



ANNUAL REPORT 2005

ROMANIAN ENERGY REGULATORY AUTHORITY

CONTENTS

Message of the President	3
Organisation and Operation - Legal framework	4
Objectives	5
Context and performance indicators	5
Programs developed in compliance with ANRE objectives	9
Licenses and establishment authorisations	9
Commercial regulations	12
Electricity market monitoring	17
Processing and resolution of pre-contractual disputes	20
Prices and tariffs	20
Technical regulations	22
Certification of sector companies and authorisation of electricians	23
Consumer protection. Guidance and control	24
International Co-operation Programmes	26
Information and public relations	27
Institutional strengthening and development	29

ANNEXES

Message of the President

Romania's prospective accession to the UE has directed our efforts this year towards the implementation of the existing regulations and the associated legislative framework in order to increase competitiveness on the electricity market.

In July 2005, the electricity market opened to 83.5%. Eligibility criteria have been removed, all the consumers being able to choose their electricity suppliers, save for householders who, with the full liberalisation of the electricity market set for July 1, 2007 will also have the possibility to choose their suppliers freely.

Based on new principles and new hardware and software platforms, the Day-Ahead Market (DAM) and the Balancing Market (BM) began operating in July 2005. By the end of 2005, 6% of the country's total final consumption was traded on the DAM and the volume traded on the BM reached 5-11% of the final electricity consumption within July-December.

Swift progress was made in the field of renewable energy. The Green Certificates market became operational in November 2005, when the first transactions were made.

In order to ensure the bilateral contracts transparency and the equality of chances for all market participants, the centralised market of bilateral contracts - an organised voluntary framework to trade electricity competitively – became operational in December 2005.

The increase by 20% of the National Reference Price has led to the implementation of additional measures in consumer protection. Among these, the option for binomial tariffs for heat targeting the consumers with medium and low incomes is worth mentioning.

Particular importance has been given to the development of regional bilateral relationships. ANRE hosted several meetings with regulators from the Hungarian Energy Office (HEO), the Turkish Energy Market Regulatory Board (EMRA) and the Ukrainian Regulatory Commission for Energy (NERC).

I would like to thank ANRE staff for their work, efforts and professionalism in achieving our goals as well as our collaborators, new and old, who through their unconditional support have help us implement a regulatory environment that is ready to meet the European challenges laying ahead.

Nicolae Opreș

President

Organisation and Operation – Legal framework

The Romanian Energy Regulatory Authority (ANRE) is a public independent body, 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 and transparency and consumer 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 Organisation and Operation Rules approved through Government Decision (GD) 1816/2004, amended and complemented through GD 1847/2005. According the Government Emergency Ordinance (GEO) 11/2003 regarding the re-organisation of certain central administration structures and approved by the Law 228/2004, ANRE is under the direct co-ordination of the Prime Minister.

ANRE has the following tasks and competencies:

- a) Set up mandatory regulations for sector companies
- b) Grant, amend, suspend or withdraw authorisations and licenses for electricity sector companies, including for producers of heat through co-generation as well as for companies likely to emerge following the opening of the electricity market.
- c) Issue and approve calculation methodologies to set up tariffs and prices.
- d) Set up tariffs for captive consumers.
- e) Set up prices and tariffs operating among electricity sector companies, tariffs for electricity system, transmission and distribution services, prices and tariffs for activities and services associated to the production of heat through co-generation.
- f) Set up supply framework contracts and contracts operating among sector companies on the sale, purchase, transmission, system service and distribution of electricity as well as contracts for the sale of heat through co-generation;
- g) Issue the regulation for electricity supply to consumers, subject to governmental approval.
- h) Set up requirements, criteria and procedures for the eligibility of electricity consumers and qualify the eligible customers.
- i) Approve technical and commercial regulations for sector companies.
- j) Perform control activities in order to assess the compliance of sector companies with the existing regulations, with the pricing and tariff system in force and to levy penalties for non-compliance.
- k) Set up the procedure for the resolution of pre-contractual disputes and settle possible disputes occurring among sector companies upon the conclusion of contracts and of the electricity supply contracts as well.
- l) Set up its own monitoring and control procedures in order to assess compliance of sector companies with the existing pricing and tariff system.
- m) Draw up, as per the provisions of the law, its own regulation for the identification, notification and penalisation of violation of sector regulations.

- n) Draw up the regulation for the authorisation of electric power engineers and the certification of sector companies to design, construct, verify and operate energy capacities, respectively facilities.
- o) Monitor the enforcement of the specific electricity sector regulations.
- p) Notify the relevant ministry and the Competition Council with respect to the abuse of the dominant position on the market and the breach of the legal provisions referring to competition whenever non-compliance with the regulations on competition and transparency is found;
- q) Create and administrate a national data base required for the unfolding of its own regulatory activity and for the dissemination of information to other authorities involved in the drawing up of sector development strategy as well as in connection with the international trade and practices in the field;
- r) Draw up the regulation regarding users' connection to the public electricity networks, subject to Government approval;
- s) Inform the Prime Minister and relevant ministry on the unfolding of its own activity through annual reports to be subsequently published.

