

# ANNUAL REPORT 2006

**ROMANIAN ENERGY REGULATORY AUTHORITY**

## CONTENTS

<b>Message of the President.....</b>	<b>3</b>
<b>Organization and Operation - Legal framework .....</b>	<b>5</b>
<b>Objectives .....</b>	<b>6</b>
<b>Context and performance indicators.....</b>	<b>6</b>
<b>Programs developed in compliance with ANRE objectives .....</b>	<b>12</b>
Licenses and establishment authorizations .....	12
Commercial regulations .....	16
Electricity market monitoring .....	21
Prices and tariffs .....	30
Technical regulations .....	34
Certification of undertakings and authorization of electricians .....	37
Consumer protection. Guidance and control .....	38
International Co-operation Programmes .....	40
Information and public relations .....	43
<b>Institutional strengthening and development.....</b>	<b>45</b>
<b>Important regulations for preparation.....</b>	<b>46</b>

## ANNEXES

## Message of the President

In a future when all energy options play an important part in the economy of the European States and where customers must have a better understanding of the energy they use, the energy framework shall be developed perpetually through decisions of the managers and also through individual decisions.

Continuously implementing the secondary legislation mandatory for developing an efficient internal energy market, ANRE continued in 2006 the process of improving and completing the regulation framework, in accordance with the requirements of our national law and the community law, adapting it to the continuous development of the energy sector.

The transparency of the energy market was increased, acknowledging and taking into account the fact that transparency is the fundamental element for the proper operation of the market. Having regard to this objective, the implementation of *Guidelines of good practice concerning transparency and information management on the energy markets* document issued by the European Regulators' Group for electricity and gas (EREG), march 2006 was implemented by the competent departments of ANRE, through the monthly publication on its web page of the reports regarding the results of the electricity market functioning, published both in English and Romanian, specifying the tasks of the market operators and of the other market participants in the electricity sector, regarding information publishing, in the proposal for reviewing the Commercial Code of the wholesale electricity market; specifying the task of ANRE's monitoring department( specified in its methodology, reviewed in 2006) to monitor the way in which undertakings perform the tasks above mentioned.

In the same process of harmonization of the national legislation with the community law, the adoption of, ANRE Order no. 16/26 (Official Gazette of Romania, no. 559/28.06.2006) repeals the obligation of maintaining a second address in Romania, during the entire validity period of the permit for foreign legal persons, that design, construct and operate, electricity facilities, came as a support for the screening exercise coordinated by the Minister of European Integration, which took place between May and June 2006, in view of identifying and eliminating the administrative barriers contained in the set of laws.

The regulation framework was developed and completed with specific provisions for the organization and operation of the green certificates market. The process of transposing into national law the provisions of the Directive 2004/8/CE concerning cogeneration aiming to produce electricity from high efficiency cogeneration capacities was initiated. Moreover, ANRE took part in the preparation of the national investment plan, *District Heating 2006-2007, quality and efficiency* that aims to improve the efficiency of the heat generation and distribution system.

In order to clarify the issues related to the introduction of the heat local basic prices, ANRE representatives had meetings with representatives of city halls and undertakings operating in the heat cogeneration sector, at their request, main issues discussed regarded the degree of sustainability of heat costs for the population, local strategies regarding heat supply in the rural areas, opportunities to finance refurbishment projects.

In view of the total market opening, were completed the obligations and deadlines to be respected in the process of switching the energy supplier.

Another important objective was the development of energy trade with neighboring countries, through regulation in order to create a regional market of electricity in South East Europe. In this regard, the ratification of the European Parliament and six of the nine countries, of the Treaty establishing the Energy Community in SE Europe and its entry into force on the 1<sup>st</sup> of July 2006, represents an important progress.

Henceforth, ANRE shall continue its efforts to create a transparent and nondiscriminatory regulation framework, in order to fulfill the European energy requests regarding a genuine internal market, allowing all customers to benefit from the advantages of an efficient and operational market, that is, competition and safety of supply, in compliance with environmental protection.

**Nicolae Opris**  
**President**

## Organization and Operation – Legal framework

The Romanian Energy Regulatory Authority (ANRE) is a public independent institution, having legal personality, entirely financed from sources outside the state budget, whose mission is to create and implement the appropriate regulatory system, to ensure the proper functioning of the sector and of the electricity and heat markets in terms of efficiency, competition, transparency and customer protection. In carrying out its mission, ANRE aims at integrating its regulatory act into the regulatory acts of other peer bodies in accordance with the objectives and priorities of the Government.

ANRE develops its activity according to the Electricity Law 318/2003 and to the Organization and Operation Rules approved through Government Decision (GD) 1816/2004, amended and completed through GD 1847/2005. According the Government Emergency Ordinance (GEO) 11/2004 regarding the re-organization of certain central administration structures and approved by the Law 228/2004, subsequently modified and completed ANRE is under the direct co-ordination of the Prime Minister.

ANRE has the following tasks and competences:

- Set up mandatory regulations for undertakings operating in the electricity sector;
- Grant, modify, suspend or revoke authorizations and licenses for electricity undertakings, including for producers of heat from co-generation as well as for undertakings likely to emerge following the opening of the electricity market.
- Issue and approve calculation methodologies to set up tariffs and prices.
- Set up tariffs for non-eligible customers.
- Set up prices and tariffs operating among electricity undertakings, tariffs for transmission, distribution and system services, prices and tariffs for activities and services associated to the production of heat from co-generation.
- Establish supply framework contracts and contracts between electricity undertakings for trade, purchase, transmission, system services and distribution of electricity as well as contracts for trading heat from co-generation;
- Issue the regulation for electricity supply to customers, subject to governmental approval.
- Approve technical and commercial regulations for undertakings operating in the sector.
- Perform control activities in order to assess the compliance of electricity undertakings with the existing regulations, with the system of tariffs and prices into force and to levy penalties for infringements;
- Set up the procedure for the resolution of pre-contractual disputes and settles possible disputes occurring among electricity undertakings upon the conclusion of contracts and also, those regarding electricity supply contracts.
- Set up its own monitoring and control procedures in order to assess the compliance of undertakings with the existing pricing and tariff system.
- Establish, in compliance with the legal provisions, its own regulation for the identification, notification and penalization for violation of sector regulations.

- Draw up the regulation for the licensing of electricians and the certification of electricity undertakings to design, construct, verify and operate energy capacities, respectively facilities.
- Monitor the enforcement of the specific electricity sector regulations.
- Notify the relevant ministry and the Competition Council of the abuse of dominant position on the market and infringements of the legal provisions referring to competition whenever non-compliance with the regulations on competition and transparency is found;
- Create and administrate a national data base, upon data sent by the undertakings involved, necessary for unfolding its own regulatory activity and for the dissemination of information to other authorities involved in establishing the sector development strategy as well as related to the international trade of electricity and practices in the field;
- Draw up the regulation regarding users' connection to the public electricity networks, subject to Government approval;
- Inform the relevant ministry upon the unfolding of its own activity through annual reports that are subsequently published.

In performing its tasks, ANRE cooperates with the Competition Council, with the National Authority for Customer Protection, with ministries and other central or local administration bodies, with electricity customer associations, undertakings performing services in the system, professional associations in the electricity and heat sector, with employer associations and trade unions.

### **Objectives**

The main objectives pursued in 2006 were:

- Create a modern electricity sector, with an open electricity market able to satisfy customer demand, in accordance with the principles of the European Union, having regard to Romania's commitments in the adhesion process.
- Harmonize the interests in the sector and maintain a balanced and fair relationship.

### **Context and performance indicators**

The following normative acts were adopted in 2006:

**Law no. 56/17.03.2006 to modifying Law no. 199/2000 concerning efficient energy utilization**, published in the Official Gazette of Romania, Part 1, No. 291/31.03.2006

**Government Decision No. 462/2006** for the approval of the programme "*District heating 2006-2009 quality and efficiency*" and the establishment of the Unit for project management, published in the Official Gazette of Romania, Part 1, No. 378/03.05.2006.

**Law No. 230/07.06.2006 on public lighting services**, published in the Official Gazette of Romania, Part 1, No. 517/23.06.2006.

**Law No. 231/07.06.2006, regarding the ratification of the Treaty establishing the Energy Community signed in Athens on 25<sup>th</sup> September 2006**, published in the Official Gazette of Romania, Part 1, No. 546/23.06.2006.

**Law No. 325/14.07.2006 concerning public service for heat supply**, published in the Official Gazette of Romania, Part 1, No. 651/27.07. 2006.

**Government Decision No. 780/2006** concerning the greenhouse gas emission certificates trading scheme, published in the Official Gazette of Romania, Part 1, No. 554/27.06.2006.

**Government Ordinance No. 36/2006 regarding the setting up of the national reference price for heat supplied through district heating**, published in the Official Gazette of Romania, Part 1, No. 692/14.08.2006, and approved by law No. 483/2006 published in the Official Gazette of Romania, Part 1, No. 1028/27.12.2006.

**Government Decision No.1305/2006 regarding Winter Energy Programme for October 2006- March 2007**, published in the Official Gazette of Romania, Part 1, No. 809/02.10.2006.

**Government Decision No. 1350/2006 concerning the approval of the Norms for implementation of the GEO no. 5/2003 concerning heating assistance as well as special facilities for heat payments, subsequently modified and completed**, published in the Official Gazette of Romania, Part 1, No. 819/04.10.2006.

Within this frame, upon applying the regulation programme, approved by ANRE's president decision, in 2006 the authority issued 1719 orders and decisions (see **table 1**).

**Orders and decisions issued within 1999-2006**

**Table 1**

Item	<i>Orders &amp; decisions regarding</i>	1999	2000	2001	2002	2003	2004	2005	2006	Total
1	Licenses, permits and authorizations for activities developed in the electricity and heat sector	7	156	262	243	157*	102	200*	127*	1254
2	Electricity undertakings	-	-	-	-	-	136	819	900**	1855

	certification									
3.	Regulation of commercial relations	19	50	19	28	23	26	33	28	226
4	Qualification for priority generation of electricity	-	-	-	-	-	-	41	66	107
5	Settlement of pre-contractual disputes	-	32	83	38	28	14	41	6	242
6	Prices and tariffs for activities developed in the sector, methodologies	4	509	821	567	199	141	219	255	2751
7	Technical regulations	10	11	7	4	10	10	9	8	69
8	Other regulations regarding the electricity and heat sector and the in-house organization of ANRE	44	121	92	104	113	181	277	329	1261
9	<b>Total</b>	<b>84</b>	<b>879</b>	<b>1284</b>	<b>984</b>	<b>530</b>	<b>610</b>	<b>1639</b>	<b>1719</b>	<b>7729</b>

\* Several licenses were granted for the same undertaking (generation, transmission, etc.) within the same number of decisions or a license was subsequently modified by different decisions

\*\*Several licenses were granted within the same decision

ANRE activity in 2006 consisted on the following:

- Carry on the process of granting, modifying or revoking licenses and establishment authorizations;

- Authorize undertakings to design, construct, verify and operate electricity facilities and licensing electricians that design, construct, verify electricity facilities;
- Complete the regulation framework with new commercial and technical rules;
- Tariff and price adjustment for heat and electricity in order to cover the supporting costs;
- Monitor, guide and control;
- Settlement of complaints and pre-contractual disputes;

**Table 2** comprises ANRE performance indicators through which the autonomy of the institution is determined, the participation of the interested parties to the decision making process is ensured and the appeal procedure against decisions and orders issued by ANRE is established; and **Table 3** describes the evaluation report for implementing Law No. 52/2003 in 2006.

