation used for substantiation the state budget for the year „i”, according to the explanations at art. 130;

X^t – increase ratio of the economic efficiency for transmission activity, estimated by ANRGN at the beginning of regulatory period for each operator, according to the explanations at art.127 - 129;

CE_{i-1}^t – unexpected costs accomplished from transmission activity for the year „i-1”, because of unpredictable external factors beyond operator’s control, according to the explanations at art. 131;

ΔDP_i^t – the difference between the maximum value recognized by ANRGN into the costs of the operator for paying compensations, penalties or others alike arising from performance standard for transmission activity for the year „i” and the one recognized for the year „i-1”. Such costs are included into the calculation formula for base revenue and adjusting annual formulas, after issuing the specific performance standards;

ΔCS_{i-1}^t – difference between pass-through costs, included into total revenue for the year „i-1” and the effective ones accomplished for the same year, according to the explanations at art. 132;

ΔVRT_{i-1}^t – correction component of total regulated revenue, calculated as the difference between total regulated revenue in the year „i-1” and the effective one accomplished in the same year, adjusted with the regulated rate of return, based on the formula :

$$\Delta VRT_{i-1}^t = (1 + RoR) \times (VRT_{i-1}^t - V_{realizat})$$

ΔINV_{i-1}^t – correction component for the invested capital for the year „i-1”, calculated as it follows:

$$\Delta INV_{i-1}^t = INV_{i-1}^t \times RoR + \frac{INV_{i-1}^t}{n}$$

where:

- INV_{i-1}^t – value of tangible assets put into function in the year „i-1”;
- RoR – regulated rate of return for the regulatory period;
- n – regulated duration for depreciation of tangible assets put into function expressed in years;

(2) Annual value of tangible assets put into function, used for defining the term ΔINV_{i-1}^t from the formula presented at para. (1), shall be determined in compliance

with the evaluation methodologies of ANRGN, published at the beginning of each regulated period.

SUBSECTION 2.2
Underground storage activity

Art. 45 – (1) Within the regulatory period, the annual adjustment formula for the total revenue of the underground storage activity is as it follows:

$$VT_i^{ds} = [VRT_{i-1}^{ds} \times (1 + RI_i - X^{ds})] + CE_i^{ds} + \Delta DP_i^{ds} + \Delta CS_{i-1}^{ds} + \Delta VRT_{i-1}^{ds} + \Delta INV_{i-1}^{ds}$$

Where:

VT_i^{ds} – total revenue in the year „i”;

VRT_{i-1}^{ds} - total regulated revenue in the year „i-1” (previous year);

RI_i - ratio of inflation used for substantiation the state budget for the year „i”, according to the explanations at art. 130;

X^{ds} – growth ratio of the economic efficiency for underground storage activity, estimated by ANRGN at the beginning of the regulatory period for each operator, according to the explanations at art.127 - 129;

CE_i^{ds} – costs accomplished from underground storage activity for the year „i-1”, due to unpredictable external factors, beyond operator’s control, according to the explanations at art.131;

ΔDP_i^{ds} – difference between maximum value recognized by ANRGN into the costs of the operator for payment of compensations, penalties or others alike arisen from performance standard of the activity of underground storage for the year „i” and the recognized one for the year „i-1”. Such costs are included into the calculation formula for base revenue and adjusting annual formulas, after issuing the specific performance standards;

ΔCS_{i-1}^{ds} – difference between pass-through costs, included into total revenue for the year „i-1” and the effective ones accomplished for the same year, according to the explanations at art. 132;

ΔVRT_{i-1}^{ds} – correction component for total regulated revenue, calculated as the difference between total regulated revenue and the and the effective accomplished ones for the year „i-1”, adjusted with the regulated rate of return according to formula:

$$\Delta VRT_{i-1}^{ds} = (1 + RoR) \times (VRT_{i-1}^{ds} - V_{realizat})$$

ΔINV_{i-1}^{ds} – correction for the invested capital for the year „i-1”, calculated as it follows:

$$\Delta INV_{i-1}^{ds} = INV_{i-1}^{ds} \times RoR + \frac{INV_{i-1}^{ds}}{n}$$

where:

- INV_{i-1}^{ds} – value of tangible assets put into function in the year „i-1”;
- RoR – regulated rate of return for the regulatory period;
- n – regulated duration for depreciation of tangible assets put into function expressed in years;

(2) Annual value of tangible assets put into function, used for defining the term ΔINV_{i-1}^{ds} from the formula presented at para. (1), shall be determined in compliance with the evaluation methodologies of ANRGN, published at the beginning of each regulated period.

SUBSECTION 2.3 *Distribution activity*

Art. 46 – (1) Within the regulatory period, the annual adjustment formula for the unit revenue of the distribution activity is as it follows:

$$VU_i^d = [VRU_{i-1}^d \times (1 + RI_i - X^d) \times (EGC^d)] + CE_i^d + \Delta DP_i^d + \Delta CS_{i-1}^d + \Delta INV_{i-1}^d$$

Where:

VU_i^d – unit revenue for the year „i”;

VRU_{i-1}^d - unit regulated revenue for the year „i-1” (previous year);

RI_i - ratio of inflation used for substantiation the state budget for the year „i”, according to the explanations at art.130;

X^d – growth ratio of the economic efficiency for distribution activity, established by ANRGN at the beginning of the regulatory period for each operator, according to the explanations at art. 127 – art. 129;

EGC^d – adjustment formula for unit regulated revenue for the year „i”, that quantifies the influence of cost drivers for distribution activity. The formula is established for each operator, statistically, at the beginning of regulatory period, according to the explanations at art. 133 and art. 134;

CE_i^d – unit costs accomplished from distribution activity for the year „i-1”, due to unpredictable external factors and beyond the control of the operator, according to the explanations at art. 131;

ΔDP_i^d – difference between maximum value recognized by ANRGN into unit costs of the operator for paying compensations, penalties and others alike arising from performance standard of the distribution activity for the year „i” and the recognized one for the year „i-1”. Such costs are included into the calculation formula for base revenue and adjusting annual formulas, after issuing the specific performance standards;

ΔCS_{i-1}^d – the difference between the unit pass-through costs included into total revenue for the year „i-1” and the effective accomplished ones for the same year, according to the explanations at art. 132;

ΔINV_{i-1}^d – correction component for the invested capital for the year „i-1”, calculated as it follows:

$$\Delta INV_{i-1}^d = \frac{INV_{i-1}^d \times RoR + \frac{INV_{i-1}^d}{n}}{Q}$$

where:

- INV_{i-1}^d – value of tangible assets put into function in the year „i-1”, for replacing the tangible assets entirely depreciated, according to rules on regulated depreciation, and existing into operation on December 31, 2004;
- RoR – regulated rate of return for the regulatory period;
- n – regulated duration for depreciation of tangible assets put into function expressed in years;
- Q – quantity of natural gas that shall be distributed in the year “i”

(2) Annual value of tangible assets put into function, used for defining the term ΔINV_{i-1}^t from the formula presented at para. (1), shall be determined in compliance with the evaluation methodologies of ANRGN, published at the beginning of each regulated period.