In performing its tasks, ANRE collaborates with the Competition Council, with the National Authority for Consumer Protection, with ministries and other central or local administration bodies, with electricity consumer associations, sector services companies, professional associations in the electricity and heat sector, with employer associations and trade unions.

Objectives

The main objectives pursued in 2005 were:

- Sustain the privatisation process in the sector
- Ensure the efficient operation of the electricity market with a view to its integration into the regional and, subsequently, into the EU single market.
- Harmonise the sector interests and maintain balanced and fair relationships in the sector.

Context and performance indicators

The following normative acts were adopted in 2005 as part of the institutional and operational reform of the electricity and heat sector:

GD 74/2005 regarding the establishment of “Electrica Serv”, the maintenance and energy services subsidiary of SC “Electrica” SA, the Electricity Distribution and Supply Company, (Official Gazette of Romania No. 111/3.02.2005, Part I).

GEO 114/2005 for the development and the finalisation of the privatisation process of the electricity distribution and supply subsidiaries owned by SC “Electrica Moldova” SA and SC “Electrica Oltenia” SA, (the Official Gazette of Romania No. 688/27.07.05, Part I).

GD 644/2005 regarding the increase of the opening degree of the electricity market, (the Official Gazette of Romania 684/29.07.05, Part I), according to which all

electricity consumers are declared eligible, with the exception of the household consumers and alike.

GD 958/2005 for the amendment of GD 443/2003 regarding the promotion of electricity produced from renewable energy sources and for the amendment and completion of GD 1892/2004 for setting up a support system to promote electricity produced from renewable sources, (the Official Gazette of Romania 809/2005, Part I) according to which the weight of electricity produced from renewable sources in 2010 is increased to 33% of the gross national consumption from the current 30%, with the mandatory quotas modified accordingly.

GEO 143/2005 to amend and complement GEO 5/2003 regarding the state aid for residential heating and certain facilities for the payment of the heat bill, published in the Official Gazette of Romania 934/2005, Part I. By implementing the binomial tariff for heat and the associated billing system and by introducing the means through which state aid is granted for residential heating, the normative act was issued to better meet the population's demands for social protection.

GD 1254/2005 regarding the setting up of the national reference price (PNR) for heat supplied through district heating, (the Official Gazette of Romania 938/2005, Part I), according to which PNR value is increased by 20%.

GD 1847/2005 to amend the Organisation and Operation Rules of the Romanian Energy Regulatory Authority approved through GD 1816/2004, published in the Official Gazette of Romania 44/2006 and implementing a new organisational structure for ANRE.

In this context and in compliance with the programme approved for 2005, ANRE issued 1639 orders and decisions (see **Table 1**).

ANRE activity in 2005 covered the following areas:

- Granting, modification or withdrawal of licenses and authorisations
- Certification of companies involved in the design, execution, verification and operation of electric power facilities in the electric power system and the authorisation of electricians who design, execute and verify the electric power facilities
- Complementing the regulatory framework with new commercial regulations.
- Adjusting prices and tariffs for electricity and heat to cover the justified costs. The methodologies to calculating the regulated electricity prices and tariffs and the connected services were reviewed.
- Complementing the technical regulation base.
- Inspection, guiding and control missions focussing on guidance in applying the issued regulations.
- Processing of complaints

Clear deadlines were specified for the granting of licenses and authorisations and for reviewing tariffs, both in the current normative acts and in ANRE regulations, as well. No complaints were registered regarding the exceeding of the legal period for response.

ANRE report on transparency of the decision-making process drawn up in compliance with the Law 52/2003 on the transparency of public administration decision making is given in **Table 2**.

Table 1**Orders and decisions issued within 1999-2005**

Item	Orders & decisions regarding	Year							Total
		1999	2000	2001	2002	2003	2004	2005	
1	Licenses, permits and authorisations for activities developed in the electricity and heat sector	7	156	262	243	157*	102	200 *	1127
2	Sector companies certification	-	-	-	-	-	136	819	955
3	Regulation of commercial relations	19	50	19	28	23	26	33	198
4	Qualifications of priority production of electricity	-	-	-	-	-	-	41	41
5	Resolution of pre-contractual disputes	-	32	83	38	28	14	41	236
6	Prices and tariffs for activities developed in the sector, methodologies	4	509	821	567	199	141	219	2460
7	Technical regulations	10	11	7	4	10	10	9	61
8	Other regulations regarding the electricity and heat sector and the in-house organisation of ANRE	44	121	92	104	113	181	277	932
9	Total	84	879	1284	984	530	610	1639	6010

* - Several licenses were granted for the same company (generation, transmission, etc.) within the same number of decisions

Tabel 2**ANRE report on the transparency of the decision-making process-2005**

Orders of public interest	66
Recommendations received for the draft normative acts	86
Recommendations included in the draft normative acts and in orders/decisions issued	56
Participants in public meetings	394
Public debates held for draft normative acts	42
Courts appeals for infringement of Law 52/2003	0
Involvement of civil society	Representation in the Advisory Council and through dialogues with a wide range of professional organisations.
No. of meetings held for the draft normative acts without public participation – motivation	0

ANRE specific performance indicators are given in **Table 3**. ANRE expenses in 2005 ranged within the approved budget.