### ANRE specific performance indicators

**Table 2**

Item	Indicator	Fulfillment
1	Clear description of the regulator's tasks and competences in the primary legislation	Provisions of the Electricity Law 318/2003 and of Law 228/2004 to approve GEO 11/2004
2	Autonomy of the regulator	ANRE is an independent public institution of national interest under the co-ordination of the Prime Minister. The President and Vice-president are appointed for a 5-year period and are revoked by decision of Prime Minister. ANRE is entirely financed from funds outside the budget through fees obtained for licenses, authorizations and other regulatory activities levied upon the regulated companies.
3	Involvement of interested parties in the decisions making process. Transparency.	Web site display of the programme for issuing regulations and of public meetings to be held for the granting of licenses and authorizations. Mechanisms of consultation and information on the position of interested parties (generators, suppliers, consumers, the transmission system operator, and electricity market operator and distribution operators) in the orders and decisions issuing process. Within the Advisory Council meetings, organize

		<p>public meetings and discussions on draft regulations to allow participation of interested parties to the decision making process and to allow the regulators the possibility to present their final arguments on the decisions and orders issued. The Advisory Council support given to ANRE during the year either by the direct implication of its members in solving certain problems or by promoting ANRE activity is noteworthy.</p> <p>ANRE annual report concerning transparency of the decision process for the year 2006 issued in compliance with the provisions of the Law 52/2003 regarding transparency of the decision process shall be found in <b>table 3</b>.</p> <p>Annual reports issued to allow state authorities verify the regulator's activity.</p>
4	Appeals	ANRE orders and decisions can be brought before the Court of Appeal Bucharest within 30 days from the notification of the parties or from the date of their publication in the Official Gazette of Romania, Part I.

### Evaluation Report for the implementation of Law No. 52/2003 in 2006

**Table 3**

<b>Indicators</b>	<b>Answer</b>
<i>A. Regulation process</i>	
1. Number of draft regulations of public interest adopted in 2006	45
2. Number of draft regulations made public	51
Among these were made public as follows:	51
a. ANRE web site	51
b. display at its headquarter	0
c. mass-media	0
3. Number of requests for providing information regarding draft regulations	38
Among these, the requests were filed by:	
<b>a. natural persons</b>	15

<b>b. business associations or other legal associations</b>	0
4. Number of projects sent to the legal persons that have submitted a request for information regarding the draft regulation	0
5. Number of projects sent to business associations or other legal associations	0
6. Number of appointed persons responsible for the relationship with the civil society	1
7.Total number of received recommendations	731
8. Total number of recommendations included in the draft regulations	383
9.Number of meetings organized at the request of legal associations	14
10. Number of draft regulations adopted in 2006 without compulsory public debate (adopted through emergency procedure or comprising information exempting them from the provisions of Law 52/2003, in compliance with art. 5.)	2
<i>B. Decision process</i>	
1. Total number of public meetings	
2. Number of public meetings announced through:	
a. display at the headquarter	0
b. publication on web site	99
c. mass-media	0
3.The estimated number of participants in the public meetings(office workers excluded)	413
4. Number of public meetings with media access	0
5. Total number of recommendations and opinions expressed during public meetings	63
6. Total number of recommendations included in the adopted decisions	47
7. Number of non – public meetings, justifying the restricted access:	
a. exemption information	0
b. secret voting	0
c. other reasons (which?)	0
8. Total number of minutes of the public meetings	99
9. Number of minutes made public	3
<i>C Cases where the public authority was brought before the Court</i>	
<b>1. Number of actions against the public administration brought before the Court for provisions infringements regarding transparency of the decision process</b>	

a. ruled in favor of the plaintiff	0
b. ruled in favor of the institution	0
c. to be solved	0

In order to ensure the proper unfolding of its activity, ANRE complied with the expenses provided in the revenue and expenditure budget approved in accordance with the legal provisions.

13 orders and decisions signed by ANRE president in 2006 were appealed by (S.C. Electrocentrale S.A. Oradea, S.C. Cemtrade S.A. Oradea, S.C. “Electrica Muntenia Sud” S.A., S.C. “Electrica Transilvania Nord” S.A., S.C. “Electrica Muntenia Nord” S.A., S.C. “Electrica Transilvania Sud” S.A., S.C. “„Electrica Oltenia” S.A., S.C. E. ON Moldova S.A., S.C. Enel Electrica Dobrogea S.A., S.C. Electrica Banat S.A., S.C. “Termoelectrica” S.A., the Sibiu City Hall, Romanian Water Association). All the appeals, except one, were overruled as unsubstantiated by the Bucharest Court of Appeal. A number of plaintiffs petitioned for recourse at the High Court of Cassation, whose decision shall be final and irrevocable.

## **Programmes Developed in Compliance with ANRE Objectives**

ANRE regulatory activity is planned according to an annual programme for issuing regulations approved by the president, which is updated in compliance with the legislative modifications and with the various changes occurring in the electricity and heat sectors. Having regard of ANRE objectives in 2006 the programme is based on the proposals made by ANRE experts, by members of the Advisory Council and by its dialogue partners.

In addition to the activities that are permanently found on ANRE agenda, namely: granting licenses and authorizations, adjusting and setting up prices and tariffs or resolution of disputes and/or claims, the programme also includes regulations that complete the existing regulatory framework. The president approved a separate programme in order to review the sector provisions regarding generation, transmission, dispatch, distribution, supply and use of electricity and heat.

The outcome of these programmes and how they contributed to the fulfillment of the proposed objectives are presented further on.

### **Licenses and Establishment Authorizations**

The process of granting, respectively modifying or revoking licenses and establishment authorizations (for the purpose of this section generically referred to as “authorizations”) continued in 2006, according to the competences set in the Electricity Law 318/2003 and in the GD 73/2002 on the organization and operation of the district heating public service.

In unfolding its licensing procedures, ANRE respected, respectively imposed to the authorized undertakings the provisions set in the “Regulation for the granting of licenses and authorizations in the electricity sector”, approved through GD 540/2004, modified

and completed and in the “Regulation for the granting of licenses for heat transmission, distribution and supply”, approved through ANRE Decision 155/2004.

Licenses and authorizations are granted within public meetings attended by representatives of ministries, of other public institutions and bodies, undertakings, employer and professional associations in the field, the terms of those authorizations/licenses have been analyzed article by article.

According to the procedures adopted by ANRE:

- The schedule of the public meetings, monthly updated, is displayed on the web site, address [www.anre.ro](http://www.anre.ro);
- Calls for public meetings shall be noticed to the parties in view of displaying them at their headquarters;
- The debates are recorded and stored for a period of 5 years and are available for consultation, upon request.

The interested parties may appeal the decision, signed by the president, concerning the granting/non granting of licenses and authorizations in 30 days following the day it was granted. If he is not satisfied then an appeal against the decision of the president may be brought before the Court.

#### **A. Licenses**

##### *Electricity generation, transmission, distribution and supply*

In 2006, the Board of Regulators upon request of granting respectively modifying licenses in the electricity sector, having regard to the conclusions following the analysis of the documents attached to the requests, approved the following:

- Granting of 51 licenses (see **table 4**)
- Modifying, upon licensee’s request, 38 licenses in force (see **table 5**)

One undertaking was denied the granting of the license for lack of creditworthiness. ANRE Regulatory Committee made this decision in view of the fact that given its uncertain financial status the respective company would have run the risk as license holder of not being able to fulfill its contractual obligations.

Also in 2006, 3 of the requests for electricity supply were denied, in compliance with the provisions of art. 26, par (3), of the Regulation for granting licenses and authorizations in the electricity sector, approved through GD No. 540/2004, subsequently modified and completed. The applicants have not completed the documents attached to the request in accordance with the provisions of the Regulation in 60 working days from the day of registration.

Licenses were granted, in 2006, for the following activities:

- 12 licenses for **electricity generation**: 8 for electricity generation from renewable energy sources (wind – 4 licenses, hydroelectricity – 4 licenses) and 4 undertakings generate electricity in cogeneration from fossil fuels
- 4 licenses for **electricity distribution**; 2 of the license holders are private companies providing electricity distribution in addition to their main activity, the other 2 designated electricity distribution and trading as their main activity;

- 35 licenses for **electricity supply**; 2 granted to undertakings that had previously held such licenses, without unfolding the activity, meanwhile the period into force of the license expired.

*For generation, transmission, distribution and supply of heat produced in cogeneration*

Upon request, ANRE Regulatory Committee approved in 2006:

- granting 3 licenses for heat cogeneration (see **table 4**)
- modifying 5 licenses for heat cogeneration.

### **Licenses suspension, revocation**

In 2006, ANRE revoked 9 licenses as follows:

- a) 2 electricity generation licenses, one of the license holders suspended its cogeneration activity, the other transferred its activity to another license holder;
- b) 4 of the licenses held by the licensees mentioned under a) for heat generation (2), distribution (1), respectively, supply (1);
- c) 2 electricity distribution licenses, upon request, following the transfer of the energy capacities, subject of the license, to other undertakings;
- d) one license for electricity supply, due to the fact that the license holder didn't pay its contribution to ANRE .

In December 2006, ANRE suspended a license for electricity supply, due to the fact that the licensee entered into insolvency proceedings, according to the Law 85/2006 concerning insolvency proceedings.

### **B. Establishment authorization**

Upon request, in 2006, ANRE Regulatory Committee granted 10 establishment authorizations (see **table 4**). Table 4 comprises the repartition upon the type of electricity capacity to which construction, assembly and commissioning works were to be made, on the basis of establishment authorizations.

Is worth mentioning the fact that among these authorizations, for the refurbishment works of the energy capacities were granted only 2 establishment authorizations (one fore a hydro power plant, respectively a transmission station) the others were granted for the establishment of new energy capacities. By way of comparison with 2005 the number of new establishment authorizations doubled.

In 2006, was denied the granting of an establishment authorization, motivating that the application was submitted almost during the setting into operation of the already refurbished capacity. The person found guilty of violating the establishment authorization procedure (period and purpose when the authorization must be requested) was penalized with a fine.

## Licenses and authorizations granted in 2006

Table 4

No	Type of authorization	Electricity	Heat	TOTAL
	<i>A. Licenses</i>			
1	Generation	12	3	15
2	Transmission and system services	-	-	-
3	Ancillary services	-	-	-
4	Activity of the Electricity Market Operator	-	-	-
5	Distribution	4	-	4
6	Supply	35	-	35
	<b>Total A</b>	<b>51</b>	<b>3</b>	<b>54</b>
	<i>B. Establishment authorizations</i>			
		Electricity	Cogeneration	TOTAL
1	Generation capacities	3	3	6
2	Transmission capacities	2	-	2
3	Distribution capacities	2	-	2
	<b>Total B</b>	<b>7</b>	<b>3</b>	<b>10</b>
	<b>TOTAL (A+B)</b>			<b>64</b>

## Licenses modified in 2006

No	Type of license	Electricity	Heat	Total
1	Generation	10 <sup>1)</sup>	5 <sup>2)</sup>	15
2	Transmission and system services	-	-	-
3	Ancillary services	-	-	-
4	Activity of the Electricity Market Operator	-	-	-
5	Distribution	3 <sup>2)</sup>	-	3
	Supply	-	-	24
	<b>Total</b>	<b>38</b>	<b>5</b>	<b>43</b>

<sup>1)</sup> Two of these licenses were modified twice in 2006, and 12 decisions to modifying the licenses granted for this type of activity, were issued

2) One of these licenses was modified twice in 2006, with 6, respectively 4 decisions to modifying licenses for electricity generation, respectively distribution

3) In all, in 2006 were issued 47 decisions to modifying licenses

In 2006, in compliance with the Law of electricity and Terms for licenses granted by ANRE, all licensees had to draw up and submit to the competent authority the Financial Standing and Activity Reports, on 2005.