SUBSECTION 2.4 *Regulated supply activity*

Art. 47 - Within the regulatory period, the annual formula for adjusting the unit revenue for the regulated supply activity is as it follows:

$$VU_i^{fr} = [VRU_{i-1}^{fr} \times (1 + RI_i - X^{fr}) \times (EGC^{fr})] + CE_i^{fr} + \Delta DP_i^{fr} + \Delta CS_{i-1}^{fr} + \Delta CUG_i^{fr}$$

Where:

- VU_i^{fr} – unit revenue for the year „i”;
- VRU_{i-1}^{fr} - unit regulated revenue for the year „i-1” (previous year);
- RI_i - ratio of inflation used for substantiation the state budget for the year „i”, according to the explanations at art. 130;
- X^{fr} – growth ratio of the economic efficiency for regulated supplying activity, established by ANRGN at the beginning of the regulatory period for each operator supplier, according to the explanations at art. 127 – art. 129;
- EGC^{fr} – adjustment formula for unit regulated revenue for the year „i”, that quantifies the influence of cost drivers for regulated supplying activity. The

formula is established for each operator, statistically, at the beginning of regulatory period, according to the explanations at art. 133 and art. 134;

CE_i^{fr} – unit costs accomplished from regulated supply activity for the year „i-1”, due to unpredictable external factors and beyond the control of the supplier, according to the explanations at art. 131;

ΔDP_i^{fr} – difference between maximum value recognized by ANRGN into unit costs of the supplier for paying compensations, penalties and others alike arising from performance standard of the regulated supply activity for the year „i” and the recognized one for the year „i-1”. Such costs are included into the calculation formula for base revenue and adjusting annual formulas, after issuing the specific performance standards;

ΔCS_{i-1}^{fr} – the difference between the unit estimated costs, beyond the control of the supplier and included into regulated unit revenue and the effective accomplished ones for the year „i-1”;

ΔCUG_i^{fr} - correction component for the unit fix sum for purchasing natural gas, calculated in compliance with the formula :

$$\Delta CUG_i^{fr} = CUG_i^{fr} - CUG_{i-1}^{fr} + \Delta CUG_{i-1}^{fr} * (1 + R_o R)$$

where:

CUG_i^{fr} – unit fix sum calculated for the year „i”

CUG_{i-1}^{fr} – unit fix sum included into unit regulated revenue VRU_{i-1}^{fr} in the year „i-1”

ΔCUG_{i-1}^{fr} – difference between unit fix sum included into unit regulated revenue VRU_{i-1}^{fr} in the year „i-1” and purchasing unit costs in the year „i-1”, prudently accomplished, considering the market conditions and available information on the date they were made.

$R_o R$ – regulated rate of return for the regulatory period.

CHAPTER V

Structure of regulated prices and tariffs

SECTION 1

Transmission activity

Art. 48 - The pricing system for transmission activity contents tariffs „entry – exit” type, established for delimitation points at the input of the transmission system where the capacity is reserved, thereafter called *tariffed input points*, and at the output of the transmission system where the capacity is reserved, thereafter called *tariffed output points*, as well as for using the system. The structure of the transmission tariff is as it follows:

$$T_t = RC_{ti} + RC_{te} + V_t$$

Where:

T_t - transmission tariff

RC_{ti} – fix component for reserving the capacity at tariffed input points, expressed in ROL/ 1,000 m³/day

RC_{te} – fix component for reserving the capacity at tariffed supplying points, expressed in ROL/ 1,000 m³/day

V_t – volume component for using the transmission system, expressed in ROL/ 1,000 m³/day

Art. 49 – ANRGN, together with the operator of the transmission system, defines the tariffed input points and the tariffed output points, for which the components for reserving capacity are established, considering:

- a). The placement of the delimitation points of transmission system;
- b). The points through which natural gas is imported;
- c). Possibilities for gathering more delimitation points into one single tariffed;
- d). The flows of natural gas through the transmission system, at consumption peak and as an annual average.

Art. 50 - Fix component for reserving the capacity at tariffed input points (RC_{ti}) is calculated differentiated for each tariffed taking over station and quantifies the fix costs, related to reserving the capacity at these points.

Art. 51 - Fix component for reserving the capacity at tariffed output (RC_{te}) is calculated differentiated for each tariffed output point and quantifies the fix costs, related to developing the capacity at these points.

Art. 52 - Volume component for using the transmission system (V_t) quantifies the costs generated by using the system, considering the daily flows of natural gas from transmission system, including exchanges of natural gas, linepack and counter-flow transmission of natural gas.

Art. 53 – (1) Transmission tariff does not cover the costs of ancillary services of using the system, respectively costs generated by the activities and operations developed by the transporter for:

- a). Dispatching the quantities of natural gas notified by users, by elaborating the routs and applying the optimal function regimes of the transmission system and the management of congestions of the systems;
- b). Ensuring the physical and contractual balance of the transmission system and continuous correlation of inputs and outputs of natural gas into and out of the system, according to the notifications of the users;

(2) For covering the costs of the transporter, generated by developing the activities described at the previous paragraph, the dispatching and balance tariff for transmission system is established.

Art. 54 - The dispatching and balance tariff for transmission system is settled for each transmission system as “postal stamp” tariff, with a single volume component, expressed in ROL/ 1,000 m³ come into the transmission system.

Art. 55 – (1) For the first regulatory period, the tariff for transmission services through national transmission system is unique and has a binominal structure:

$$T_t = RC_t + V_t$$

Where:

T_t - transmission tariff

RC_t – fix component for reserving the capacity into the transmission system, expressed in ROL/ 1,000 m³/day

V_t – volume component for using the transmission system, expressed in ROL/ 1,000 m³/day

(2) Fix component for reserving capacity into transmission system (RC_t) quantifies the fix costs, generated by reserving capacity into transmission system.

(3) Volume component for using the transmission system (V_t) quantifies the costs generated by using the system, including those generated by accomplishment of all the services ancillary to using the system.

(4) The transportation tariff described above includes the dispatching and balancing tariff for the national transmission tariff.

SECTION 2

Underground storage activity

Art. 56 - Tariffs for underground storage are settled for each underground storage deposit and have the following structure:

$$T_{ds} = RC_{ds} + I_{ds} + E_{ds}$$

where :

T_{ds} - storage tariff

RC_{ds} – fix component for reserving capacity into underground deposit, expressed in ROL/ 1,000 m³

I_{ds} – volume component for natural gas injection into underground deposit, expressed in ROL/ 1,000 m³

E_{ds} – volume component for natural gas extraction from underground deposit, expressed in ROL/ 1,000 m³

Art. 57 - Fix component for reserving capacity into underground deposit (RC_{ds}) quantifies the fix costs, generated by reserving capacity into underground deposit for the period of a complete storage cycle.

Art. 58 - Volume component for natural gas injection into underground deposit (I_{ds}) quantifies the variable costs generated by taking over, measurement, treatment and circulation of natural gas through ground facilities and putting it into the underground deposit.

Art. 59 - Volume component for natural gas extraction from underground deposit (E_{ds}) quantifies the costs generated by driving out the natural gas from underground deposit, its treatment, circulation and measurement through ground facilities and supplying to the transporter and/or beneficiary.

SECTION 3 *Distribution activity*

Art. 60 - Tariff system for distribution activity contents tariffs differentiated by customer categories and homogenous distribution system, according to technical characteristic and operation regime of each distribution system. Distribution tariffs have a binominal structure, type:

$$T_d^x = RC_d + V_d$$

where :

T_d^x – distribution tariff for „x” customer category

RC_d – fix component for reserving capacity into distribution system, expressed in ROL/c.m/hour

V_d – volume component for using the distribution system, expressed in ROL/1000 c.m

Art. 61 - Fix component for reserving capacity into distribution system (RC_d) quantifies the fix costs, related to developing capacity of the distribution system.

Art. 62 - Volume component for using the distribution system (V_d) quantifies the variable costs generated by using the distribution system.

SECTION 4 *Regulated supply activity*

Art. 63 - Final regulated prices are established differentiated by customer categories, for each homogenous distribution system, according to configuration of the systems through which the natural gas is supplied. Regulated final prices have a binominal structure, type:

$$P^x = Ab + V_f$$

where :

P^x – final regulated price for the „x” category of customers

Ab – daily subscription, expressed in ROL/day

V_f – volume component for natural gas consumption, expressed in ROL/1000
 m^3

Art. 64 - Daily subscription (Ab) quantifies fix costs, generated by reserving the capacity into distribution system and by developing regulated supplying activity.

Art. 65 – Volume component for natural gas consumption (V_f) quantifies the variable costs, generated by natural gas consumption.

CHAPTER VI **Regulated accounting records**

SECTION 1 *General rules*

Art. 66 - Licensed operators in natural gas sector, developing regulated activities, are obliged to organize and manage records of the revenues, costs and tangible and intangible assets for each of the regulated activities they develop, thereafter called *regulated accounting records* – ECR, in compliance with the principles and rules established by ANRGN.