Certain orders and decisions signed by ANRE president in 2005 were appealed by eleven companies (RAAN Drobeta Turnu Severin, 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. Uzinele Sodice Govora S.A.,

S.C. Calor S.A. Deva, S.C. "Termoelectrica" S.A.) and the Sibiu City Hall. All the appeals were overruled as unsubstantiated by the Bucharest Courts of Appeal. A number of plaintiffs petitioned for recourse at the High Court of Cassation, whose decision is currently pending. In 2005, ANRE acted as an intervenient for SC "Electrocentrale Deva" SA.

The decision of the High Court of Cassation in 10 actions at law were final and irrevocable in the sense that the recourses petitioned by the companies: S.C. "Electrica Muntenia Sud" S.A. (3 actions), S.C. "Electrica Dobrogea" S.A., S.C. "Termoelectrica" S.A., S.C. Kvaerner IMGB S.A., S.C. Amonil S.A. Slobozia, S.C. Promex S.A. Brăila, Asociația "Violeta B" and by Sîntion Vasile Marian against the decisions of the Bucharest Court of Appeal were overruled as unsubstantiated.

Table 3

ANRE specific performance indicators

Item	Indicator	Fulfilment
1	Clear description of the regulator's tasks and competencies 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, authorisations and other regulatory activities levied upon the regulated companies.
3	Involvement of interested parties in making decisions. Transparency.	Web site display of the programme for issuing regulations and of public meetings to be held for the granting of licenses and authorisations. Mechanisms of consultation and information on the position of interested party (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, organise 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. Publication of regulations of general interest in the Romanian Official Gazette and display on ANRE web page www.anre.ro . Annual reports issued to allow state authorities verify the regulator's activity and budget execution.
4	Appeals	ANRE orders and decisions can be appealed in Court within 30 days from the notification of the parties or from the date of their publication in the Official Gazette of Romania, Part I.

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 evolution and with the various changes occurring in the electricity and heat sectors. The programme is based on the proposals made by ANRE experts, by members of the Advisory Council and by the dialogue partners.

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

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

Licenses and Establishment Authorisations

The process of granting, and respectively of modification or withdrawal of licenses and establishment authorisations (for the purpose of this section generically referred to as “authorisations”) continued in 2005, according to the competencies set in the Electricity Law 318/2003 and in the GD 73/2002 on the organisation and operation of the district heating public service.

In unfolding its licensing procedures, ANRE observed, and imposed the regulated companies to observe the provisions set in the “Regulation for the granting of licenses and authorisations in the electricity sector”, (herein called The Regulation) approved through GD 540/2004 and in the “Regulation for the granting of licenses for heat transmission, distribution and supply”, approved through ANRE Decision 155/2004.

Licenses and authorisations are granted within public meetings attended by representatives of ministries, of other public institutions and bodies, of sector companies, employer and professional associations in the field. The debates are recorded and stored for a period of 5 years and are available for consultation, upon request.

A. Licences

Electricity generation, transmission, distribution and supply

In 2005, ANRE granted 66 licenses (Table 4) and at the request of the license holders modified 12 licenses (Table 5). One company 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 fulfil its contractual requirements for the activity of electricity supply.

Licenses were granted for the following activities:

- 11 licenses for electricity generation: 6 companies produce electricity from renewable energy sources (solar – 2 producers, hydropower – 4 producers) and 5 companies generate electricity in cogeneration from fossil fuels
- 1 license for the supply of ancillary services
- 2 licenses for electricity distribution, the respective companies performing this activity complementary to their main activity
- 52 licenses for electricity supply.

Generation, transport, distribution and supply of heat produced in cogeneration

ANRE Regulatory Committee granted 3 licenses (Table 4) and modified 1 license at the request of the respective license holder (Table 5).

Licenses Modification

Upon the requests and based on the documentation presented by the license holders, ANRE Regulatory Committee modified a number of 13 licenses, as follows:

- 2 licenses for electricity generation
- 1 license for generation of heat in cogeneration
- 4 licenses for electricity distribution
- 6 licenses for electricity supply

Modification of the distribution and the supply licenses have been requested by S.C. D.F.E.E. "Electrica Banat" S.A and S.C. D.F.E.E. "Electrica Dobrogea" S.A due to changes occurred following the privatisation and the conditions associated to these licenses have been reviewed as agreed in the privatisation contracts. The request for modification was also motivated by the fact that, according to Art. 37 of The Regulation, ANRE has the obligation to modify the licenses granted before the entering into force of the Electricity Law 318/2003 and which are still valid in order to observe the provisions of the said law and to adjust the regulatory framework accordingly.

Thus, in January 2005, ANRE approved the modification of the 8 electricity distribution licenses and of the 8 electricity supply licenses granted in April 2002 to the 8 companies which were subsidiaries of SC DFE "Electrica" SA at that time.

In the process of license modification, ANRE Regulatory Committee approved the:

- Supplant the old licenses with new ones issued as per the model 2.2. given in Annex 2 of The Regulation
- Licenses review in order to correlate their conditions with the provisions of the Electricity Law, of The Regulation and of the regulatory framework of the electricity sector.