At 31 December 2005, the Department for the Analysis of Annual Reports recorded **158 undertakings** holding at least one license into force.

By the end of 2006, **157** license holders submitted to the Authority information regarding their activity in 2005.

In 2006, **105** license holders sent *financial statements* on paper, representing 66% of their total number and 90% of the undertakings developing activities in the electricity, electricity and heat cogeneration sector. Moreover, in order to prepare the data base **108** financial standings were sent, via e mail, representing 68% of all undertakings and 93% from those unfolding activity in the sector). 7 license holders, representing 4,4% did not send a financial statement.

In 2006, **108** license holders sent *activity reports* on paper, representing 68% of the total number, respectively, 93% of the undertakings developing activities in the electricity, electricity and heat cogeneration sector. In order to prepare the data base 89 reports were sent, via e mail, representing 56% from the total number and 77% from those unfolding activity in the sector).

8 license holders (5%), did not send activity reports in 2006.

## Commercial Regulations

In 2006, continued the process of creating, completing and upholding the secondary legislation for the proper development of the electricity market. Regulations issued for this purpose are as follows:

Commercial regulations concerning the wholesale electricity market:

- ANRE Order No. 14/2006 **regarding throwing-on of electricity delivered into the network by the generation capacities within the commissioning period**, the provisions establish the trading modalities for the electricity delivered by the generation capacities to the electricity networks during the commissioning period, in order that the conditions for their commercial operation to be entirely met. Following the repeal of the ANRE Order 36/2002 and in order to prevent the risk of regulation exposure, the license holders, that have signed the agreement for the

construction of a new generation capacity or the refurbishment of an existing one before the entry into force of the order, have the possibility to be exempted from the payment of the negative imbalances.

- In order to strengthen the discipline regarding the term of payment on the day ahead market, was issued **ANRE Order No. 25/2006 regarding the suspension of a Day Ahead Market participant**, stipulating SC Opcom S. A. liability, as market operator to suspend a market participant by declaring the nullity of its offers to purchase, when the latter breach the rules of the day ahead market. The procedure was approved by **ANRE Decision No. 1665/2006 concerning the approval of the Procedure of legal suspension, on the Day Ahead Market of the market participants, which have not met their obligations in what regards S.C. Opcom S.A., or the other market participants.**
- **ANRE Order No. 29/2006 concerning the approval of the sale/purchase framework agreement for the ancillary services between [the Provider of the ancillary services] and C.N. Transelectrica S.A.**, this order reviewed the framework agreement, introducing the payment of the contracted ancillary services instead of the provided ones and the payment penalty for the seller if he does not provide the ancillary services contracted.
- In order to prevent the abuse of dominant position on the Balancing Market was issued **ANRE Order 33/2006 regarding bidding rules on the Balancing Market**, establishing the highest bid, at 350 RON/MW on the balancing market, corresponding to the power increase adjustment (regulation) having regard to the condition that the difference between the highest bid during a delivery day, and the minimum price for the same delivery day, for each dispatch unit/customer shall not be higher than 60 RON/MWh.
- **By ANRE Decision No 1774/2006 was approved the electricity sales/purchase framework concluded between electricity producers.** This framework comprises rock-bottom conditions regarding rights and obligations of the producers trading electricity.
- In 2006, were authorized 11 operational procedures, in order to develop the provisions of the Market Code for the wholesale electricity market, these procedures were established by S.C. Opcom S.A. and C.N. Transelectrica S.A.
- Among these we can mention **Operational procedures concerning the electricity bilateral contracts market**, reviewed by S.C. OPCOM S.A., for increasing the transparency regarding the conclusion of electricity purchase bilateral contracts, as well as increasing the market's liquidity. Modifications regard public biddings for the offers to purchase, clarifying some issues of procedure and operation for the optimal operation of the market.
- Moreover, the approval of the Operational procedure regarding the allocation of the transfer capacity of NES transfer grid with the neighboring systems in order to comply with the provisions of the Regulation No. 1228/2003 of the European Parliament and of the Council, reviewed by C.N. "Transelectrica" S.A., brought the following modifications:
  - a) Extended the right of participation in auctions for the legal persons not holding a license granted by ANRE;

- b) Remised the priority assignment of the long term import/export electricity contracts, without organizing an auction first;
- c) Explained the terms in which an undertaking can renounce it's interconnection /transfer capacities, granted by a license.

### ***Retail Market Regulations***

For promoting discipline and fair competition on the retail market and in order to ensure the total market opening, ANRE issued the following orders:

- **ANRE Order No. 4/2006 to modifying and completing Order No. 21/2005** regarding the approval of the **procedure for switching the electricity supplier,**
- **ANRE Order No. 6/2006 to modifying and completing ANRE Order 38/2005** regarding the approval of the **Procedure regarding the conditions to be met and the method to be used in order to benefit from the social tariff.**
- **ANRE Order No. 34/2006** regarding the **Procedure concerning the way in which customers with an installed power over or equal to 3 MW, and tariffs in compliance with the regulations in force, provide to the suppliers the necessary data for the forecast of electricity.**

Moreover in 2006 was initiated the process of consulting the retail market players in drawing up the following regulations: *Procedure for establishing and applying the residual consumption profile, Framework agreements for electricity supply at regulated tariffs-reviewed, The Regulation for the supplier of last resort*, all these regulations are to be completed in 2007.

From June to August 2006, ANRE prepared and sent questionnaires to its suppliers and customers, regarding the development of the regulation framework for the operation of the electricity market entirely open, having regard to the customer protection, in compliance with energy national and community law.

2006 was the second year of the application of the *Regulation for labeling the electricity to customers*, elaborated in 2004 and approved through ANRE Order No. 41/2004. ANRE completed a comparative and statistic analysis of the structure of the electricity quantities generated in 2005 by our main national producers as well as the inherent CO2 emissions. Romanian electricity producers and suppliers prepared and sent to the interested parties labels comprising information about the electricity generated, respectively supplied, in 2005. In April 2006, the captive consumer invoices also included information regarding: the weight of each primary energy source in covering the acquisition of the supplier's electricity, the level of CO2 emissions and the radioactive waste associated to the delivered electricity, comparison between the aforementioned data and the average values at national level.

### ***Development of the regulatory framework to promote electricity generated from renewable energy sources***

In 2006 continued the development of the regulatory framework to promote electricity produced from renewable energy sources (RES-E), to reach the target established by Romania, that is 33% RSE-E in the national consumption of electricity.

**ANRE Order 22/2006** reviewed the *Regulation for the organization and operation of the green certificates market*, to reflect the modifications of the primary legislation:

- the weight of RES-E for 2010 was increased from 30% to 33%.
- the mandatory annual quota for the purchase of green certificates for 2010 was increased to 8, 3% from 4, 3% that is to be maintained until 2012
- the lowest and highest trading values of the green certificates, for 2012 have been established to range within Euro 24-42/certificate.
- the allocation of the sums obtained from the failure to meet the purchase mandatory GC quotas.

**Order ANRE No. 38/2006**, approved the **Procedure for monitoring the green certificates market**. Having regard to the fact that the proper operation of the green certificates market depends on the success of the strategy applied in Romania for the promotion of the electricity produced from renewable sources, the procedure has the purpose of establishing the following:

- activities that are to be undertaken and the ways of obtaining the necessary information in order to monitor the green certificates market;
- parties involved and their part in monitoring the green certificates market;
- indicators necessary for the quantification of the performances of the green certificates market, of the efficiency of the system applied for the promotion of RES-E as well as the behavior of the market participants;
- method of quantification of the environmental and economic impact of the scheme for promoting RES-E.

For the first decade of December the suppliers purchase quota for green certificates was modified through ANRE **Order No. 37/2006**, at an estimated value of 2,38% from the 2,22% legal quota established for this year. This modification came as a result of the no. of green certificates issued up to that date and for the final electricity consumption forecast for 2006. According to the new quota the total number of GC purchased in 2006 was 23 649.

ANRE **Order 39/2006** approved the Regulation for professional qualification for priority generation from renewable energy sources. Having regard to this regulation, in 2006 were examined 23 requests for professional qualification of the RES-E producers.

The main results obtained following the qualification process for priority generation of electricity from RES for 2007 are:

- The installed capacity in qualified RES-E units for 2007 is 232MW comprising wind turbines and hydroelectric power plants with a maximum installed power of 10 MW.
- The forecast for RES-E generation, for the year 2007 is 392451 MW-h, 84% qualified for uncontrollable priority production and 16% controllable priority production.
- From the RES-E forecasted for 2007, about 1% shall be produced using wind the other 99% using hydroelectricity.
- For the hydroelectric power plants with a maximum installed power of 10 MW, the capacity ratio vary between 8-36%; for the wind turbines from 13-22%, taking into account the hydrological and weather conditions.

Through **ANRE Decision No. 309/2007** and taking into account the analysis of data submitted by suppliers or green certificates Market Operators, as well as data provided by ANRE monitoring department, for 2006 were established the following: the number of green certificates to be purchased by each supplier in compliance with the legal provisions, the number of certificates non purchased, the list of suppliers that haven't fulfilled their mandatory quota for the purchase of green certificates.

From 152 suppliers holding a license in 2006, 61 were active and had the obligation to purchase certificates, according to the energy they supply, only 53 suppliers because 3 of them delivered a quantity of energy lower than the minimum green certificates purchasing limit (1MW-h). From the suppliers bounded to purchase, 21 have not fulfilled the mandatory quota, partially or entirely, respectively 901 certificates have not been purchased.

The counter value of a certificate that has not been purchased represents 63Euros/certificate, respectively 232,520 RON. The amounts resulted from the counter values of the green certificates that have not been purchased were redistributed to the producers of electricity from renewable sources.

In 2006, RES-E producers received 3,556 mill. RON for RES-E generation, that led to a 0.0788 lei/MW-h , price increase for the final customer .

2006 is the second year for the certification of RES-E origin and were granted 581 guarantee certificates For the RES-E producers. Among these 6 use wind energy and 17 hydroelectricity.

From all the origin certificates granted in 2006, 85,7% was granted to S.C. " Hidroelectrica" S.A.

The plants of the E-RES producers requesting guarantee certificates, had an overall installed power of 6288,9 MW, only 0.05% from this installed power came from wind turbines, yet irrelevant in comparison with the overall power installed in hydroelectric power plants.

66% of the electricity is generated in hydroelectric power plants with an overall installed power over 50MW, and 30% in plants with an installed power between 10 and 50 MW. Electricity produced in hydroelectric power plants with an installed power below 10 MW, representing 4%, 2% of which was generated in plants with an installed power below 5 MW.

In 2006 from the total RES-E, about 40.41% was delivered to C.N. “Transelectrica” S.A. high voltage networks, the rest of 59.59% to the distribution networks.