Art. 67 – (1) Regulated accounting records – ECR, organized and managed in compliance with the principles and rules established by ANRGN are separated from statute accounting records, organized and managed according to legal regulations in the domain and are exclusively used by the operators and ANRGN.

(2) In case that rules and principles established by ANRGN for organizing and managing ECR do not content specific provisions, general rules from international accounting standards are applied – IAS.

Art. 68 - ECR shall have a detailed degree to allow ANRGN the exact acknowledgment of the revenues and cost elements for each regulated activity. In case it is necessary, ANRGN is entitled to request details for each element from ECR.

Art. 69 – (1) Licensed operators are obliged to provide ANRGN, annually, separate ECR for each regulated activity, issued in compliance with the present principles and rules established by ANRGN.

(2) The ECR models are settled by ANRGN and will be published within 6 months from approving the present criteria and methods.

SECTION 2 *Criteria for classifying costs*

SECTION 2.1 *Allocation of costs between regulated activities*

Art. 70 - Allocation of costs between regulated activities bases on the following principles:

- a. *Causality* - costs are attributed accordingly to the activity they determine
- b. *Fairness* – costs are attributed fairly, without any unmerited interest or profit of the regulated company or of any other company or organization.
- c. *Transparency* – rules through which costs attributed by activities are transparent and allow the identification of costs attributed to each activity.
- d. *Continuity* – rules through which costs attributed by activities are time constantly applied; rules could be modified only in situations when this modification is expressly necessary and justified.

SUBSECTION 2.2

Allocation of costs into operating expenditure (OPEX) and capital expenditure (CAPEX)

Art. 71 - *Operating expenditure (OPEX)* are considered all the costs generated by the current activity of the operator that it would not bear if the activity was developed by a third party.

Art. 72 - Operating expenditure (OPEX) include:

- a) expenditure for raw materials, materials and others alike;
- b) expenditure for energy, fuels and water;
- c) Technological consumption, calculated according to norms and/or other legal rules in force;
- d) Staff expenditure – wages, bonuses and others accorded in compliance with the collective labor contract;
- e) Expenditure for maintenance, verification and current repairs, accomplished by itself or by third party; expenditure for replacing parts of tangible assets, not entirely depreciated according to rules on regulated depreciation, if by replacing the modernization, increase of capacity and/or security of operation or prolonging the life duration of the respective tangible asset is not accomplished;
- f) Other general administrative expenditure;
- g) Advertising expenditures, sponsorships, social activities, others alike, within the limit of deductibility at calculation of tax on profit;
- h) Expenses regarding compensations, penalties or others alike due for not observing the contract clauses in the performance standard of the regulated activity. This kind of costs are included only after elaborating the specific performance standards;
- i) Expenses for operating the transmission and/or distribution lines, owned by third parties, as those mentioned at para. a) – h).

Art. 73 - The following are not included into operating expenditures (OPEX):

- a) any costs generated by the connection, branching or disbranching of customers;
- b) contributions to healthy fund, special funds, others alike, related to wages fund;
- c) taxes, duties, contributions to special funds, others alike, established in compliance with legal regulations in force;
- d) royalties for conceding the state public property goods;
- e) royalties foreseen by concession contracts of distribution services and/or related goods, rents foreseen by rent contracts of goods forming the distribution grids, as well as taxes established by local authorities for accomplishing distribution services.
- f) depreciation of tangible and intangible assets;
- g) financial and extraordinary expenditure;
- h) expenditure for purchasing natural gas meant to reselling, in case of regulated supply, including costs for related services and the tax for natural gas from domestic production;

Art. 74 – (1) Capital expenditure (CAPEX) includes costs related to:

- a) getting tangible and intangible assets;
- b) modernization, increase of capacity and/or security of operation and tangible assets;
- c) prolonging the duration of technical and economic initial life;
- d) replacing the tangible assets entirely depreciated;
- e) replacing the tangible assets, not entirely depreciated, calculated as the difference between the value of the new asset and the non-depreciated value of the replaced asset, if by replacing the modernization, the increase of capacity and/or security of operation or prolonging the duration of life of the respective fix asset is accomplished;
- f) ensuring the cushion pillow, in case of storage activity, respectively linepack, in case of transmission, transit or distribution activities.

(2) The following are also included in capital expenditure (CAPEX):

- a) interests, bank commissions and currency differences related to credits for financing tangible and intangible assets put into operation, if not included within their initial value;
- b) working capital;
- c) provisions settled for not collecting risk for commercial debts arisen from developing the regulated activity, that exceeded the legal prescription term;
- d) provisions settled for environment, within the accepted limit for calculating the profit tax, according to legal provisions.

Art. 75 – Within tangible and intangible assets the following are included:

- a) Establishment of the company;
- b) Getting the marks, patents, concessions, licenses and other values similar to commercial fund;
- c) Lands;

- d) Constructions, technical facilities, equipment, furniture and others alike;
- e) In case of distribution activity, expenses for connecting the distribution system to transmission system; ECR considers these intangible assets.

Art. 76 - The following are not considered capital expenditure (CAPEX):

- a) In case of transmission activity, tangible assets representing installations for connection to transmission system, excepting metering devices/equipment and/or systems;
- b) In case of distribution activity, tangible assets representing branches , excepting metering devices/equipment and/or systems;
- c) Advances, developing tangible and intangible assets;
- d) Financial assets;
- e) Expenditure for replacing parts or components of fix assets, not entirely depreciated, if by replacing the modernization is not accomplished, the increase of capacity and/or security of operation or prolonging the duration of life of the respective fix asset;

Art. 77 - The value of advances, developing tangible and intangible assets and related financial costs are update annually by inflation ratio and are included into capital expenditure (CAPEX) on the date of putting into operation of the fix assets, respectively on the date of final acceptance of intangible assets.

SUBSECTION 2.3

Allocation of costs into fix and variable

Transmission activity

Art. 78 - Total costs recognized by ANRGN for calculating the base revenue are allocated by fix costs and variable costs.

Art. 79 - Fix costs show the expenditure related to transmission capacity, that do not depend on the transported quantities and cover the depreciation of tangible and intangible assets, expenditure directly related to continuity into operation and maintenance of the security of transmission system, as well as a part of general expenditure related to its management.

Art. 80 – (1) The allocation of fix costs between the tariffed input points and tariffed output points is made proportionally to the capital expenditure meant to developing the transport capacity between these points and to the specific position of each tariffed point related to the effective flow of gas into the system.

(2) Fix costs not identified as depending on capacities and/or specific position of each tariffed point related to the effective flow of gas considered within the transmission system, is allocated proportionally to all the tariffed points.

Art. 81 - (1) Capital expenditure necessarily and on efficiency terms accomplished, according to information available on the date they were accomplished, but which at present cannot be entirely recovered because of fair and independent

reasons by the operator of the transmission system, shall be proportionally allocated to all the tariffed input and, respectively, output points.

(2) The allocation accomplished on the terms of para. (1) is made without prejudicing the differentiation of fix costs, generated by the utilization level of the capacities and specific position of each tariffed point within transmission system.

Art. 82 - Variable costs reflect expenditure related to utilization the transmission system and depend on the effective transported quantities. Variable costs are equally allocated for the whole transported quantity, no matter of the tariffed input point and the tariffed output point through which these quantities enter and exist from the transmission system.

Storage activity

Art. 83 - Total costs recognized by ANRGN for calculating the base revenue are allocated by fix costs and variable costs.

Art. 84 – (1) Fix costs show the expenditure related to underground storage capacity, that do not depend on the stored quantities and cover the depreciation of tangible and intangible assets, expenditure directly related to continuity into operation and maintenance of the security of storage system, as well as a part of general expenditure related to its management.

(2) Fix costs are allocated according to utilization capacity of underground facility.

Art. 85 – (1) Variable costs reflect expenditure related to utilization the storage system and depend on the effective stored quantities.

(2) Direct variable costs are allocated for costs related to injection and costs related to extraction of natural gas into and out from the underground facility.