In this context, the following licenses were modified in 2005 (Table 5):

- 36 licenses for the commercial operation of the electricity generation capacities
- 31 licenses for the commercial operation of the heat cogeneration capacities
- 1 license for the commercial operation of the electricity transmission capacities and the system services supply
- 1 license for the Electricity Market Operator activity

- 17 licenses for the commercial operation of the electricity distribution capacities
- 22 de licenses for the activity of electricity supply
- 1 license for the activity of ancillary services supply

Licenses Withdrawal

ANRE withdrew 3 licenses in 2005, as follows:

- License No. 162 granted to CN “Transelectrica” SA for the dispatch of electricity following the modification of License No. 161 for the transmission of electricity which became License for the transmission of electricity and system services supply.
- One license due to the infringement , by the license holder, of several obligations assumed and for avoiding communication with ANRE
- One license for electricity distribution because the respective license holder was legally declared a bankrupt.

B. Authorisations

In 2005, ANRE granted 9 establishment authorisations, as follows:

- 2 for the construction of cogeneration plants
- 1 for the construction of a hydropower
- 1 for the construction of a new electricity distribution station
- 1 for the rehabilitation of an existing electricity distribution station
- 4 for the rehabilitation of electricity transmission stations

Table 4

Licenses and authorisations granted in 2005

Item	Types of authorisation	Electricity	Heat	TOTAL
<i>A. Licenses</i>				
1	Generation	11	-	11
2	Transmission and system services supply	-	-	-
3	Ancillary services supply	1	-	1
4	Activity of the Electricity Market Operator	-	-	-
5	Distribution	2	2	4
6	Supply	52	1	53
	Total A	66	3	69
<i>B. Establishment authorisations</i>				
		Electricity	Cogeneration	TOTAL
1	<i>Generation capacities</i>	1	2	3
2	<i>Transmission capacities</i>	4	-	4
3	<i>Distribution capacities</i>	2	-	2
	Total B	7	2	9
			TOTAL (A.+B.)	78

Table 5

Licenses modified in 2005

Item	Types of authorisation	Electricity	Heat	TOTAL
<i>I Licenses modified upon request</i>				
1	Generation	2	1	3
2	Transmission and system services supply	-	-	-
3	Ancillary services supply	-	-	-
4	Activity of the Electricity Market Operator	-	-	-
5	Distribution	4	-	4
6	Supply	6	-	6
	Total I	12	1	13
<i>II. Licenses modified as per Art. 37 of the Regulation</i>				
1	Generation	36	31	67
2	Transmission and system services supply	1	-	1
3	Ancillary services supply	1	-	1
4	Activity of the Electricity Market Operator	1	-	1
5	Distribution	17	-	17
6	Supply	22	-	22
	Total II	78	31	109
TOTAL (I.+II.)				122

Commercial Regulations

Regulations for the efficient operation and development of the centralised electricity markets

The trading mechanisms on the Day-Ahead Market (DAM) and on the Balancing Market (BM) set up as per the provisions of the Commercial Code of the Wholesale Electricity Market (ANRE Order 25/2004) started operating on July 1, 2005.

To render these mechanisms more efficient, the following orders were issued as regards the operation framework of the electricity wholesale market:

- **ANRE Order 14/2005 regarding the dry-run of the new trading platform**, setting up the actions to be taken by the wholesale market participants in order to test the trading platforms on the DAM and the BM.
- **ANRE Order 30/2005 regarding the operation framework of the wholesale electricity market.** Main provisions:
 - allocation through explicit auctions based on bids of interconnection capacities, the reserved capacities excepted
 - regulated purchase of ancillary services by CN “Transelectrica” SA due to insufficient competition on this market
 - balancing responsibilities assigned to distributors/suppliers for their own captive consumers, for the distribution network losses, for the non-dispatchable generators with no hourly metering and which do not opt for another balancing responsible party (BRP)
 - balancing responsibilities assigned to the suppliers for their default eligible customers

- obligation of all settlement meter holders to send CN “Transelectrica” SA – Omepa the metered data that are required for the settlement of the BRP imbalances and for the setting up of the BM transactions.
- **ANRE Order 36/2005 regarding the operation framework of the electricity wholesale market.** Main provisions:
 - minimum 20 MW for each step of the BM offers
 - introduction of caps for the BM offer prices and of the ceiling of the start up BM prices
 - limited association of several license holders with a view to forming a single BRP

Through **ANRE Order 13/2005 regarding the electricity generators participation on the competitive market**, the quantity of electricity to be sold to a client by one generator was limited to 30% of the electricity delivered by its generation units if the installed capacities of the latter exceed 300 MW.

ANRE endorsed 32 procedures issued by SC Opcom SA and CN “Transelectrica” SA required in order to detail the provisions of the Commercial Code of the Wholesale Electricity Market.

The *Framework contract for transmission, system and electricity market administration services between CN “Transelectrica” SA and [the Client]* was also reviewed and approved through **ANRE Order 27/2005**.

Bilateral Contract Market Regulations

The electricity purchase contracts between the generators and the suppliers of captive consumers were also reviewed, the main amendments being:

- electricity quantities in the contracts are firm
- following the use of the eligibility right or due to deviations from the forecasted annual consumption, the electricity quantities can be modified upon the supplier’s initiative, after the conclusion of the contract
- regulated prices are profiled by day-hours and night-hours
- provisions regarding the allocation among the contracting parties, as BRP-s, of the payment obligations that may occur due to the faulty notification of the contracted electricity quantities.