Taking into consideration the gross domestic consumption of electricity in 2006, published by the National Statistics Institute in its Monthly Statistic Bulletin for December 2006, the weight of RES-E in the gross national electricity consumption was 31,63%, representing 95.8% of the target set for 2010(33%).

## **Electricity market monitoring**

**The Methodology of wholesale electricity market monitoring in order to assess the competition level of the market and prevent the abuse of dominant position** was approved by **ANRE Order no. 35/2006**. This is the first review of the methodology with the same number approved through ANRE Order No. 57/2005, completed in compliance with the clarifications made by the advisory report on this matter, that took place during the project Phare RO 551.04.09.01 and following the analysis and testing of the common market operators upon the indicators proposed by the first methodology, indicators used in order to assess the efficiency of the market and the market participants behavior.

The monitoring activities are performed by the specialized department of ANRE together with the corresponding departments from S.C. OPCOM S.A. and C.N. „Transelectrica” S.A. These activities allowed:

- the publication of monthly reports regarding the monitoring process of the electricity markets, on ANRE web page . These reports contain information regarding the operational rules of the market, data concerning grid and market operation in order to assess the level of competition and to allow specific analysis of the interested parties. The public report is continuously improving in accordance with the conclusions of the advisory reports, financed through European funds and with the good practice guidelines regarding transparency of the electricity market prepared by ERGEG. When elaborating these reports, ANRE takes into consideration the general principles of the European Union regarding data publishing and respecting the necessary balance in order to avoid tacit agreements.
- periodically analysis regarding the efficiency of the wholesale and retail electricity markets and of the regulation framework as well as the market participants behavior

Competition can be assessed using market concentration indices, on the other hand the market price is the direct result of the efficiency of the market.

In compliance with the economical theory, the following concentration indicators are defined:

- HHI, Herfindahl – Hirshman index. It is calculated by squaring the market share of each firm competing in a market, and then summing the resulting numbers.

The values of the indicator represent:

HHI<1000                      a competitive marketplace;

1000<HHI>1800              restraint concentrated marketplace

HHI>1800                      highly concentrated marketplace.

- C1, market share of the biggest participant (percentage).

In what regards the significance of the values of the indicator, there is no concordance at international level. The assessments made on the electricity market of the European Union, attribute the following significance to the values of the indicator:

C1>20%                      concerning values for competition

C1>40%                      may suggest market dominance

C1>50%                      almost unanimously agreed as indicating market dominance

### ***The structure of the electricity generation sector***

The evolution of electricity generation between 1989-2006 as well as producers and the resources used for electricity generation in 2006 are presented in **Annex 1**.

The present structure of the electricity generation sector represents the restructuring process between 2000-2004 thus reducing the retail market concentration that can be noticed in the modification of Herfindahl – Hirshman (HHI) index. As it can be seen in annex 2, the value of the HHI indicator, calculated upon the installed power, presently indicates a restraint concentration of the market power.

The concentration values of the market power above mentioned, take into consideration only the structure of the undertakings having a legal status and not the participations held in the shareholding of other undertakings.

The structure of electricity generation in 2006, only for the producers having dispatching units, is presented in **Table 6**.

### **Electricity generation**

**Table 6**

<b>Generator</b>	<b>Quantity</b>	
	<b>TJ</b>	<b>GWh</b>
S.C. „Termoelectrica” S.A	7170	1975
S.C.”Electrocentrale București” S.A	25132	6981
S.C. “CE Rovinari” S.A.	24923	6923
S.C. “CE Turceni” S.A	24779	6883
S.C. “CE Craiova” S.A.	17053	4737
S.C. „Electrocentrale Deva” S.A.	13219	3672
S.C. „Hidroelectrica” S.A	65646	18235
S.C. „Nuclearelectrica” S.A	20275	5632
Self-generators	6728	1869
Other generators	16780	4661
TOTAL	221641	61567

Imports reached 1011 and exports 5248 GW-h; these values do not represent physical flows, they are the outcome of trade, according to the reports of the transmission system operator.

**Table 7** describes the average annual values of the concentration indicators C1 and HHI, determined upon the energy generated and delivered into the system between 2004-2006.

Table 7

**C1 HHI average annual values determined taking into account the energy delivered by the producers**

<b>Year</b>	<b>C1</b>	<b>HHI</b>
2004	32%	1573
2005	37%	1831
2006	31%	1562

In 2006, HHI index value was 1562, under the 1800 threshold, representing the limiting line between restraint concentrated marketplace and highly concentrated marketplace.

Annex 3 describes the monthly evolution of HHI generation index, calculated upon the energy delivered, by way of comparison between 2004, 2005, 2006.

It can be observed that HHI values for generation can be found in the restraint concentrated marketplace (<1800), except for the months when the weight on the market of S.C. “Hidroelectrica” S.A. significantly increases. These can be seen in 2004 but especially in 2005, 2006.

By way of comparison with the majority of European electricity markets, the above mention values show that in Romania (for generation) we have a restraint concentrated marketplace.

**Wholesale electricity market**

Starting with July<sup>1st</sup> 2006, the electricity has been traded on the wholesale electricity market through contracts (regulated, for the quota corresponding to non eligible or own customers supply, the rest negotiated) and through trades on the Day Ahead Market – DAM. The gap between offer and demand is solved by the TSO, by accepting the offers on the Balancing Market, the participants accepting the financial responsibility for the imbalances generated by them. In order to ensure a transparent trade of the contracts on the open market, starting with December 2005, was established the Bilateral Contracts Common Market (BCCM).

The dimension of the wholesale electricity market is determined by the total number of transactions between producers and suppliers, exceeding the quantity physically supplied by the generation capacities to the customers, the total of transactions include resale for adjusting the contractual position and obtaining financial benefits.

As it can be seen in Annex 4, in 2006 transactions upon bilateral contracts prevailed, representing about 133% of the domestic consumption (about 55% regulated contracts), while on the DAM was traded about 8% of the domestic consumption, similar to BM, and BCCM transactions represented 1.6% of the domestic consumption.

### Bilateral agreements market

In 2006, on the contracts market regulated in terms of prices and quantities, was traded about 46% of the electricity sold by producers, and 54% on the open market.

On the **regulated market**, in order to supply non eligible customers, the heat and hydroelectric producers traded about 22% of the total electricity on portfolio contracts, 4.5% on nuclear producer's contract, about 6,2% on contracts using tariffs regulated by the independent/self producers, and for covering grid losses-9.5% representing distribution losses and 1,4% transmission losses. The remaining energy sold by producers on the regulated market was traded among producers on option contracts.

The average electricity price on all regulated contracts between producers and dispatchable units was about 154/RON/MWh.

The dealers/suppliers of the non-eligible customers purchased electricity on the wholesale electricity market equal to 106063 TJ (29462GWh), upon contracts divided as it can be seen in **annex 5**. Altogether, electricity purchase on the regulated market, represented 91%, the remaining 9% was purchased on the open market. The average electricity purchase price was 150,15 RON/MW-h.

On the **open market**, producers traded upon bilateral negotiated contracts about 5% of the electricity with the eligible customers, 5,4% with export partners, 39%with competitive suppliers or with other producers and 1% with the dealers-suppliers of the non eligible customers; shares traded upon contracts concluded after BCCM auctions, that is 1% with competitive suppliers and 3% of the energy was traded on the DAM (see **annex 6**).

Electricity trading average price of the producers on the open market (almost always including transmission system and distribution tariffs) was about 161RON/MWh for the eligible customers and 96 RON/MW-h for competitive suppliers, 91RON/MWh for export, 111 RON/MW-h for other producers; the average price for the DAM was about 150RON/MWh.

For contracts concluded on BCCM the average prices were about 346/RON/MWh for eligible customers (only one contract, for a customer connected at low voltage, distribution tariff included), respectively 128% RON/MW-h for competitive suppliers.

In 2006, BCCM liquidity was reduced, as a consequence of:

- An important electricity quota was contracted before the beginning of the calendar year;
- Many participants preferred direct negotiations (partially restricted by Order No. 408/2006 of the Ministry of Economy and Trade binding producers in the ministry's portfolio to sell available energy on BCCM) and due to the existence of long term contracts for large quantities of electricity;
- Low standardization of contracts
- Insufficient transparency of BCCM, by default of market clearing price publication.

In 2006, the volume of transactions concluded on BCCM had a growing tendency important volumes were traded in November-December and are to be delivered in 2007.

The contracts concluded on BCCM, following transparent biddings, are able to increase the degree of price alignment with the DAM, representing an indicator of the efficiency of the electricity market, respectively avoiding market imbalances.

### Day Ahead Market-DAM

DAM is a free will established market, with both offers to sale and to purchase, open to all license holders, for turning to account exceeding electricity and adjusting the day before delivering, the contractual standing, by way of comparison with generation/consumption possibilities/requirements.

In compliance with the regulations in force and according to the monitoring reports drawn up by S.C. "OPCOM" S.A. taking into account the analysis of HHI index (based upon sales of every DAM participant), point to a competitive or to a monthly restraint concentrated marketplace, nevertheless with daily swings, HHI index reaching some days even 5400.

In what regards purchasing, the same reports point out monthly average indicators generally designating a competitive marketplace; nevertheless in the last quarter of 2006 HHI index reached 3800 (highly concentrated market for sales); moreover some daily values indicate a highly concentrated marketplace.

Usually, HHI high values were the consequences of particular weather conditions (floods/ drought) the hydroelectricity producer generating a surplus of electricity, wanting to turn it to account on the market, or a shortfall towards the contracts, that they try to saturate through purchasing on the day ahead market; this behavior is considered natural and even profitable for the ideal utilization of resources.

S.C. "OPCOM" S.A. did not report infringements of the competition rules when the market registered a high concentration, in order to suspect an attempt of market dominance from one of the participants.

In **Annex 7** are presented volumes traded on the DAM in comparison with those traded on the BM, as percentage of domestic consumption starting with July 2005, when the new market was established.

It seems that the monthly volume traded on DAM in 2006 was about 8% from the domestic consumption, meaning an acceptable market liquidity, taking into account that starting with the 1<sup>st</sup> of July 2005 this market has become voluntary. It is acknowledged that there are further growth possibilities.

The DAM price increased in the second half of 2006 (see **Annex 8**), on the background of pessimistic forecasts in what regards supply, also due to the weather conditions (draught) of that period. In December was registered the maximum value of the average price on the DAM, that is the maximum value registered between July 2005-December 2006 and was about 215 RON/MW-h, the bottom values were registered in May and

June, due to the growing water resources. The average annual value was 161, 06 RON/MW-h.

In conclusion, the establishment of the DAM was an welcomed development, moreover in 2006 there was a strong correlation between the market clearing price and the domestic consumption and came close to the ideal one (0.63).

By way of comparison of OPCOM clearing price with prices established by other European stock exchanges can be observed the following:

- The average annual value of OPCOM clearing price is smaller than the average annual prices registered on the European stock exchanges;
- A limited price correlation is reflected in the long-term evolution of shares and in the absence of peak prices on the DAM. This is due to the limited transmission capacities, weather conditions, to the influence of hydro resources (holding a big percentage in the national energy resources) and to the regulation framework.