(3) Variable costs that could not be attributed directly are equally allocated between the two stages of storage cycle.

Distribution activity

Art. 86 - Total costs recognized by ANRGN for calculating the base revenue are allocated by fix costs and variable costs.

Art. 87 - Fix costs show the expenditure related to distribution capacity, that do not depend by the distributed quantities and cover the depreciation of tangible and intangible assets of distribution system, expenditure directly related to continuity into operation and maintenance of the security of distribution system, as well as a part of general expenditure related to its management.

Art. 88 – (1) Allocation of fix costs between customers' categories is made proportionally to the capital expenditure involved by developing the distribution system for each category and reflects hourly load factor of the reserved capacity within distribution system, specific to each customer category.

(2) Hourly load factor of the reserved capacity within the distribution system is calculated as a report between the annual consumption and the installed flow rate

specific to each customer category and represents the number of hours that would be necessary for taking over entirely the annual consumption at the installed flow rate, according to the formula:

$$Nd = \frac{Q_{\text{annual}}}{Q_{h(\text{max})}}$$

Where:

Q_{annual} – the volume annual consumed, statistically determined for at least 5 years;

$Q_{h(\text{max})}$ – installed flow rate, expressed in c.m./h

Art. 89 - Capital expenditure necessarily and on efficiency terms accomplished, according to information available on the date they were accomplished, but which at present could not be entirely recovered, because of objective and independent reasons, by the distribution system operator, shall be proportionally allocated to all customer categories, without being affected the differentiation between them.

Art. 90 - Variable costs reflect expenditure related to utilization the distribution system and depend on the effective distributed quantities. Variable costs are equally allocated for the whole distributed quantity.

Regulated supplying activity

Art. 91 - Total costs recognized by ANRGN for calculating the base revenue are allocated by fix costs and variable costs.

Art. 92 - Fix costs show the expenditure related to management of supplying contracts, that do not depend by the commercialized quantities and cover the depreciation of tangible and intangible assets used for regulated supplying activity and a part of general management expenditure.

Art. 93 – (1) Fix costs are allocated by customer categories, in inverse ratio to uniformity degree of natural gas consumption, specific to each category and number of final customers for each category.

(2) The uniformity degree of natural gas consumption is established as a report between peak consumption and daily average consumption for a certain customer category, for an average year, statistically determined.

Art. 94 - Variable costs reflect expenditure related to the effective supplied quantities and are equally allocated for the whole quantity.

SUBSECTION 2.4

Transfer between regulated and unregulated activities developed by an operator

Art. 95 - When an operator develops simultaneously regulated and unregulated services, costs involved by performing services between the two activities shall be treated in compliance with the following principles:

- a) the cost considered for a service, performed by the regulated activity for the unregulated activity, shall be the most between the fully accounting cost and the market cost on transaction date.
- b) the considered cost for a service performed by the unregulated activity for the regulated activity shall be the least between the fully accounting cost and the market cost on transaction date.

Art. 96 - When an operator develops simultaneously regulated and unregulated services, costs involved by the transfer between the fix assets between the two activities shall be treated in compliance with the following principles:

- a) the value of the asset transferred from the regulated activity to the unregulated activity shall be the most between the fully accounting cost and the market cost on transaction date.
- b) the value of the asset transferred from the unregulated activity to the regulated activity shall be the least between the fully accounting cost and the market cost on transaction date.

SECTION 3

Cost disallowance criteria

Art. 97 - The costs analysis develops based on ECR estimated for the first year of regulatory period, for each regulated activity, provided ANRGN by the operators.

Art. 98 - The operators present in the same time with ECR estimated for the first year of regulatory period the ECR for the last year of activity, previous to the regulatory period for which the base revenue is substantiated, excepting the new licensed operators.

Art. 99 - ANRGN is entitled to request additional information to the operators, including details and justification for any element from ECR.

Art. 100 – (1) The following costs are not recognized:

1. within operating expenditure (OPEX)
 - a) costs not included in operating expenditure (OPEX), according to art. 73;
 - b) penalties and increases for delay for not paying in term of the obligations to state, the social insurance budget, special funds, local budgets;
 - c) penalties and increases for delay for not reimbursing in time the loans;
 - d) expenses for compensations, penalties and others alike, arising from the performance standard, exceeding the limit recognized by ANRGN;
 - e) penalties, increases for payment delay and/or compensations for not observing contract clauses toward suppliers or service performers;

- f) any kind of provisions;
- 2. within capital expenditure (CAPEX)
 - a) costs not included in operating expenditure (CAPEX) , according to art. 76;
 - b) not depreciated value of tangible and intangible assets, quashed or given to third parties or the unregulated activities of the operator, calculated according to the ANRGN rules;
 - c) any kind of provisions, excepting the provisions foreseen at art. 74. para. (2), c) and d);
 - d) capital expenditure (CAPEX) for assets from public domain of state or of local authorities, financing from budget sources, conceded or rent, excepting the investment for these assets during the concession or rent;
 - e) capital expenditure (CAPEX) for assets from private domain of state or local authorities, of third parties, natural and/or legal persons, if there is no legal term for them, agreements and/or contracts for concession, rent or operation of capacities.

(2) For assets for which capital expenditure are not recognized, depreciation is neither recognized.

Art. 101 - ANRGN is entitled to refuse to allow operators some costs or parts of them, others than those previous mentioned, that were not made prudently, considering the conditions and available information on the date they were made.

Art. 102 - ANRGN shall justify the cost disallowance, on the terms of art. 101, being obliged to explain the reasons for which such a cost was not made prudently and provide details on the way the operators shall make these costs for being prudent.

Art. 103 - Any cost which is not refused by ANRGN is considered recognized and accepted.

SECTION 4 *ECR auditing*

Art. 104 - When providing ECR to ANRGN, the operators are obliged to present also an audit report, laid out by an external authorized auditor.

Art. 105 - Choosing the auditor is the task of the operator, the auditor being obliged to provide ANRGN an engagement letter on fair auditing, independently and in compliance with practice and rules of ANRGN of ECR.

Art. 106 - ANRGN is entitled to request, on its own expenses, a separate audit of ECR, the operator being obliged to ensure the auditor chosen by ANRGN the access to all data, records and necessary information. A copy of the report concluded by the auditor appointed by ANRGN is legally owned by the operator.

SECTION 5

Rules on calculation of the regulatory asset base (RAB)

Art. 107 - Regulatory asset base RAB reflect the net value of prudent tangible and intangible assets, necessary for developing the regulated activity and working capital, including the provisions foreseen at art. 74, para. (2), c) and d).

Art. 108 - Establishment of the initial value of RAB_0 , used for calculation of base revenue related to the first regulatory period, is accomplished by using the reconstruction of net value of regulatory assets method.

Art. 109 - When the reconstruction of net value of regulatory assets method is not possible or it might be incorrectly accomplished, considering the general economic situation from the analyzed period (high inflation, consequent modifications of accounting legislation and/or on depreciation etc), modifications of the status of the operators (restructuring, separations, mergers etc.), establishing of the initial value of RAB_0 , used for calculation of the base revenue for the first regulatory period is accomplished by RAB implicit method.

Art. 110 - The initial value of RAB_0 used for calculation of the base revenue for the first regulatory period, established based on one of the presented methods, includes neither working capital nor the provisions recognized by ANRGN as capital expenditure (CAPEX).

SUBSECTION 5.1

Reconstruction of net value or regulatory assets

Art. 111 - The method consists of:

- a) Physical inventory of regulatory assets;
- b) Reconstruction of accounting records of regulated activity of the operators from their establishment up to present;
- c) Reconstruction of regulated revenues of the companies during the respective period of time
- d) Comparing the present costs of the operator (established using the calculation formula described at establishment of base revenue) to the reconstructed revenues.

Art. 112 - In case that the reconstructed revenues exceed the annual costs of the operator for an equivalent period, the surplus shall be considered as accelerated depreciation, and otherwise, the deficit shall be considered unaccomplished depreciation. The difference shall be allocated proportionally to regulated tangible and intangible assets, for their net accounting value.