The regulated option framework contracts were issued by ANRE in order to ensure the generators S.C. “Hidroelectrica” S.A. and S.N. “Nuclearelectrica” S.A. against the financial losses occurring as a result of the non-fulfilment of the obligations assumed in the selling/buying contracts due to objective reasons (e.g. draught) as well as to ensure the resources required to maintain the generation capacities operated by SC “Termoelectrica” S.A. available.

In order to increase transparency of the negotiated bilateral contracts for the sale of electricity, ANRE issued **Order 42/2005** to approve the **Regulation regarding the organised trading framework of the electricity bilateral contracts**. The regulation creates the general regulatory framework for the development of the transactions based on contracts with physical electricity delivery between market participants.

Retail Market Regulations

The **Procedure regarding the contractual relationship between the electricity consumer and its sub-consumer, approved through ANRE Order 16/2005** lays down the framework contracts operating among parties, the tariffs for the connection of the sub-consumer to the electricity network of the consumer, the tariffs for electricity delivered to the sub-consumer and for the distribution service.

The **Methodology for setting up financial guarantees for captive bad payers**, approved through **ANRE Order 17/2005**, lays down the main guarantee types to be used in the electricity supply contracts, the way in which the guarantee value is established and the conditions under which guarantees are executed/reimbursed.

The **Procedure for changing the electricity supplier** sets up the conditions under which the eligible customer is entitled to change its electricity supplier, the steps to be taken to this purpose and the obligations assigned to each party involved so that the process of changing the electricity supplier may not be delayed or even hindered. The Procedure was approved through **ANRE Order 21/2005**, amended and complemented through **ANRE Order 53/2005**.

ANRE Order 35/2005 approving the **Procedure to ensure the reactive power and its payment method** stipulates the party responsible for the provision of the reactive power, the neutral power factor and the rules for invoicing the reactive-inductive and the reactive-capacitive power, the categories of network users not paying the reactive power.

ANRE Order 38/2005 to approve the **Procedure regarding the conditions to be met and the method to be used in order to benefit from the social tariff** details the conditions under which the electricity household consumers are entitled to benefit from the social tariff. According to the procedure, only electricity consumers with average incomes per family member lower than the average income per economy and only for the consumption site that is the permanent residence of the consumer are entitled to benefit from the social tariff.

The year 2005 was the implementation year of the *Electricity Labelling Regulation* issued in 2004 and approved through ANRE Order 41/2004. The electricity generators and suppliers complied with the requirements in the Regulation by sending the interested parties statements, respectively labels containing information on the electricity generated/supplied during 2004. In April 2005, the captive consumer invoices also included information regarding: the weight of each primary energy source in the covering of 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 produced from renewable energy sources

Following ANRE proposal for the amendment of GD 443/2003 on renewable energy, and of GD 1892/2004 on renewable energy support schemes, GD 958/2005 was issued with a view to improving the existing regulatory framework for the promotion of electricity produced from renewable energy sources (E-RES).

According to the engagement assumed by Romania within the EU access negotiation process, the weight of E-RES for 2010 was increased from 30% to 33%. The

mandatory annual quota for the purchase of green certificates (GC) has been recalculated. Thus, the mandatory quota for 2010 was increased to 8, 3% from 4, 3% to be maintained until 2012. The lowest and highest trading values of the green certificates have been established to range within Euro 24-42/certificate.

ANRE Order 40/2005 approves the *Regulation for the organisation and operation of the green certificates market*, setting up the:

- way in which the GC market is organised and functions
- parties involved and assigned responsibilities
- way in which the GC market is monitored and the way in mandatory GC quotas are purchased by the electricity suppliers

ANRE Order 45/2005 approves the *Procedure for the allocation of sums obtained from the non-fulfilment by the electricity suppliers of the purchase of the mandatory GC quotas* issued in compliance with the provisions of GD 958/2005 and setting up the:

- calculation method of the sums obtained from the non-fulfilment of the mandatory GC quotas purchase
- system and conditions for the purchase by the Transmission System Operator of the GCs not traded on the GC market
- criteria and method for the allocation of the sums obtained from the non-fulfilment of the purchase of the mandatory GC quotas.

The first GC trading session took place on November 16, 2005 and by the end of the year a number of 7608 certificates were issued at the average purchase price of RON 149.26.

Following the analysis of data sent by the electricity suppliers, the GC Market Operator as well as of data collected from ANRE Monitoring Office, the following was determined for the year 2005: the number of GC to be purchased by each electricity supplier, the number of non-purchased GCs, the list with the suppliers which failed to purchase the lawful mandatory GC quota.

Based on the electricity quantity supplied, of the 55 electricity suppliers delivering electricity to captive consumers, 41 had the obligation to purchase mandatory GC quotas. 18 suppliers of the 41 failed, totally or partially to fulfil the mandatory quota which means a number of 752 non-purchased GCs.

The c/value of a non-purchased GC is Euro 63/GC, meaning RON 249.88. The sums obtained from the collection of the non-purchased GCs have been redirected to the E-RES producers.