### Balancing market-BM

In order to cover the differences between the planned/contracted values of the consumption respectively generation, and their values emerged in real time, TSO (C.N. "Trnsselectrica" S.A.) operates on the balancing market, purchasing or "selling" energy taking into account price's order determined by the offers of dispatch producers. Participants responsible for imbalances, organized in BRP (balancing responsible parties) are bounded to financially support the counter value of these imbalances, paying for the energy shortfall the price resulted from the bid raising accepted on the balancing market, respectively receiving for the energy surplus the price resulted from the bid dropping, offers accepted by the TSO.

The Balancing market was established in July 2005. In December 2006 were active 79 BRP as well as 20 generators with 136 dispatchable units.

The monthly volume of electricity traded on the Balancing market between July 2005- December 2006 (see **Annex 7**), was about 5-13% from the domestic consumption. The traded volumes represent an indicator of the balancing market efficiency and lower volumes indicate that the balancing market reached its purpose- accomplished the necessary adjustments in order to cover the request of electricity. The values of 2006 indicate a potential development of the DAM, if there is a decrease of the traded volumes on the BM.

Imbalances also represent a measure of the discipline of the participants regarding dispatching orders of the transport system operator, as well as their determination for better forecasting the way they operate. The evolution of the volumes traded on the balancing market as well as imbalances indicate a maturation process of the BM.

The values of the concentration indicators, determined upon the energy effectively delivered by generators on the BM in 2006, indicate a dominant player for secondary and tertiary fast regulation (C1 is above 60%) corresponding to a highly concentrated marketplace, independent of the type and method of regulation (monthly HHI values varying between 2097 and 8263); tertiary slow regulation generally indicates that competition is a little higher. In order to prevent the possibility of market dominance on

BE, ANRE introduced maximum/minimum offer prices for all types of regulation, both for upward and downward regulation.

**Annex 8** presents by way of comparison the evolution of monthly average settlement prices (surplus and shortage prices) for July 2005 December 2006. For 2006 the annual average settlement prices were: surplus price 248,77 RON/MW-h, shortage (deficit) price 52,89 RON/MW-h. The monthly average values on the whole operation period are in a normal relation (surplus price < average DAM price < shortage price), with the possibility to improve the relation especially through increase of value of the surplus price.

### **System services market**

Due to the fact that system services market has been highly concentrated, reserves were provided through the conclusion of commercially contracts, following the negotiations/auctions unfolded by TSO as well as through regulated contracts, concluded between producers and TSO for one part of the necessary quantity. Prices resulted for the different types of reserves for the two systems were between 58,39-58,83 RON/hMW for the secondary regulation margin, 26,2-32,22 RON/hMW for the fast tertiary regulation reserve, while the price for the slow tertiary reserve resulted only from regulated contracts, the average being 26,35 RON/hMW.

In 2006 the rules regarding penalties for contract infringements (calculated at a double tariff towards the reserve tariff) were modified subsequently modifying the content of the contracts.

### **Allocation of transfer capacity on the NES transfer grid**

Allocation of transfer capacity on the NES transfer grid for import/export and transit activities has started since 1st July 2006 with explicit bids. Usually, the bids are monthly, annually or any other period of time more than a week. The net transfer capacity is settled by the TSO with neighbor countries TSO's and is equally split with each TSO on both directions.

In 2006 main characteristics of the allocation of transfer capacity on the NES transfer grid were:

- Relative high prices for the export transfer capacity at the frontier with Hungary and Serbia (10-15 Euros/MW-h/h);
- Many won capacities following biddings were transferred to other players;
- The existence of some transfer capacities allocated directly, free of charge, without biddings, subject to export contracts concluded by S.C. 'Hidroelectrica' S.A. in order to finance some refurbishment works, approved by Government Decision.

### **Retail electricity market**

On the **regulated market** principally 8 suppliers (branches of SC DFEE Electrica S.A.) supplied no eligible customers- 4 state-owned undertakings and 4 undertakings having majority private shareholdings. Yet there is a category of customers, although non eligible, which are not supplied by any of the 8 suppliers: connected directly to the

facilities of some generators-for them supplier being the producer. Nevertheless their percentage is irrelevant.

In 2006, there were 8.633.571 non -eligible customers. They were supplied with about 23.302 GW-h. It can be noticed a decline of the energy delivered to non-eligible customers from 2005, explained through their switch to eligible customers.

The decrease of the average consumption from 3.32 MW-h/customer in 2005 to 2,9 MWh/customer in 2006 reflects the switch to an eligible regime of the customers having a high annual consumption. Between 2003-2006, the non-eligible high and medium voltage consumption decreased from 100% to 18%, respectively 44,2%, calculation basis being the year 2003.

The number of household customers represents 93,61% of the total customers and the energy 35,72% from the energy consumed (increasing from 29.43%in 2005). Industrial customers represent only 6,39% in terms of number and 64,285 in terms of total energy delivered to non-eligible customers. The energy supplied and the number of customers for each supplier can be found in **annex 9**.

The report regarding the accomplishment of the performance indicators for electricity supply having regulated tariffs comprises an analysis of the supply service provided by the 8 suppliers to non eligible customers, when applying the provisions of “Performance standard for electricity supply at regulated tariffs”, approved by ANRE president Decision No. 34/1999. This report was draw up taking into account the data provided by the suppliers.

In 2006 were registered 158.514 connection requests to the distribution network, more than in 2005 with 4,6%. 96,15% of the connection request were granted a connection offer in a shorter period than the 30 days deadline.

In what regards contracts, were registered 348.582 requests for electricity supply contracts, 14% less than 2005. In total, 96,51% of the requests for contracts were solved within the 15 days period, by comparison with 89,34% in 2005.

There were 304.594 requests of changing the tariff type, compared to 2005 when there were only 420.729 requests. From the total number of requests, 93,3% were made by household customers. The country’s average, regarding requests of changing the tariff type, was 35.5 requests to one thousand customers. The requests to modifying the tariff were solved in less than 10 days, in 88.7% of cases.

The total number of complaints regarding metering system was 2.13 complaints to one thousand customers, with 12,7% less than during 2005; 79.8% of cases were solved in less than 10 days.

There were 58,428 complaints regarding electricity billing (compared with 2005 when there were 45.960 complaints). 44.898 from these complaints were true (76,84%from the total number towards 70,67% in 2005). 98,58% from the total number of complains were resolved within the standard period of 10 days, with insignificant variations from one supplier to the other. The number of customers disconnected/reconnected for non-payment of the bills was in average 37,54 disconnected customers to one thousand supplied.

There were 566.184 unscheduled interruptions in 2006, more with 1.5% than in 2005. The total number of customers affected by these interruptions was 18.433.774, 3,3% diminution, by comparison with 2005.

As it was expected the highest number of unscheduled system interruptions has been registered in the low voltage distribution grid most affected were the household consumers (2,28 system interruptions per consumer, in comparison with 2.03 system interruptions for industrial customers). The national average, system interruptions average frequency (proportion between the number of customers affected and the number of customers supplied, ratio known as SAIFI-System Interruption Frequency Index) was 2.26 system interruptions/customer.

80,57 % of the disconnected consumers were reconnected in less than 4 hours by comparison with 76,81% in 2005. The percentage of reconnections in the interval 4-24 hours varies between 8,59%(Muntenia Sud) and 25,35%(Transilvania Nord). In total 95,2% of the disconnected customers were reconnected within 24 hours.

The number of programmed system interruptions increased with 8,3% from 2005, the number of customers affected by these interruptions being 13,8% higher than in 2005. The total period of programmed interruptions was way higher than in 2005. The average interruption period was 7,73 hours per interruption, way higher than in 2005 (5,56 hours).

228.495 customers were disconnected for not paying the electricity bills, respectively 4,18% from the total number of customers (towards 372.312 disconnected customers in 2005). Most of them were household consumers (87,5%). 63,31% of the disconnected consumers were reconnected in less than 24 hours after paying the electricity bill.

In 2006 were registered 4122 complaints regarding voltage. Most of them came from household customers (85,5%). The national average regarding voltage complaints settled within 15 days was 99,32% in 2006.

In 2006 were registered 17.513 notifications in writing from the customers (others than the ones already mentioned in this report), 12% less than in 2005. The relative value of this ratio-number of notifications in writing ad 1000 customers-is 2,03 notifications for one thousand supplied customers, at a national level. In general, the highest number of notifications, corresponds to household customers, nevertheless taking into consideration the ratio notifications number/customers supplied from that category, the highest value corresponds to industrial customers. In 98,92% of the situations the answer to the received notifications was submitted within the legal period of 30 days.

Beginning with July 2005, according to Government Decision No. 644/2005, there is an open market in a percentage corresponding to 83,5%. All non-household customers are considered eligible customers.

In December, on the competitive market were 1969 customers; among these, 544 used their right to switch supplier and 1425 had renegotiated their contracts with the suppliers (by renouncing to regulated tariffs without switching supplier).

The values of C1 and HHI on the competitive retail market between 2004-2006, presented in **Table 8**, describe its positive evolution. 2006 is characterized by a noncompetitive market due to the high number of suppliers competing on this market sector and due to their splitting in terms of market power.

Table 8

**Values of the concentration indicators of the retail competitive market**

<b>Year</b>	<b>C1</b>	<b>HHI</b>
2004	62	4323
2005	39	1930
2006	20	885

In **Annex 10** are presented market shares of the suppliers on the electricity retail competitive market for 2006.

In December 2006, the consumption of the eligible customers that switches supplier or renegotiated the contract reached 47% of the final customers domestic consumption, by comparison with 38% registered in 2005.

The annual evolution of the degree in which the retail market is open is presented in **annex 11**.

**Prices and Tariffs**

*The activity of setting up tariffs and prices in the electricity, electricity and heat cogeneration sector*

In 2006 prices for electricity generation were established, in compliance with the *Methodology of establishing prices and quantities of electricity sold through regulated contracts and for heat delivered by cogeneration units-review 1*, approved by ANRE Order No. 24/2005, modified by ANRE Order No. 13/2006. Prices and quantities of electricity sold by producers through regulated contracts were established by decision of ANRE president for each of the producers, 80 decisions being issued in 2006.

At SEN level, the average price for electricity generation, in 2006, was about 130RON/MWh. The average price of electricity produced in thermoelectric power plants was about 165RON/MWh from which the average electricity generation price from cogeneration units was about 192/RON/MWh.

The *Methodology for setting up tariffs for the electricity transmission service* was amended through **ANRE Order 42/2006**. In order to establish the real transmission percentage in the total cost received by the customer was established a modality for calculating and applying area transmission tariffs for the regulated income to the quantity of electricity delivered/consumed in/from public electricity networks, without taking into account the technological consumption of the electricity transmission network.

Transmission tariffs were modified by 2 orders: **ANRE Order No. 31/2006** to modifying *ANRE Order No. 48/2005 for approving average tariffs for transmission, system services*

and clearing tariffs on the retail electricity market, area tariffs for transmission and specific tariffs for electricity distribution, used by electricity undertakings, and **ANRE Order No. 43/2006** for approving average tariffs for transmission, system services, tariff for services provided by the commercial undertaking to retail electricity market players and area tariffs for transmission, used by electricity undertakings in compliance with ANRE Order No. 42/2006 and modifying the application basis.

Following the application of these two orders the average transmission tariff depreciated with 3,4%, and tariff for system service depreciated with 2,8% and tariff for ancillary services with 5,6%.

The framework agreement for transmission, system services, tariff for services provided by the commercial undertaking to retail electricity market players, between C.N. Transelectrica S.A. and [client] was also modified by **ANRE Order No. 44/2006** in order to comply with the provisions of ANRE Order No. 42/2006.