SUBSECTION 5.2

RAB_0 implicit method

Art. 113 - The principles of RAB_0 implicit method are:

- a) To any regulated tariff corresponds a certain level of RAB;

- b) Regulated tariffs are justified and cover the operational expenditure (OPEX), depreciation and capital expenditure (CAPEX)
- c) Neutral treatment for the companies, neither operator wins nor loses revenue comparing to previous situation
- d) Differentiation of regulated tariffs by operators, in compliance with a reasonable level of them, mutually agreed by ANRGN and each of the operators, considering the current tariffs and the forecasted ones.

Art. 114 - The method consists of:

- a) ANRGN establishes, mutually agreed with each of the operators, a reasonable level of tariffs for regulated activity for the base year of first the regulatory period.
- b) Establishment of the operational expenditure (OPEX) of the regulated activity for the base year of the first regulatory period.
- c) Calculation of the weighed average cost of capital (WACC), for the first regulatory period
- d) Average duration remained for depreciation of regulated tangible and intangible assets

Art. 115 – (1) Calculation formulas are as it follows:

$$RAB_0 = \frac{VB_0 - OPEX_0}{RoR + \frac{1}{n_0}}$$

where :

- RAB_0 - RAB implicit value, reflected in tariff
- VB_0 - base revenue, established for the first year of regulatory period
- $OPEX_0$ - operational expenditure value
- RoR – regulated rate of profit established by ANRGN for each regulated activity, at the beginning of the first regulatory period;
- n_0 - technical and economic duration remained for regulated depreciation of tangible and intangible assets meaning RAB_0 at the beginning of the first regulated period ;

and

$$VB_0 = Q \times T$$

where

Q – quantity for which the regulated tariff is applied

T – tariff established by ANRGN, mutually agreed with the operator, for the base year of the first regulatory period.

(2) RAB_0 implicit value reflected in tariff, established according to the presented method, is allocated to regulated tangible and intangible assets, proportionally with their accounting net value.

Art. 116 - For the next regulatory periods, establishment of RAB_0^n value, utilized for calculation of base revenue is made using the following formula:

$$RAB_0^n = RAB_0^{n-1} * (1 + RI^c) - \Sigma D^{n-1} + \Sigma INV^{n-1} + \Delta CLP^n$$

Where:

RAB_0^n – RAB_0 value for the regulatory period „n”

RAB_0^{n-1} – RAB_0 value for the regulatory period „n-1”

RI^c – cumulated rate of inflation during the regulatory period „n-1”

ΣD^{n-1} – regulated depreciation cumulated during the regulatory period „n-1”

ΣINV^{n-1} – cumulated value of investments put into operation during the regulatory period „n-1”; the cumulated value is calculated by totaling the annual investment value, updated with the cumulated rate of inflation, corresponding to the year of putting into function ;

ΔCLP^n – necessary sums for correcting the working capital and provisions recognized by ANRGN as capital expenditure (CAPEX).

SECTION 6

Regulated depreciation of regulatory asset base (RAB)

Art. 117 - Tangible and intangible assets included in regulatory asset base depreciate according to the following rules:

- a) The value of tangible and intangible assets, regulated depreciated, results from applying the calculation methods for RAB;
- b) Used depreciation method is the lineal one;

Art. 118 – (1) Annual depreciation considered for substantiating the regulated revenues, thereafter called *regulated depreciation*, is calculated as it follows:

- a) In case of using the recognition of net value method of regulatory asset base, by dividing the resulted value for each asset category at the related remained technical and economical duration of life;
- b) In case of using the implicit RAB_0 method, by dividing the resulted value to each asset category to remained technical and economical duration of life – n_0 used in the formula described at art. 118, para. (1). The value n_0 is unique for all the existing assets on the date of establishing the implicit RAB_0 ;
- c) For tangible and intangible assets put into function after the beginning of the first regulatory period, by dividing their regulated value to the duration of the regulated depreciation.

(2) The durations of the regulated depreciation of tangible and intangible assets put into function after the beginning of the first regulatory period, as well as the remained technical and economical duration of life – n_0 for calculating the regulated

depreciation for tangible and intangible assets included in implicit RAB_0 value, shall be published by ANRGN within 2 months from approving the present criteria and methods.

CHAPTER VII Regulated rate of return

Art. 119 - *Regulated rate of profit of capital (RoR)* is established for each activity and regulatory period and reflects the costs of capital involved by a prudent accomplishment of regulated activity, considering the current conditions of capital market

Art. 120 – (1) Regulated rate of profit of capital (RoR) is established in real terms, before profit taxation. Its calculation starts from weighed average cost of capital (WACC), established in nominal terms, after profit taxation.

(2) The formula used by ANRGN, through which WACC (calculated in nominal terms, after profit taxation) is transformed into RoR (established in real terms, before taxation) ensures fully reconstruction of the invested capital.

Art. 121 - The calculation formula of the weighed average cost of capital (WACC) is the following:

$$WACC = \frac{D}{CP + D} \times C_d \times (1-TP) + \left(1 - \frac{D}{CP + D}\right) \times C_{cp}$$

Where:

$D/(CP+D)$ – estimated rate of debts in financial structure;

D – debts for which interests, delay increases, penalties and others alike are owed, at the market value;

CP – own capital, estimate at market value;

C_d – cost of debts, estimated in nominal terms, before taxation;

C_{cp} – cost of own capital, estimated in nominal terms, after taxation;

TP – estimated rate of the profit taxation for regulated activity.

Art. 122 - WACC is established for each regulated activity and reflects its cost for a reference operator that develops exclusively regulated activity, on market and regulatory terms existing in Romania.

Art. 123 – (1) Estimation of financial structure of the reference operator shall consider the financial structure of companies in natural gas sector developing similar activities and the need to optimize it for decreasing the costs of capital.

(2) When estimating the financial structure of the reference operator the financial structures of some foreign companies, used as „comparers”, shall be analyzed, that fulfill the following conditions:

- Public quoted
- Having regulated activity as main activity
- Having a regulated system closed to the Romanian one

Art. 124 – (1) The cost of debt for the regulated period, estimated in nominal terms, before taxation, reflects the profit from investments made in riskless assets and risk bonuses specific to regulated activity, noticed at comparers. For calculation of the cost of debt, the bonds issued by Romanian state on capital markets are considered riskless assets.

(2) - The cost of own capital for regulated period, estimated in nominal terms, after taxation, is established using the model for calculation the profitability of an asset on the capital market (CAPM). The cost of own capital reflects the profit from investments made in riskless assets, deal ton capital markets, as well as risk bonuses specific to Romanian market.

Art. 125 – (1) The calculation and equivalent formulas, companies and markets used as comparers, riskless assets considered for establishing WACC shall be published by ANRGN at least 9 months before each regulatory period.

(2) In the case of the companies developing regulated activities on the date of coming into force of the present criteria and methods, the elements mentioned at para. (1) shall be published up to February 15, 2004.

CHAPTER VIII

Adjustment factors of regulated revenues

Art. 126 - The adjustment formulas for regulated revenues, separately presented for each activity, contain common factors and specific factors to regulated activities, as it follows:

1. common factors :
 - a) Rate of inflation - RI
 - b) Rate of efficiency growth of regulated activity – $X^{t,ds,d,fr}$;
 - c) Costs unexpected when estimating the base revenues, caused by unpredictable factors, external and beyond the control of the operator – $CE^{t,ds,d,fr}$
 - d) Modification of pass-through costs from base revenues, determined by external factors and beyond the control of the operator - $\Delta CS^{t,ds,d,fr}$
2. specific factors:
 - a) Total quantity of transported natural gas, in the case of total regulated revenue for transmission activity
 - b) Total stored quantity of natural gas, in the case of total regulated revenue for storage activity
 - c) Cost drivers - $EGC^{d,fr}$ – in the case of unit revenue for distribution and regulated supplying activities

Efficiency growth rate of regulated activity – $X^{t,ds,d,fr}$

Art. 127 – (1) Efficiency growth rate of regulated activity reflects the estimations of ANRGN on improvement of economic performances of operators in time. The term X of adjustment formulas reflects the annual estimated efficiency growth rate of regulated activity and ensures a transfer of increases of economic efficiency accomplished by the operator toward customers.