In 2005, 526 guarantees of origin (GO) were issued for the E-RES producers. GOs were issued for 14 E-RES, out of which 2 use wind power and 12 use hydropower. 88% of the total number of GOs was issued for SC "Hidroelectrica" SA.

The installed power in the power plants of the E-RES producers that requested GOs was 6372 MW, the weight of the installed power in the wind power plants of 0.01% being an insignificant value if compared to the 99,9% of the installed power in the hydropower plants.

64,6% of hydropower electricity is generated in hydropower plants with installed capacities of over 50 MW and 31% in hydropower plants with installed capacities ranged within 10 MW and 50 MW. 4% of the electricity is generated in hydropower

plants with installed capacities below 10 MW, 1,9% of which is generated in plants with installed capacities below 5 MW.

About 32,7% of the total E-RES in 2005 was delivered in the C.N. "Transelectrica" S.A high voltage networks, the remaining 67,3% being delivered in the distribution networks.

The data published by the National Institute for Statistics in its December 2005 issue regarding the gross domestic electricity consumption in 2005 show that the weight of E-RES in the total gross domestic electricity consumption in 2005 was 35,76%, which means a 108,4% fulfillment of 2010 target.

On the basis of the *Regulation for the qualification of the priority production*, approved through ANRE Order 33/2004, 34 requests for qualification submitted by the co-generation producers and on 14 requests by the E-RES producers were examined in 2005.

The main results obtained for the priority production of electricity through co-generation based on the operation data within the period ranged October 2004 – September 2005 show:

- The installed capacity in co-generation units is 3886 MW
- The 48.7% weight of the co-generation units with over 30 years of operation is higher than that of 8.1% of the units with less than 10 years of operation.
- The electricity productions obtained within the period under analysis is 12.98 TWh for electricity and 23.16 TWh for heat
- In the installed capacities structure by types of technologies the units that stand out are the steam condensing extraction turbines (86.4%), followed by the steam back pressure turbines (13,29%), the input of other technologies being irrelevant.
- In the electricity production structure by fuel types gas and coal have nearly the same input, which is 45,11% gas and 44,25% coal, respectively. The crude oil input is 9,87%, the contribution of other fuels being irrelevant.
- The overall efficiency of co-generation units ranges within 43.5 % ÷ 74.1 % for units with more than 20 MW installed capacities and within 55/8% ÷ 92.7 % for units with less than 20 MW installed capacities.
- In the period under analysis the efficient electricity qualified is 11.24 TWh and the efficient capacity qualified is 3456 MW.

A comparative analysis of the results of the priority production qualification for 2006 and 2005 shows a drop by 11% of the qualified electricity and by 5.4% of the qualified capacity.

Electricity market monitoring

The Methodology of wholesale electricity market monitoring for assessing the competition level on market and preventing the abuse of dominant position was approved by **ANRE Order no. 57/2005**. This methodology presents the methods of monitoring and evaluating the electricity markets in order to assess the level of efficiency, competition and transparency of markets and to prevent/dicourage the anticompetitive practices and any behavior which might affect the system security.

The monitoring activities are performed by the specialised compartment from ANRE together with the corresponding compartments from S.C. OPCOM S.A. and C.N. „Transelectrica” S.A. These activities:

- allowed periodically analysis regarding the efficiency of the wholesale and retail electricity markets and of the regulation framework as well as the market participants behavior;
- permitted the publication of monthly reports regarding the functioning of monitored electricity markets;
- there were no participants infringements regarding the legal provisions related to competition and transparency or abuse of dominant position on the market which might need an ANRE report to the ministry and the Competition Council, according to the Electricity Law (no. 318/2003).

The evolution of electricity between 1989-2005 as well as the generators and the resources used for electricity in 2005 are presented in **Annex 1**.

At the end of 2005 there were 61 generators and 112 suppliers, license holders (see **Annex 2**). The opening degree of the electricity market to 83.5% eliminated the eligibility conditions, more than 600,000 consumers being free to switch their supplier.

The structure of electricity generation in 2005, without electricity import, is presented in **Table 6**.

Table 6

Electricity generation

Generator	Quantity	
	TJ	GWh
S.C. „Termoelectrica” S.A.	4388	1219
S.C. „Electrocentrale București” S.A.	20693	5748
S.C. „CE Rovinari” S.A.	19627	5452
S.C. „CE Turceni” S.A.	20430	5675
S.C. „CE Craiova” S.A.	14587	4052
S.C. „Electrocentrale Deva” S.A.	12931	3592
S.C. „Hidroelectrica” S.A.	72374	20104
S.N. „Nuclearelectrica” S.A.	19991	5553
Self-generators	7189	1997
Other generators	19080	5300

2339 GWh have been imported and 5237 GWh have been exported.

The restructuring process of the generation sector determined the modification of Herfindahl – Hirshman (HHI) index. The average value of the 2005 index based on electricity delivered in the grid was 1831, a littl higher than 1800 (the level of moderated

concentration of market power). This level was determined by the special weather conditions, which determined an increase of the electricity produced by the main hydro generator.

Wholesale electricity market

Starting with 1st July 2005, the electricity has been traded on the wholesale electricity market through contracts (regulated, for the quota for captive consumers and grid losses, and 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 their financial responsibility for the imbalances generated by them.