The guide to completing the activity monitoring models of the transport system operator was approved by **ANRE Decision No. 1769/2006**.

In view of opening the market of ancillary services beginning with the 1<sup>st</sup> of July 2006, was issued **ANRE Order No. 8/2006** regarding purchase of these services and applying in the transition period 01 April-30 June 2006, by the TSO, the provisions of the *Interim Procedure concerning monthly allocation of the sums for the ancillary services*, approved by ANRE Decision No. 495/2001, in view of purchasing the difference between the required quantity and the regulated one (by ANRE Order No. 61/2005).

For the period 1<sup>st</sup> of August-31 of December 2006 was issued **ANRE Order No.17/2006** regarding *purchasing ancillary services* in a competitive and subject to regulations regime.

For the quantities of ancillary services contracted yet not unfolded within the time intervals, the provider of ancillary services is bound to pay to C.N Transelectrica S.A a penalty equal to 200% of the price under contract.

For 2007 were issued **ANRE Decisions 1758÷1764/2006** regarding purchasing ancillary services, under regulations, ancillary services provided by the 7 electricity generators operating qualified units, the differences to satisfy the requirements are purchased through competition proceedings for every time interval.

The regulation framework regarding distribution was completed through:

- **ANRE Order No. 10/12.05.2006** to approving *The Procedure for establishing the difference of incomes under regulation, liable to electricity distribution limitation tariffs*.
- **ANRE Order No 12/12.05.2006** to repeal the Methodology for establishing the regulated tariff for interconnection services for high and very high voltage electric facilities, approved by ANRE president Decision No. 34/2000, due to the incompatibility of the provisions of this methodology with the new conditions of the electricity market;
- **Order No. 30/20.11.2006** to approving *maximum specific tariffs for electricity distribution*;
- **Decision No. 1176/16.08.2006** to approving the *Activity monitoring models for the distribution operators-as license holders for distribution services and*

- concession contracts for electricity distribution-and the guide for monitoring models;*
- **ANRE order No. 40/18.12.2006** regarding the approval of *specific tariffs for electricity distribution provided by the distribution operators holding a distribution license and a concession contract for distribution, concluded with The Ministry of Economy and Trade, into force from 1<sup>st</sup> of July 2006.*

In 2006 following the application of orders 31/2006 and 40/2006 the average tariff for distribution increased with 11.65%.

*The procedure to modifying the quantities of electricity from the regulated sales contracts concluded between producers and suppliers of non eligible customers was reviewed following the notices received from the suppliers and producers and approved by ANRE Decision No. 1007/07.07.2006.* The new elements also allow cogeneration electricity producers to request suppliers to modify the quantities of electricity contracted, within the sale/purchase electricity contracts under regulations, within the limits and terms required by the modification of quantities following the newly issued regulations. Another new element regards the suppliers of non-eligible customers, allowing them to purchase electricity on the BCCM or they can conclude bilateral negotiated purchasing contracts, in order to permit cost cutting.

*The procedure regarding the report upon data concerning electricity consumers in compliance with Directive CE 377/90* was reviewed and approved by **ANRE Order No. 41/18.12.2006**. The procedure establishes a system regarding the report upon the structure of customers, tariffs used and quantities of electricity delivered, reports of the electricity suppliers to ANRE in compliance with the provisions of Directive CE 377/90. Within January 2006-January 2007, the electricity tariff for the final non-eligible customer increased with 4,72%, increase approved through ANRE Order No. 32/11.2006 (1<sup>st</sup> December 2006).

Following the analysis of charge curves regarding electricity consumption of non-eligible customers, the annexes regarding peak hours for E1, E2, A33 and A33AP tariffs were modified by **ANRE Order No. 15/21.06.2006**(July 1<sup>st</sup> 2006). Thus, the morning (regular) peak hours were delayed with 2 hours towards the peak hours priori approved for the differentiated binomial rate A33 and A33 AP. For the differentiated monomial rate E1 and E2 the peak hours were reduced from 16 to 15. Implicitly the off peak hours increased from 8 to 9.

Following the adjustment of prices for the analyzed period (01.01.2006-31.12.2006) the average price for the electricity delivered to final non-eligible customers is equal to 316,19 lei/MW-h.

#### *The setting up of prices and tariffs for heat produced from cogeneration*

Prices for heat produced from co-generation are set according to the *Methodology to setting up prices and quantities of electricity sold through regulated contracts and of prices for heat supplied from co-generation plants, revision 1, approved by ANRE Order 24/2005.*

Taking into consideration the impact upon heat prices generated by the increase of fuel average purchasing prices, in order to reduce state budget subsidies and subsidies from local authorities for heat supply, a review of the Methodology was accomplished through **ANRE Order No. 13/2006**. Thus, was modified the principle of allocation of the fuel consumption between electricity and heat by the cogeneration units, for heat was establishes a specific fuel consumption of 1 MW-h/MW-h. Also, for applying an equal treatment to heat cogeneration producers, the cost allocation principles between electricity and heat are the same, no matter the total installed power of the units.

Costs, respectively heat generation prices (set up upon methodology), were used when setting up prices for the heat delivered to final customers. In this regard, were issued about 60 decisions to approving prices used for the heat sector by the cogeneration heat producers. In compliance with the price adjustment procedure for heat generated by undertakings under ANRE regulations, increased the prices of heat generated by 8 producers. The average price for heat produced in cogeneration units in 2006, was about 105 lei/Gcal.

In what regards technical and economic indicators for setting up prices from the regulated contracts of the electricity, electricity and heat producers, for 2006, we have the following data:

- The average price of the fuel consumed was about 48 lei/MWh equivalent fuel;
- The net efficiency of the co generation units was about 61%;
- The electricity/heat ratio supplied from cogeneration units was about 0,6 MWh/Gcal;
- The quantity of heat supplied from cogeneration units was about 21600Gcal.
- The price evolution of the electricity delivered to population between 1999-2006 is presented in **annex 12**.

An important accomplishment in the heat sector was the application of the provisions of Government Decision No. 36/2006, regarding the setting up of national reference prices for electricity delivered to population through centralized systems.

Thus, by **ANRE Order No. 21/2006**, was approved the Methodology for setting up local basic prices and the necessary amounts for compensating the fuel used for the heat supplied to population through centralized systems. Following the approval of this methodology, were set up by ANRE decisions, national (local) reference prices as well as fuel offsets for the fuel used for 34 rural areas. The set up basic prices were used by the authorities of the local authorities to approving local heat prices billed to the population, which replaced the national reference price beginning with the 1<sup>st</sup> of November 2006. The fuel compensations were used to determine, during the run of the of the programme “District heating 2006-2009 quality and efficiency”, approved by Government decision no. 462/2006, the sums granted from the national budget to compensate fuel used for heat generation delivered to population through centralized system.

Local reference prices established in 2<sup>nd</sup> semester of 2006 for every producer are presented in annex 13.

## Technical Regulations

ANRE technical Regulations

**ANRE Order no. 9/2006 regarding the Interconnection framework agreement to the distribution systems for the operators having the interconnection tariff set up totally or partly upon estimate and upon the Interconnection framework agreement to the distribution systems, for operators having the interconnection tariff set up according to standard schemes, upon specific tariffs and indicators.**

The object of the interconnection contracts is the construction, by the distribution operator, upon the connection tariff, of the connection facilities to the distribution network of the user and energizing both the connection and operation facilities. For establishing a sole framework, were issued guidelines for the connection contracts.

Having regard to the modality of setting up the connection tariff, were drawn up two types of framework agreements for the connection to the distribution networks:

- Type I, for operators having the connection tariff set up according to standard schemes upon specific tariffs and indicators;
- Type II, for operators having the connection tariff set up totally or partly upon estimate.

The establishment of these two types of contracts was determined by the price difference between them (for type one there is a firm price for type two the price is adjusted upon the prices of construction contracts and their evolution, respectively the assignment modality of the operator for the construction of the connection facilities works (in the first case to workers selected by him, respectively in the second case workers selected by the users upon request).

To be mentioned that the parties can complete the contract with specific clauses according to their agreement, nevertheless these clauses shall not be liable for infringements of the provisions from the framework agreement nor to other regulations.

**ANRE Decision No.926/2006 regarding the approval of the procedure for reviewing electricity provision for generation, transmission, dispatch, distribution supply and use of heat and electricity-second edition.**

The Procedure establishes the mandatory steps for the review of the provisions in force for unfolding activities in the electricity sector, towards refurbishment and harmonization with the structure and mechanisms of the energy market, creating a new information system, functional, accessible and transparent; in alignment with the European technical constraints.

**ANRE Order No. 24/2006 regarding the approval of The *Procedure to determine the corrections of electricity quantities when the metering point differs from the settlement point* review 1.**

The revision was determined by the evolution of the legislative framework and its provisions are compulsory for all electricity metering operators.

Within electricity transactions, the quantity of electricity to be invoiced when the metering point differs from the settlement point can be determined as follows:

- Or it is adjusted (corrected) the metered quantity of electricity with a calculated quantity, representing the active and, respectively, the reactive energy losses

through elements having transited energy losses situated between the two points. The calculation methodology of the energy losses was completed with formulas for calculating the reactive energy losses in the electric lines;

- Or, intelligent meters are installed metering the energy losses and correcting the metered energy.

### **ANRE Order 45/2006 to approving the regulation concerning the connection of system users to the public electricity networks**

This Regulation represents the modified and completed form of the energy prescription “Normative act for the establishment of solutions for electricity supply to industrial and similar customers”, PE 124/1995, approved by RENEL Decision no. 489/1995.

Was aimed the following:

- Updating the content having regard to the legal provisions entered into force after 1995, first of all Electricity Law no. 318/2003, GD no. 867/2003 to approving the Regulation regarding user’s connection to the public network, GD no. 1007/2004 to approving the Regulation for electricity supply;
- The regulated field was extended so to comprise all categories of customers, non taking into consideration their type and voltage;
- Regulating the relationship between the parties from the process of connection to the network of the users, that is, establishing the solution for the connection.

The regulation establishes:

- Steps and procedures necessary in order to establish the solution or the possible solutions, technically possible and appropriate from the economic point of view for the connection to public electricity networks;
- The framework regulations for solution studies for connection to the network of all types of users.

The Regulation applies within the establishment of connection solutions to public networks, respectively for:

- Drawing up solution studies for new or existing users
- Drawing up studies of suitability of modification/solution improvement for the connection of the existing users;
- Drawing up of solution descriptions;
- Granting of connection permits, permits granted by the system operators.

*Technical regulations granted/ by ANRE*

### **ANRE Order no. 7/2006 to approving the Normative act regarding the methodology for calculating the short-circuit currents in the electric networks with an overall installed power below 1 kV- NTE 006/06/00.**

The energy technical norm “Normative regarding the methodology for calculating the short-circuit currents in the electric networks with an overall installed power below 1 kV” was drawn up and submitted for ANRE approval by S.C. D.F.E.E. ‘Electrica’ S.A. and represents the review of the energy prescription PE 134-2.

The normative act PE 134-2 was drawn up in 1996, upon norm CEI-781/1989. The review of the normative followed the modification of the CEI technical reports after 2000 and other international regulations. The reassessment of some characteristics of the equipments of the distribution network, having their values reflected in the short-circuit currents, also, represents a reason for the review. The new wording of the normative act complies with the CEI norm 60909/2002 that added some clarifying elements, in addition to the previous edition, modifications necessary to be implemented.