(2) Efficiency growth rate of regulated activity is established at the beginning of each regulatory period, for each regulated activity and for each operator. During the regulatory period, it remains unmodified.

Art. 128 – (1) Economic efficiency gains of regulated activity are individually established for each operator, using the methods described below:

- a) extrapolation of efficiency growth rate due to the long-term productivity in the sector, added to an elasticity factor reflecting the specific situation for each operator;
- b) detailed technical analysis of estimated operational and capital expenditure of operators, which to highlight the additional cost savings that could be obtained by the operator.

(2) When establishing the efficiency growth rate of regulated activity – X, for each operator, one shall consider:

- a) Economic efficiency gains highlighted by the presented methods and caused by the increase of the management performance of the operator
- b) Efficiency growth rate at the level of specific industry and national economy
- c) The operator keeps all the economic efficiency gains from investments

Art. 129 – For the first regulatory period, the efficiency growth rate of regulated activity is zero for all activities and operators.

Inflation rate

Art. 130 – (1) The inflation rate considered for adjusting the regulated revenues is the one estimated at substantiation the state budget for the year in the regulatory period for which the regulated revenue is adjusted.

(2) The differences of revenues due to variation of inflation rate compared to the considered level are included into the adjustment formulas for regulated revenues within the component – $CE^{t,ds,d,fr}$

Unexpected costs – $CE^{t,ds,d,fr}$

Art. 131 – (1) Costs unexpected when estimating the base revenues, determined by external factors, beyond the control of operator include costs generated by unpredictable events (force majeure, new taxes and/or duties etc.).

(2) The unexpected costs are analyzed case by case and recovered by regulated revenues in the following year, by the component $CE^{t,ds,d,fr}$, according to formula:

$$CE^{t,ds,d,fr}_i = (1+RoR) \times CE^{t,ds,d,fr}_{i-1}$$

(3) ANRGN could decide to echelon the recovering for more than a year, with annual index for not recovered sums when costs lead to a significant growth of regulated revenues.

Modification of pass-through costs - DCS^{t,ds,d,fr}

Art. 132 – (1) Pass-through costs represent the costs that operator cannot control, but it is necessary for him to accomplish them for developing regulated activity. These costs are identified when grounding the base revenue and are integrally included in it.

(2) Expenses as taxes, duties, license taxes and others are considered pass-through costs, as well as expenses for regulated services that operators accomplish, when developing activities for which base revenue is determined.

(3) The differences between the effective accomplished pass-through costs and the estimated ones when grounding the base revenue, are included into the modification component of pass-through costs - $\Delta CS^{t,ds,d,fr}$ and shall be recovered by regulated revenues in the following year, in compliance with the formula:

$$\Delta CS^{t,ds,d,fr}_{i-1} = (1+RoR) \times (CS^{t,ds,d,fr}_{i-1} - CS^{t,ds,d,fr}_{realizat})$$

Cost drivers - EGC^{d,fr}

Art. 133 - Cost drivers - EGC^{d,fr} represent the external factors of the operators, which, by their evolution, cause variations of their costs, being a direct causality connection, continuous and constant between their evolution and of the costs of the operators.

Art. 134 – (1) Cost drivers are used for updating the unit regulated revenues, their putting into adjustment formulas being conditioned by fulfilling the following requests:

- a) Not to be under operators' control;
- b) To be easily identifiable and measurable;
- c) To reflect a high degree of generality at the regulated activity level for which they are used;
- d) To exist a fair causality relationship to bas costs

(2) Identification of cost drivers and quantification of the influence of each of them into operators' costs is made on statistic basis and is reflected by a weigh formula.

(3) The formula is established at the beginning of each regulatory period, for each regulated activity and for each operator.

CHAPTER IX Billing

SECTION 1 *Transmission activity*

Art. 135 - The equivalent value of transmission services performed for a user of the transmission system is monthly invoiced and is established with the following formula:

$$VT^t = RC_{ti} \times CR_{ti} \times n_{hi} + RC_{te} \times CR_{te} \times n_{he} + V_t \times Q$$

where:

VT^t – total value of the bill, exclusive VAT for transmission service, expressed in ROL;

RC_{ti} – fix component for reserving capacity at tariffed input point, expressed in ROL/1,000m³/hour;

CR_{ti} – reserved capacity at tariffed taken over point, expressed in 1,000 m³/hour;

n_{hi} – number of hours from invoicing period, for which the capacity is reserved at tariffed input point;

RC_{te} – fix component for reserving capacity at tariffed input point, expressed in ROL/1,000m³/hour;

CR_{te} - reserved capacity at tariffed output point, expressed in 1,000 m³/hour;

n_{he} - number of hours from invoicing period, for which the capacity is reserved at tariffed output point;

V_t – volume component for using the transmission system expressed in ROL/1,000 m³

Q – transported quantity during the invoice period, expressed in 1,000 m³

Art. 136 – (1) In case that the user of the system who reserved capacity at the tariffed input point is different from the user of the system that reserved the capacity at the tariffed output point, the billing for transmission services is achieved as it follows :

1. for the system user that has reserved the capacity at tariffed input point:

$$VT_i^t = RC_{ti} \times CR_{ti} \times n_{hi} + V_t \times Q$$

where:

VT_i^t – total value of the bill, exclusive VAT for transmission service, expressed in ROL;

RC_{ti} – fix component for reserving capacity at tariffed input point, expressed in ROL/1,000 m³/hour;

CR_{ti} - reserved capacity at the tariffed input point, expressed in 1,000 m³/hour;

n_{hi} – number of hours from invoice period for which the capacity is reserved at tariffed input point;

V_t - volume component for using the transmission system expressed in ROL/1,000 m³;

Q – quantity injected into transmission system, for the invoiced period, expressed in 1,000 m³

2. for the user of transmission system who reserved capacity at the tariffed output point:

$$VT_e^t = RC_{te} \times CR_{te} \times n_{he}$$

where:

VT_e^t – total value of the bill, exclusive VAT for transmission service, expressed in ROL;

RC_{te} – fix component for reserving capacity at tariffed output point, expressed in ROL/1,000 m³/hour;

CR_{te} - reserved capacity at tariffed output point, expressed in 1,000 m³/hour;

n_{he} – number of hours in the invoiced period for which the capacity is reserved at tariffed output point;

(2) The operator of the transmission system to ensure the below equality, without having the right to compensate mutually the two terms of the sum:

$$VT^t = VT_i^t + VT_e^t$$

Art. 137 - For the first regulatory period, the equivalent value of the transmission services performed for a user of transmission system is monthly invoiced and established using the following formula:

$$VT^t = RC_t \times CR_t \times n_h + V_t \times Q$$

where:

VT^t – total value of the bill, exclusive VAT for transmission service, expressed in ROL;

RC_{tp} - fix component for reserving capacity, expressed in ROL/1,000 c.m./h;

CR_{tp} - reserved capacity, expressed in 1,000 c.m./h;

n_{zp} – number of hours in the invoiced period for which the capacity is reserved;

V_t - volume component for using the transmission system expressed in ROL/1,000 c.m.;

Q – transported quantity in the invoiced period, expressed in 1,000 c.m

SECTION 2

Storage activity

Art. 138 – (1) The equivalent value of storage services performed for a user of the underground storage capacity, for a complete storage cycle, shall be established with the formula:

$$VT^{ds} = RC_{ds} \times CR_{ds} + I_{ds} \times Q_i + E_{ds} \times Q_e$$

where :

VT^{ds} – total value of the bill, exclusive VAT for storage service, expressed in ROL;

RC_{ds} - fix component for reserving capacity into underground deposit, expressed in ROL/1,000 m³./ complete storage cycle;

CR_{ds} - reserved capacity into underground deposit, expressed in 1,000 m³./ complete storage cycle;

I_{ds} – volume component for natural gas injection into the underground deposit, expressed in ROL/1,000 m³.