During 2005, 45% from the electricity sold by the generators was traded on the contracts with regulated prices and quantities and 55% on the competitive market (see **Annex 3**).

On the regulated market, 55% from the electricity was traded by generators for captive consumers on portfolio contracts, 16% on the long-term contract of SN „Nuclearelectrica” SA and aprox. 13% on regulated contracts of independent/self-generators and for grid losses – 12% for distribution grid losses and 4% for transmission grid losses.

On the competitive market, the generators traded aprox. 10% on supply contracts with eligible consumers, 13% on export contracts, 60% on negotiated contracts with competitive suppliers or other generators, 15% on spot market/DAM and 2% on negotiated contracts with distributors-suppliers of captive consumers (see **Annex 4**).

The distributors/suppliers for captive consumers had traded 124852 TJ (34681 GWh) on the electricity market, split on contracts as shown in **Annex 5**. Electricity acquisitions on regulated market represents 72% and on competitive market, 28%. The average acquisition price of electricity is 134,88 RON/MWh.

Day Ahead Market

In **Annex 6** are presented:

- monthly structure of spot trades from total trades on the wholesale electricity market between January 2005 – June 2005;
- monthly structure of DAM/Balancing Market trades from internal consumption between July 2005 – December 2005.

It seems that the monthly volume traded on spot in 2005 was higher than 5% from the internal consumption, meaning an acceptable market liquidity, taking into account that starting with 1st July 2005 this market has become voluntary. There is a direct influence of the weather conditions on the evolution of spot price.

Balancing market

The Balancing market has started to work since July 2005. In December 2005 there were active 40 BRP as well as 21 generators with 136 dispatchable units.

The monthly volume of electricity traded on the Balancing market between July-December 2005 (see Annex 6), was approx. 5-11% from the internal consumption. The total imbalances are strongly linked to the volumes traded on the market. The traded volumes represents an indicator for the balancing market efficiency assessment. Lower volumes shows that the balancing market became what it should be, a fine tuning on the electricity market. The imbalances shows the participants behavior regarding the dispatch order of TSO as well as they forecast their functioning.

In **Annex 7** are presented the market clearing prices on DAM and the negative and positive imbalance settlement prices for December 2005.

System services market

Due to the fact that system services market had been highly concentrated, the contracts for reserves concluded between generators and system operator remained regulated until the competition and the participants behavior on this market will grown enough.

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 2005 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 the neighbour countries TSO and is equally split with each TSO on both directions.

Evolution of retail electricity market

552 eligible consumers were acting on the competitive market in December 2005; 208 from these have switched supplier and the other 344 have renegotiated their supply contracts.

The market shares of suppliers on retail electricity market corresponding to December 2005 are presented in **Annex 8**.

At the end of 2005, the consumption of eligible consumers which switched supplier or renegotiated their contracts represented 40% of the internal consumption of the final consumers, while at the end of 2004 this percent was only 24%.

The electricity market disputes were arbitrated by the Electricity Market Disputes Arbitration Committee (CADPEE) set up according to the provisions in GD 627/2000 (Art. 10, par 4).

The 2005 report on performance indicators for electricity supply showed the following:

- there were 407.163 requests for concluding supply contracts, with 1% less than during 2004;
- there were 420.729 requests of changing the tariff type, compared to 2004 when those requests were only 188.693; this growth was determined by the changed regulations regarding the social tariff;
- total number of complaints regarding metering system was 21.018, with 12,4% less than during 2004;
- there were 45.960 complaints regarding electricity billing (compared with 2004 when there were 54.504 complaints). 70,67% from these complaints were true. 98,4% from the total complains number were resolved within the standard period of 10 days, with insignificant variations from one supplier to the other;
- there were 5% less of scheduled power cuts as in 2004;
- total number of unscheduled power cuts was 558.184. Total number of consumers affected by those unscheduled power cuts was 19.077.985. The highest number of unscheduled power cuts had been registred in the low voltage distribution grid (97%); most affected were the household consumers (2,25 power cuts per consumer);
- 372.312 consumers were disconnected for not paying the electricity bills (with 23,1% less than in 2004). Most of them were household consumers (85,6%). 71,1% of the disconnected consumers were reconnected in less than 24 hours after paying the electricity bill.

Processing and resolution of pre-contractual disputes

An important task of the regulator, in line with the requirements of the European directives in the field is the examination of the pre-contractual disputes. The resolution of disputes followed the procedures issued by ANRE. Of the total number of resolution requests received in 2005, 93% were in connection with issues related to electricity and 7% to heat.

The disputes on the electricity side regarded both the supply and the distribution contracts. Disputes occurred upon the:

- Compensation to be paid by the supplier to the consumer, if the interruption of supply is imputable to the supplier
- Recovery of debts
- Period of billing and billing conditions
- Conclusion of distribution contracts for new eligible customers.

Prices and Tariffs

Electricity

The *Methodology to setting up tariffs to the final captive electricity consumers* was reviewed and approved through **ANRE Order 11/2005**. According to this methodology, through the allocation by ANRE of different acquisition structures through the regulated purchase/selling contracts uniform tariffs are to be maintained for captive consumers nationwide. The methodology sets up the principles for reviewing the regulated quantities at the suppliers' or of the producers' request.