This methodology applies to:

- Planning new facilities and modification (extension or refurbishment) of the existing ones.
- The establishment of normal operational schemes in the operation process,
- Verify if the applications fit in the maximum admitted values of the equipments,
- Establish automations and adjustment of the overload protection through relays and/or verifying the commissioning of some asynchronous motors.

**ANRE Decision no. 1424/2006 for the approval of the Normative regarding the calculated methods and elements for security of operation of the energy facilities-NTE 005.**

The technical norm in the field of energy” Normative regarding calculation methods and elements for the safety operation of the energy facilities” represents the review of the energy provisions PE 013/1994. This norm was drawn up by C.N. “Transelectrica” S.A. The review aimed at updating and adjusting it to the new terms regarding: organizational structures, specific regulation principles and new requirements of the energy market, provisions and calculation models, the extension of some calculation procedures when approaching new issues like, for example, management of technological risk during the operation and maintenance.

**The operational procedure code: TEL –07IIIAV-DN/269-Approval by UNO DEN of the Norm for Manual Disconnection for some electricity customers and the Technical Norm for Consumption Restrictions, in particular situation of the SEN.**

The procedure was drawn up by C.N. ‘Transelectrica’ S.A. and submitted to ANRE approval. The document resumes some of the provisions of the procedure “ *Procedure for the interruption or the restriction of electricity consumption in case of unusual operating circumstances of the SEN*” approved by ANRE Decision 1577/2005 and details a series of aspects related to the activity of the TSO in applying norms for manual disconnection and consumption restrictions. There is a recommended order in adopting balancing measures.

*Qualification of the cogeneration producers*

Having regard to the Regulation for qualification for priority electricity generation approved through ANRE Order no. 33/2004 subsequently modified, in 2006 were analyzed 35 qualification requests for electricity cogeneration.

Results obtained following the qualification stages for priority production of electricity from cogeneration for 2007, based upon the operation data within October 2005-September 2006, are as follows:

- The overall installed capacity in the cogeneration units, for which was requested qualification for priority electricity generation in 2007 is 3717 MW;
- Taking into consideration the year of construction (age limit), can be observed that 53,4% of the capacities were built more than 30 years ago in comparison with 3,5% of the capacities built less than 10 years ago,
- The energy generated within the analyzed period was 13,07 TWh electricity and 22,20 TWh , heat.
- In what regards the types of technology used in the power plant are to be noticed plants with steam turbines of bleed cum condensing type, 86,12%, followed by back pressure turbines, 12,94%, gas engines 0,84% and plants with gas turbines 0,1%;
- In what regards the types of fuels used for electricity generation, we have 43,53% natural gas and 47,57% coal. Fuel oil represents 8,4%, other fuels having an insignificant contribution.
- The total return of the cogeneration capacities was between 42,3%÷66,4% for those with overall installed power >25MW on coal, between 57,8%÷66,4% for plants with overall installed power >12Mw on gas, between 68,5÷88%; for plants with back pressure turbines with overall installed power≤12MW and between 65,5%÷ 89% for those with gas engines;
- The qualified efficient electricity for the analyzed period is 10,32 TWh and the qualified efficient electricity capacity is 3058MW.

Analasing by way of comparison the outcomes of the qualification for priority electricity generation for 2007 with 2006 there can be observed a decrease of qualified electricity with 8,2% and of the qualified capacity with 11,5%.

## **Certification of undertakings and licensing of electricians**

### Certification of undertakings

The certification of undertakings took place in compliance with the provisions of the Regulation for the certification of undertakings that design, construct verify and operate electric facilities in the NES, reviewed through ANRE Order no. 54/2005.

The regulation for certification establishes terms, criteria and procedure of certification, stating that the analysis reports of the requests for certification, drawn up by the Certification Department, is presented to the Certification Commission, ANRE president decision is based upon the decision of this commission. The Certification Commission acts in compliance with the *Organization and Operation Regulation of the Certification Commission*, approved through Decision 420/2004, its

members are appointed by ANRE's president decision. In 2006, 24 meeting of the Certification Commission took place.

Between January 1<sup>st</sup> and December 21 2006, were registered 895 authorization requests. Following the analysis of the requests ANRE denied one request and granted authorization for 988 requests.

From July 1<sup>st</sup> 2004, when the authorization procedure began, until 31.12.2006 ANRE granted 3719 authorizations, among witch at the 1<sup>st</sup> of January 2007, 1841 **were into force**, the rest being expired.

#### *Licensing of electricians*

This activity is unfolded in compliance with the provisions of the *Regulation for licensing electricians that design, construct, verify and operate electric facilities in the energy system*, approved by ANRE Order no. 55/2005. The stages in the process of licensing electricians are: registration of the application, analysis of the files, completing and updating the data base, establishing centers and examination commissions, publishing on the web page of ANRE all data concerning the organization and unfolding of the authorization process, examining candidates, granting the authorized electrician id cards.

In 2006 were registered 3075 authorization requests and were granted 1841 licenses.

781 applicants were not authorized, 229 applicants were not present, 194 did not enter for the exam, 6 candidates requested their files back.

#### **Consumer Protection, Guidance and Control**

In 2006, ANRE Office for Consumer Protection and Control registered and examined a number of 344 complaints, from legal and natural persons for which undertakings producing electricity, electricity and heat from cogeneration provide services. 208 complaints were submitted directly to ANRE, and 136 (103 regarding electricity and 33 heat), were forward to ANRE by Presidency, Government, Ministry of Trade and Economy, National Authority for Consumer Protection, and other bodies of the Central and local government. By way of comparison with 2005, in 2006 the number of complaints doubled (see **Annex 14**).

Main issues from the complaints solved by ANRE are presented in **Table 9**.

All complaints were processed and solved within the due deadline, also informing plaintiffs and other parties involved, when complaints had another addressee.

The solutions adopted in order to solve the issues from the complaints, established in compliance with the legislation into force, were satisfactory for he plaintiffs, therefore they did not request a further analysis.

Also, in 2006 about 200 calls were received on the Free Number and beginning with 14.08.2006 were registered and solved 115 calls.

#### *Settlement of pre- contractual disputes and those regarding connection to the system*

One of the tasks of ANRE is the settlement of pre-contractual disputes. The ways and stages of the settlement process were in accordance with the procedure " Settlement of pre-contractual disputes upon conclusion of electricity and heat contracts"-code: ANRE-

PB 7.4. In 2006 were received 6 pre-contractual disputes, 5 were finalized and one was finalized in 2007.

The settlement of disputes regarding the connection of users to the network is accomplished in compliance with the procedure “ Settlement of disputes regarding the connection of users to the public networks and granting of establishment permits’-code ANRE PB 7.5. In 2006 was received a settlement petition solved within the due deadline.

Table 9

**Issues of the complaints**

No	Code	Electricity		Heat		Total 2006
		1 <sup>st</sup> half year	2 <sup>nd</sup> half year	1 <sup>st</sup> half year	2 <sup>nd</sup> half year	
1	01 differences invoiced when modifying tariffs	1	1			2
2	02 Misbehavior of the staff of the supplier					
3	03 Inaccurate or disproportionate tariffs	34	9	8	11	62
4	04 Other reasons	40	23		2	65
5	05 Electricity fee	3	3			6
6	06 unfulfilment of quality parameters, fault of supply	7	3			10
7	07 Incorrect billing and other billing related issues	21	31	6		58
8	08 Metering	6	8	3	4	21
9	09 Connexion	18	13			31
10	10 Status of the facilities	3		1	1	5
11	11 operation/installation error					
12	12 infringements of ANRE decisions	2	3			5
13	13 abusive disconnections and disconnection without pre-notification	13			1	14
14	14 trespassing of private property	18	13			31
15	15 supply framework agreement	2	1			3
16	16 default in compensation for the impact upon networks	2	4			6
17	17 Procedure for contracts; other issues related to	18	29	2	2	51

	contracts(infringements of contract provisions)					
18	Allegation of electricity stealing	1	1			2
	<b>TOTAL</b>	<b>174</b>	<b>128</b>	<b>21</b>	<b>21</b>	<b>344</b>

### *Guidance and control*

The missions for guidance and control were carried out according to the “*Regulation for the identification, notification and penalization of the violation of electricity and heat sector regulations*” (ANRE Order 21/2002), updated by ANRE Order no. 18/2006.

In compliance with the internal procedural norms, in 2006, the Office for Control and Inspection, unfolded its activity upon ANRE annual control programme, approved by ANRE management through decision no 567/2006. The programme included 33 control actions, 32 performed, one action being canceled, with ANRE management approval, as the undertaking ceased its activity in the electricity sector. Apart from the actions mentioned in the programme, were performed another 10 control actions. From the 42 control actions, 31 were performed to authorized undertakings, and 11 to undertakings holding a license.

Taking into consideration the object of the control, teams were made up by members of the respective department as well as members of other ANRE departments. The control had the purpose to verify license terms, conclusion and run of the contracts, applying and updating tariffs, the degree to which the costs are covered, and to verify if the complaints received from natural or legal persons regarding the undertaking are justified.

In **Annex 14 continuation**, is presented the number of controls performed by ANRE between 2000-2006 and the list of undertakings controlled in 2006.

Three appeals were filed ANRE’s control and guidance reports, all have been rejected upon analysis.

Following the control and guidance activities performed, 61 measures and coercive actions were established, and were issued 29 recommendations.

Upon findings between 01.01.2006 –31.12.2006 were given 5 fines. To be mentioned, that in what regards 2 control actions, in 2006, were given other four fines, payable from January 2007 to comply with legal provisions. An action against an inspection report was brought before the court of justice.

### **International Co-operation Programmes**

In 2006, ANRE was involved in respecting the commitments assumed through the Complementary Position Document-chapter 14- Energy, ANRE representatives taking part, when necessary, to the governmental teams that represented Romania to the meetings of the association sub committees Romania- European Union no. 4 “ Monetary

and economic issues, free movement of capitals and statistics” and no. 6 “Transportation, Trans-European Networks, energy and Environment”. During the reunions ANRE representatives promoted using technical arguments, specific proposals regarding the electricity sector.

The cooperation with the Ministry of European Integration was enhanced, ANRE participating to several meetings and seminars, where aspects regarding the implementation of the community acquis were discussed, both for electricity and related issues concerning the general economic interest.

Also, the institution provided a firm answer to the requests of several ministers regarding the following:

- Providing information regarding the electricity sector;
- Reports regarding the stage for the accomplishment of the measures, tasks of ANRE within the government policy;
- The periodical reports of the stage of fulfillment of the measures task of ANRE within the programmes PAL II and PAL III, as well as the monitoring indicators of the programme PAL II regarding the electricity sector.

By filling in the questionnaire concerning the Green Paper “An European strategy for sustainable, competitive and secure energy”, ANRE expressed its point of view in order to enhance competition on the internal market of energy, to develop a single European network and made propositions for measures concerning investments in infrastructure and in generation capacities.

Was reviewed the protocol concluded with the National Authority for Customer Protection ANPC and upon a common initiative of the cosignatories was concluded a cooperation protocol with the non governmental organization ANPCPPSR, the purpose was to inform customers of the process concerning the total opening of the energy market.