Q_i – quantity of natural gas injected into underground deposit, expressed in 1,000 c.m..

E_{ds} – volume component for natural gas extraction from underground deposit, expressed in ROL/1,000 m³. ;

Q_e – quantity of natural gas extracted from underground deposit, expressed in 1,000 c.m..

(2) The monthly invoice of the value of underground storage is established as it follows:

$$VT_{1}^{ds} = \frac{RC_{ds} \times CR_{ds}}{n_{ctr}} \times n_{luna} + I_{ds} \times Q_i + E_{ds} \times Q_e$$

where :

VT_{1}^{ds} – total monthly value of the invoice, exclusive VAT, expressed in ROL;

RC_{ds} – fix component for reserving capacity into underground deposit, expressed in ROL/1,000 m³./ complete storage cycle;

CR_{ds} - reserved capacity into underground deposit, expressed in 1,000 m³./ complete storage cycle;

n_{ctr} - number of calendar days between coming into force of the storage contract and the date for finalizing it;

n_{luna} – number of calendar days in the month, respectively number of days remained from the month when the storage contract comes into force or the number of days from the month when the underground storage contract expires;

I_{ds} – volume component for injecting natural gas into underground deposit, expressed in ROL/1,000 m³;

Q_i – quantity of natural gas injected into underground storage in the respective month, expressed in 1,000 m³.;

E_{ds} – volume component for natural gas extraction from underground deposit, expressed in ROL/1,000 m³;

Q_e – quantity of natural gas extracted from underground storage in the respective month, expressed in 1,000 m³.

Art. 139 – (1) In case that, at the end of storage cycle, into the underground deposit still are quantities of natural gas, other than the cushion pillow, the owner of these quantities is obliged to pay the operator of the facilities the equivalent value for reserving the capacity for the new storage cycle, corresponding to the quantities remained into the underground facilities.

(2) For the quantities of natural gas remained into the deposit, they do not pay the injection tariff, the tariff for natural gas extraction being invoiced after taking it out from the underground facilities.

SECTION 3 *Distribution activity*

Art. 140 - The equivalent value of distribution services performed for a user of the distribution system is monthly invoiced and is established with the following formula:

$$VT^d = RC_d \times CR_d \times h + V_d \times Q$$

where:

VT^t – total monthly value of the invoice, exclusive VAT, for distribution service, expressed in ROL;

RC_d - fix component for reserving distribution capacity, expressed in ROL/1,000 m³/h;

CR_d – reserved capacity, expressed in 1,000 m³/h;

h – number of hours in the invoiced period for which the capacity is reserved;

V_d - volume component for using the distribution system expressed in ROL/1,000 m³;

Q – distributed quantity, expressed in 1,000 m³.

SECTION 4 *Regulated supply activity*

Art. 141 - The equivalent value of regulated supply services performed for a final customer is monthly invoiced and is established with the following formula:

$$VT^f = Ab \times n + V_f \times Q$$

where:

VT^f – total monthly value of the invoice, exclusive VAT, for regulated supply service, expressed in ROL;

Ab – daily subscription, expressed in ROL/day;

n – number of calendar days from the invoiced period;

V_f – volume component for natural gas consumption, expressed in ROL/1,000 m³.;
 Q – supplied quantity, expressed in 1,000 m³.

CHAPTER X

Procedure for establishing the base revenue, regulated revenue and for approval of regulated prices and tariffs

Art. 142 - Base revenue, respectively revenue regulated during the regulatory period, shall be approved by order of the President of ANRGN, in the same time with approval of regulated prices and/or tariffs, for each operator developing regulated activities.

SECTION 1

Procedure for establishing the base revenue

Art. 143 – (1) Licensed operators developing regulated activities send to ANRGN the groundings regarding the establishment of base revenue with at least 180 days previously starting the regulatory period.

(2) The groundings regarding the establishment of base revenue shall be accompanied by:

- a) All the data and information necessary for sustaining the grounding elements
- b) Regulated accounting records, for the last year of activity, previous to the regulatory period for which the base revenue is grounded, excepting the new licensed operators.
- c) Proposals regarding the efficiency growth rate of the regulated activity for the regulatory period and the adjustment formula for regulated unit revenues based on cost drivers;
- d) Proposals for regulated prices and/or tariffs

Art. 144 - Based on the provided groundings and proposals and on the analysis made together with the operator, the specialty departments in ANRGN issue a report contenting the proposals for establishing:

- a) the base revenue;
- b) efficiency growth rate of the regulated activity;
- c) the adjustment formula of unit regulated revenues based on cost drivers for the regulatory period;
- d) regulated prices and/or tariffs;

Art. 145 - The report at art. 144 shall be presented to Advisory Council of ANRGN with at least 60 days previous to regulatory periods.

Art. 146 – (1) Within 7 calendar days from receiving the report, the Advisory Council expresses its opinion regarding the acceptance or denial, and the motivation of the opinion.

(2) In case the members of Advisory Council do not present their opinion within the mentioned at para. (1), the report is considered accepted.

Art. 147 - Within at least 10 days from fulfilling the term foreseen at art. 146, para. (1), the specialty departments send the Regulatory Committee the following:

1. The Report on proposals for establishing :
 - a) the base revenue;
 - b) efficiency growth rate of the regulated activity;
 - c) the adjustment formula of unit regulated revenues based on cost drivers for the regulatory period;
 - d) regulated prices and/or tariffs;
2. Opinions of the Advisory Council

Art. 148 – (1) Based on the approval by the Regulatory Committee of the report foreseen at art. 147, item 1, the President of ANRGN issues the order regarding:

- a) establishment of the base revenue;
- b) establishment of the efficiency growth rate of the regulated activity;
- c) approval of the adjustment formula of unit regulated revenues based on cost drivers for the regulatory period;
- d) approval of the regulated prices and/or tariffs corresponding to the base revenue.

(2) The Order of the President of ANRGN foreseen at the above paragraph shall be published in Monitorul Oficial of Romania, Part I at least 15 days previous the regulatory periods and shall be communicated to the interested operator within 3 days from issuing date.

Art. 149 – (1) In case that the Regulatory Committee rejected, totally or partially, the report on proposals for establishing the base revenue, efficiency growth rate of the regulated activity and the adjustment formula of unit regulated revenues based on cost drivers for the regulatory period, a new report shall be issued within no more than 6 months.

(2) Members of the Regulatory Committee are obliged to justify the refusal of the report.

(3) Up to the approval of the new base revenue, the regulated revenue and regulated prices and/or tariffs stay unmodified, the possible revenues not accomplished because of this shall be recognized when approving the new base revenue.

SECTION 2

Procedure for adjustment of regulated revenues

Art. 150 - ANRGN adjusts regulated revenue based on formulas in the present criteria and methods and the parameters established by order of the President of ANRGN.

Art. 151 – (1) The requests of operators developing regulated activities, for adjusting the regulated revenue motivated by arisen of unexpected costs or because of

modification of pass-through costs shall be sent to ANRGN at least 90 days before starting the year from regulatory period for which these revenues are established.

(2) The requests are sent together with related motivations.

Art. 152 – (1) In case that such cost elements arise consequently to the period of time mentioned at art. 151, para. (1), or they are not requested, the expenses shall be updated by inflation rate and shall be recognized in the same time with the adjustment of the regulated revenue, respectively on the next establishment of the base revenue.

(2) They may not send requests for adjusting the regulated revenue, motivated by appearance of unpredicted costs or modification of pass-through costs, if between the moment of sending the request and the moment of appearance or modification of these costs passed more than three years.

Art. 153 - The report of specialty departments in ANRGN concerning proposals for adjusting the regulated revenue, as well as proposals for appropriate regulated prices and/or tariffs shall be sent to the Regulatory Committee at least 45 days before starting the year from regulatory period, for which the regulated revenue is established.

Art. 154 – (1) Based on the approval of the Regulatory Committee of the report foreseen at art. 153, the President of ANRGN issues the Order concerning:

- a) establishing the base revenue
- b) approval of the regulated prices and/or tariffs corresponding to the base revenue;

(2) The Order of the President of ANRGN foreseen at paragraph (1) shall be published in Monitorul Oficial of Romania, Part I at least 15 days previous the regulatory periods and shall be communicated to the interested operator within 3 days from issuing date.

Art. 155 – (1) In case that the Regulatory Committee rejected, totally or partially, the report on proposals for adjustment of regulated revenue, a new report shall be issued within no more than 1 month.

(2) Members of the Regulatory Committee are obliged to justify the refusal of the report.

(3) Up to the approval of the new regulated revenue, the regulated revenue and regulated prices and/or tariffs stay unmodified, the possible revenues not accomplished because of this shall be recognized when approving the new regulated revenue.

CHAPTER XI

Final indications

Art. 156 – The categories of consumers for which the final regulated prices and distribution tariffs are differentiated established are foreseen in annex no. 1, which is part of the present criteria and methods.

Art. 157 – The used terms are presented in annex no. 2, which is part of the present “Criteria and methods for setting regulated prices and tariffs in natural gas sector”.

Art. 158 – Activities regarding connection, branching and disbranching of customers, as well as construction of installations for connecting to the transmission system and of branches are not subject of the present criteria and methods. Their regulation, including the tariffs for accomplishing these works is regulated by specific regulations regarding the access to the systems.

Annex no. 1
At criteria and methods

**Categories of customers
for which the final regulated prices and distribution tariffs are differentiated
established**

A. Final customers directly connected to transmission system

- A. 1 Final customers having an annual consumption less than 124,000 m³
- A. 2 Final customers having an annual consumption between 124,000 m³ and 1,240,000 m³
- A. 3 Final customers having an annual consumption between 1,240,000 m³. and 12,400,000 m³.
- A. 4 Final customers having an annual consumption between 12,400,000 m³. and 124,000,000 m³.
- A. 5 Final customers having an annual consumption more than 124,000,000 m³

B. Final customers connected to the distribution system

- B. 1 Final customers having an annual consumption less than 2,400 m³
- B. 2 Final customers having an annual consumption between 2,400 m³. and 12,400 m³
- B. 3 Final customers having an annual consumption between 12,400 m³. and 124,000 m³.
- B. 4 Final customers having an annual consumption between 124,000 m³. and 1,240,000 m³.
- B. 5 Final customers having an annual consumption between 1,240,000 m³. and 12,400,000 m³.
- B. 6 Final customers having an annual consumption more than 12,400,000 m³

Glossary of terms

<i>Year of regulatory period</i>	- continuous period of 12 calendar months, measured during a regulatory period. The first year of regulatory period start son the first day of regulatory period.
<i>Distributed quantity</i>	- total quantity of natural gas circulated through a distribution system, measured at customers and/or connected distribution systems.
<i>Supplied quantity</i>	- total quantity of natural commercialized to final customers in compliance with supplying contracts.
<i>Transmission, distribution or storage capacity</i>	- natural gas quantity, measured on standard pressure and temperature, that could be injected, respectively delivered through delimitation points of a transmission or distribution systems or that could be stored into a storage system, on technical security and economic efficiency terms, within a certain period of time .
<i>Reserved capacity</i>	- capacity that the system's operator is obliged to have available any moment for user or final customer, in a delimitation point of the system, respectively into underground facilities, in compliance with the provisions in the concluded contract, expressed in: <ul style="list-style-type: none"> - 1000 m³./h for transmission system; - one m³./h for distribution system; - 1000 m³./complete storage cycle for underground facilities.
<i>Capacity for to be used</i>	- transmission, distribution or storage capacity that the operator of the system provide to users or final customers, established under specific regulations terms .
<i>Working capital</i>	- necessary sum for an operator to ensure the self-finance of its activity for 30 calendar days.
<i>Technical characteristics</i>	- all technical data and elements, specific to an objective in natural gas sector.
<i>Complete storage cycle</i>	- continuous period covering successively injection cycle and extraction cycle of natural gas from underground facilities
<i>Injection cycle</i>	- period when natural gas is injected into underground facilities.
<i>Extraction cycle</i>	- period when natural gas is extracted form underground

	facilities.
<i>Final customer</i>	- natural or legal Romanian or foreign person which purchases natural gas for own use
<i>Natural gas supply standard contract</i>	- standard contract approved by ANRGN, having as subject natural gas supply to final customer, for a given consumption place, compulsory specifying natural gas supply and utilization conditions, regulated price and ways of payment, as well as the other specific clauses .
<i>Underground storage facilities</i>	- - tight deposit/part of deposit – depleted, aquifer, saliferous, where natural gas under pressure could be temporarily stored, at programmed volumes, by injection cycle and, respectively could be extracted quantities of natural gas by extraction cycle.
<i>Supplier</i>	- supply licensee
<i>Regulated supply</i>	- natural gas commercialization toward final customer according to a supply contract and at a regulated price.
<i>Connection installation to transmission system</i>	- installation made between connection point to the transmission system and limitation point; connection installation could be: <ul style="list-style-type: none"> - connection installation at the input of transmission system: installation between producer/supplier delimitation point and the transmission system operator and the connection point at the transmission system; - Connection installation at the output of transmission system: installation between connection point at the transmission system and delimitation point between transmission system operator and customer/distributor.
<i>Operator</i>	- Transmission, storage, distribution or supply licensee, if the case .
<i>Cushion pillow</i>	- total quantity of natural gas that shall be maintained into underground facilities, necessary for ensuring its operation for the entire period of normal function of the facility.
<i>Limit point in transmission system</i>	place where user's installations separate as property from transmission system operator's installations: <p>a) for injection points into transmission system the limitation is achieved:</p> <ul style="list-style-type: none"> - in case of natural gas from internal production, at the output valve from metering station/panel of the producer; - in case of natural gas from underground facilities at the output valve from metering station/panel of

	<p>storage operator;</p> <ul style="list-style-type: none"> - in case of natural gas from import, in the place where it is treated and measured for injection into transmission system; <p>b) for output points from transmission system, the limitation is achieved:</p> <ul style="list-style-type: none"> - at the output valve from adjustment-metering-supply to distribution customer/operator; - where natural gas is treated and measured for export;
<i>Limit point within distribution system</i>	- place where user's installations separate as property from distribution system operator's installations.
<i>Connection to transmission system</i>	- activities necessary to achieve the connection installation for injecting natural gas into transmission system and/or for injection/extraction into/from underground facilities and/or for supplying a customer/natural gas distribution system from transmission system.
<i>Distribution system</i>	- a set made up of pipelines, measurement-regulation installation, devices and accessories, placed between taking over stations and linking valves of consumers connected at low pressure network, that is till output of regulation stations/posts from the consumer linked to low pressure network.
<i>Homogeny distribution system</i>	- distribution system or group of systems neighbor and/or operated by only one operator, having similar technical and operational characteristics.
<i>Storage system</i>	- all surface and/or underground technological installation, as well as the deposit itself, by the meaning of witch quantities of natural gas can be stored or extracted.
<i>Transmission system</i>	- natural gas transport system in high pressure regime, compound of a set of pipelines, recipients, equipment and due installation, that ensures the natural gas taking over from the producers and/or internal and/or foreign suppliers and its transport for supplying into distribution systems and/or straight to the direct consumers and/or its storage
<i>Storage licensee</i>	- Romanian or foreign legal person authorized and licensed for operating au underground storage system and developing commercial related activities.
<i>Distribution licensee</i>	- Romanian or foreign legal person authorized and licensed for distribution activity and natural gas commercialization within a given area.
<i>Supply licensee</i>	- Romanian or foreign legal person authorized and licensed for commercializing natural gas.

<i>Transmission licensee</i>	- Romanian or foreign legal person authorized and licensed for operating a transmission system and developing commercial related activities.
<i>Linepack</i>	- total quantity of natural gas that shall be maintained into a pipeline for ensuring the minimum pressure necessary for operation on security, balance and quality of transmission services terms.
<i>Peak of consumption</i>	- 24 continuous hours from a calendar year for which the highest consumption of natural gas is recorded.