In 2006, ANRE continued to benefit from technical support from the EU, through the Programme PHARE RO 551.04.09.01, having the title *Enhancing the authority of the National Energy Regulatory Authority-ANRE*, unfolded by KEMA Consulting GmbH, Germany.

The programme started in January 2006 and concluded by the end of November 2006, provided ANRE with information concerning modalities to promote renewable energy and cogeneration, used upon selecting the supplier of last resort and upon establishing regulations for the franchise supplier, reviewing the Commercial Code for the wholesale electricity market, integrating the national electricity market into the regional one, monitoring the retail market, introducing new performance indicators for transmission and distribution, setting up tariffs for system services, establishing the adjustment mechanism for payments of the energy transmission between transmission and system operators, improving the system of information disclosure.

Within the project, in order to inform the interested parties were organized workshops upon subjects like: the role of the supplier of last resort and that of the franchise supplier, modifications proposed in the reviewed Commercial Code, issues regarding the monitoring process of the energy market, performance indicators for transmission and

distribution, completing the formula for regulating network tariffs and indicators regarding the quality of the service in order to enhance efficiency and performance.

Also in 2006, in June, was concluded a second project for technical assistance, PHARE RO 2004/016-772.03.10-01 entitled *Enhancing the regulatory competences of the National Energy Regulatory Authority*, that shall be unfolded within 12 months. The main activities of the project regarded monitoring the retail market, regulations concerning security of electricity supply, introducing consumption patterns for customers not having watt-hour metering, comparing performances of distribution undertakings, assess of network investments aspects regarding regulatory accounts and consumer protection.

In 2006, started the procedures for the selection of the consultant within the programme PHARE 2005 main issue of the assistance concerned a campaign to inform consumers of the total opening of the electricity market.

Participating at IRG programme financed through USAID –ANRE’s representatives attended several seminars concerning the improvement of the energy market monitoring performances, analyzing regulatory tariffs and providing sustainable tariffs for vulnerable customers.

Another important step in developing the Energy Community in SE Europe was the ratification of the Community Treaty by the Parliaments of the signatory countries and by the European Parliament. The provisions of the Treaty are applicable, from the 1<sup>st</sup> of July 2006. Also, in December 2006, was established The Regulatory Committee of the Energy Community in South East Europe, that alongside to the Ministry Council and the Group of High Officials, aims at harmonizing the legislative framework of the region with the community acquis in order to promote trade in the region. ANRE assigned its representatives for the working groups of the committee.

ANRE representatives attended the meetings of South East European regulators and those of Athens Forum, contributing to clarifying issues regarding the model of the future regional market, mechanism for congestion settlement, establishing tariffs for cross-border commercial trades, and establishing mechanisms for the allocation of transfer capacities.

Also ANRE representatives attended the meeting of the sub-working group “ Access to the network, congestion management and energy flows” organized by SETSO- South-East Europe Transmission Operators Organization, to analyze the impact of the coordinated allocation of the interconnection capacities in South-East region (CEER WG SEE) and sub-working group “Access to the network, congestion management and energy flows” (NACMPF SG) organized by Electricity Coordinating center Ltd (EKC), were have been analyzed the activity, revenues and expenditures of the transmission undertakings in South –East Europe and the sub impact of the allocation of the transfer capacities through public biddings.

In 2006, Energy Regulators Regional Association- ERRA organized:

- Periodical meetings of the chairpersons of the association, one of the members being an ANRE representative, selected on occasion of the General Meeting of ERRA, committees and working groups,

- Training and exchange of experience activities
- Annual investment conference.

ANRE representatives attended the meetings of the Committees for Prices/Tariffs, respectively Licenses/ Competition, meetings held with the support of the National Association of Regulatory Utility Commissioners (NARUC) and US Agency for International Development (USAID). In 2006 were held meetings of the legal advisors within their ERRA group.

ANRE was present to the annual ERRA conference concerning investments and assigned representatives to training activities organized by ERRA and The Council of European Energy Regulators (CEER). Their attendance facilitated the exchange of information between the energy regulatory authorities of the ERRA member states as well as setting up technical documents useful in the regulatory activity.

The experience gained by ANRE members in the regulatory process was recognized at an international level, associations and consulting companies for example NARUC/USAID, KEPMG and KEMA Consulting, requested ANRE to provide through its representatives training programmes ( Kazakhstan, Kosovo).

ANRE attended, as an observer, the meetings organized by the European Regulators Group for electricity and gas (ERGEG) established through Decision 203/796/EC and as guest to the meetings of the workgroups of the Committee of the European Energy Regulators-CEER.

In view of the European integration, ANRE continued to attend, alongside similar authorities from member and candidate states, to the meetings of the Florence Forum, to establish the background rules for the establishment of the single market of electricity in the European Union.

Also, in 2006, ANRE representatives had several meetings with the representatives of the European Commission, European Investment Bank, The World Bank and The International Monetary Fund. Discussions regarded mainly: the stage of the reform, the legislative framework and respecting agreed terms by Romania for the agreements concluded in the electricity and heat sector.

## **Information and Public Relations**

The approaching adhesion of Romania to the European Union had the effect of focusing the objectives of the department of communication and public relations, firstly on creating a realistic perception upon a series of problems created by the integration of the electricity sector in the European energy structures.

Therefore, in order to provide accurate and immediate information to the dialogue partners of the institution, regarding the benefits, obligations, opportunities offered by an electricity market free and operational were organized a series of meetings, the subject being the future of electricity supply to household customers and small companies after the total opening of the electricity market. Meetings were held in May, at the University 'Politehnica' of Bucharest, (Supplier of last resort) and July, at the headquarter of "Electrica" S.A. Bucuresti (Rules for switching suppliers), attended by representatives of

undertakings operating on the electricity market, customer associations, employers, undertakings, university professors.

ANRE representatives attended seminars and conferences in order to explain the activity of the authority the implication of its orders and decisions upon the activity of undertakings, investors and consumers. Among these events we can mention Black Sea Forum for Dialogue and Partnership Summit, organized by the Ministry of Foreign Affairs (June), the meeting organized by Romania's town association (July, September, November), seminars upon the national programme "District heating 2006-2009- quality and efficiency" organized by the Ministry of Administration and Interior at ISPE headquarters (November).

Within the Fair for Small and Medium Sized Enterprises - TIMM 2006, Governmental stall, ANRE had a stall upon electricity market opening. On this occasion those interested received the leaflet "Choosing the electricity supplier on a free market" and gave detailed information upon the existing regulatory frame.

As a member of CNR-CME (Romanian national Council- World's Energy Committee) and APER (The Association for Energy Policies in Romania) ANRE attended their round-table conferences, on subjects concerning heat and electricity issues. Within the Regional forum upon issues concerning electricity-FOREN 2006, with the subject "Promoting Regional Partnership in the energy sector for a sustainable development", ANRE organized the round table conference "Regulating the electricity sector-present and future". Also, ANRE representatives coordinated the section concerning renewable energy.

The public was also informed through mass media, press releases to newspapers, TV and radio stations, interviews and answers to the questions addressed directly to ANRE president, spokesperson or the specialized department.

Therefore, in newspapers appeared **191** articles and news (see **annex 15**) mentioning actions, accomplishments, events, objectives, plans for the future of ANRE, main issues concerned bilateral contracts on the competition market, new electricity law, prices of electricity and heat, issuing and applying local reference prices, trading electricity on the energy market, implementation of the acquis concerning electricity from cogeneration.

Were sent for centralization reports comprising evaluation charts regarding the implementation of Law no. 544/2001 concerning access to public interest information (see table 10) and Law no. 52/2003 regarding transparency of the decision process.

As in the previous years, in order to provide information in what concerns ANRE activity and actions, during last year the Annual Report of the institution was sent to institutions and undertakings operating in the sector. Romanian and English versions can be found on ANRE website. The web page of ANRE is permanently updated and improved.

Also, continued the monthly updating of the information heading addressed to the experts in the field regarding the latest legislation, national or European, in the magazine of IRE-Energetica Association.

Table 10

**Public information requests received in 2006**

1 Total no. of public information requests received (there are not comprised here the requests to be solved by other institutions)	154
2 Total no. of administrative complaints received	0
3 No. of requests favorably resolved	154
4 No. of working days necessary (on average) for sending an answer	4
5 No. of requests addressed by:	
- mail	151
- paper	7
6 No. of requests addressed by natural persons	93
7 No. of requests addressed by legal persons	61
8 No. of requests dismissed, depending on reason:	
-beyond ANRE competences	4
-address of sender unknown	
-others	
9 Total number of requests concerning:	
-electricity	67
-heat	8
-others	79

In order to inform ANRE staff and to facilitate the exchange of information among staff members were broadcast, via internet, press reviews and weekly bulletins concerning the activity of ANRE staff.

**Institutional strengthening and development**

At the end of 2006, the number of ANRE staff was 107 persons and the personnel structure was as follows: 70 engineers, 15 economists, 1 mathematician, 4 legal advisors and 3 experts in political sciences and sociology and 2 philologists. The supporting personnel represented the difference- 12 persons without university diploma.

ANRE organizational chart for 2005 is given in **Annex 16**.

During 2006, training programs for personnel included activities such as participation to various courses and seminars regarding: new regulations concerning contentious administrative matters, PR and communication, basic project management, management of European financing programmes, opportunities and risks, new accounting regulations, developing internal control, the implementation system of the public acquisitions and investments, legal framework for public acquisitions. Many of ANRE staff has also graduated from post university courses or masters.

In 2006, the IT activity was directed towards redesigning ANRE's web page, and setting up the System of Information Dissemination-DIS, within the frame of PHARE RO 551.04.09.01 programme. Also, IT activity included the administration, development and

updating of ANRE's database, updating ANRE web page in order to ensure transparency of the activity (regulations, decisions/orders, discussion documents, models, notifications, exams for authorization, licenses, and so on) and the software and hardware administration of the IT network for the proper unfolding of ANRE's activity.

From the point of view of Quality Management System (QMS), the objective set for 2006 was high-aimed that is **the certification of the Quality Management System** in compliance with SR EN ISO 9001:2001 requirements.

The commitment to implement and certify QMS was transposed through the review of ANRE 's QM policy the main objectives to be fulfilled through the application and maintenance of the QMS are the following:

- The satisfaction of all interested parties and the continuous improvement of the institutional processes.
- Efficiency of the electricity market
- Harmonizing interests and maintaining balanced relationships in the sector and on the energy market,
- Ensuring transparency of the regulation process
- Ensuring elasticity in the decision making process and adapting the regulation frame to the legislative and institutional changes.

In view of obtaining certification, the activities were accomplished and were regrouped on processes, were established the connections and interactions between these processes, and the objectives and performance indicators were set up. Also, through ANRE president decision were established the executives of the process and was reviewed the entire documentation of QMS. For the staff of the institution were organized training courses for quality management with lecturers from other countries. The identified processes were assessed through an internal audit and the managers of the Institution analyzed the efficiency of the quality management system.

All these efforts of ANRE staff led to the certification of the system with a –TUV CERT. It is of maximum importance the fact that ANRE's staff respects the requirements of continuously improving the system, shown by the various stages of the QMS documentation from their elaboration until today. New processes were identified, new editions or reviews of the procedures were elaborated, new procedures or instructions regulating the activity of QMS were issued.

### **Pending regulations**

- Regulations for the supplier of last resort
- Review of the performance standards for transmission and distribution
- Review of the framework agreements for the supply of non eligible customers
- Procedure to monitor the retail electricity market.