The supplier's income obtained by voltage level covers the acquisition costs (including the transmission, system services, and market administration), the distribution costs (as per the specific methodology), the supply costs and a reasonable profit. The operating

principle is the full transfer of the justified costs in the final tariff. The methodology applies until the electricity market is fully opened.

The *Methodology to setting up tariffs for the electricity transmission service* was amended through **ANRE Order 50/2005**. An analysis showed that certain aspects related to the data substantiating the regulated income in 2004 and which determined its recalculation for the period 2005-2007 needed improvement.

Electricity tariffs to the final consumers increased by 7.05% in the period ranged January 2005 - January 2006 following two rounds of tariff adjustments, one in July 2005 (ANRE Order 28/28.06.2005) and one in January 2006 (ANRE Order 49/15.12.2005). The average tariffs for the transmission, system services, distribution and settlement on the wholesale market were adjusted through **ANRE Orders 26/2005** and **48/2005**.

Following the said tariff adjustments, the average electricity price to the final captive consumers was 74 Euro/MWh (**Annex 9**). Most of the tariff decisions issued in 2005 addressed the distribution tariffs in the consumer-sub-consumer relationship.

Heat

Prices for heat produced in 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**. The costs, respectively the prices associated to the generation of heat set up according to the methodology are used in setting up the prices for heat supplied to the consumers.

In compliance with the Pre-conditions in the Additional Memorandum for Economic and Financial Policies that was agreed by the Romanian Government with the International Monetary Fund, **ANRE Decision 273/2005** was issued to approve the Price Adjustment Procedure for heat generated by ANRE regulated companies. The procedure allows the adjustment of heat prices to the consumers when the variation of the average purchase price for fuels exceeds 5%.

Based on the methodologies and the procedures issued by ANRE, over 65 decisions on the setting up, review and adjustment of heat prices and tariffs were issued in 2005 for the regulated operators. The heat average price evolution to the population is given in **Annex 10**.

The evolution of the average prices for the heat supplied by S.C. "Termoelectrica" S.A. and its subsidiaries within 1999-2005 is given in **Annex 11**.

The National Reference Price (PNR) evolution within 2001-2005 is given in **Annex 12**. Through GD 1254/2005, with effect from November 1, 2005 PNR was increased to 107.50 lei/Gcal, including VAT. ANRE also assisted the Ministry of Public Finances in setting up the subvention value for heat supplied to the population through district heating.

The increase by 20% of the National Reference Price has led to the implementation of additional measures in consumer protection, particularly for consumers with medium and low incomes. **ANRE Order 41/2005** was issued in order to approve the binomial tariffs implementation by the heat suppliers.

Technical Regulations

The *Procedure for the calculation of electricity consumption that is to be invoiced in case of faulty operation of the meter* was approved through **ANRE Order 18/2005** and applies to the network operators that also act as metering operators, to the suppliers and the consumers of electricity. The procedure issued in compliance with the “Regulation for electricity supply to the consumers” lays down the methods and the time-period required to recalculate the consumption of electricity in case the meter fails to register the consumption of electricity within a certain time interval or improperly registers a quantity of electricity that is higher than the one that was actually consumed.

The *Procedure regarding the network connection of an user situated outside the operation area of a distribution operator*, approved through **ANRE Order 34/2005** sets up the way in which the provisions of the “Regulation for the connection of users to the public electricity networks” are applied for the generation/consumption sites of users neighbouring the perimeter of the operation area of the distribution operators that are concessionaires of the electricity distribution public service. The procedure regulates the steps and the actions that are required in order to apply the best technical and economical network connection solution for the users and sets up the responsibilities that are due to the respective distribution operators.

The *framework-content of the Technical Permit for Connection* was amended through **ANRE Order 37/2005** to be in line with the provisions of the existing normative acts. Among the newly introduced entries the following are worth mentioning: terminology used in the current legislation, transparency of the connection costs, circumstances and conditions to update the connection tariff, the right of the first user to receive financial compensation in case that other users subsequently connect themselves to the same asset, the user’s right to chose the executers of the connection works, the user’s obligation to sign an operation agreement.

Documents approved/endorsed by ANRE

Technical norm for the examination and the recording of accidental events occurring in the electricity and heat generation, transmission and distribution facilities - NTE 004/05/00 approved by **ANRE Order 8 /2005** and issued by SC “Termoelectrica” SA in compliance with the provisions of the “Procedure for the review of energy prescriptions for the generation, transmission, dispatch, distribution, supply and use of electricity and heat”, approved through ANRE Decision 667/2002.

Operational procedure for the implementation of the electricity cross-border trade (CBT) mechanism in the South-East European region issued by SETO (the transmission system operators working group in South-East Europe) and approved through **ANRE Order 56/2005**. The procedure pertains to CN “Transelectrica” SA and stipulates that a levy of 1 Euro/MWh is to be paid by companies operating in countries neighbouring Romania (which are not participating in the SE European CBT mechanism), companies that conclude transit contracts for the electricity injected in the national power system.

Procedure for the interruption or the restriction of electricity consumption in case of unusual operating circumstances of the SEN (the national power system) approved through **ANRE Decision 1577 /2005**. The procedure was issued by CN “Transelectrica” SA to comply with the provisions of the “Regulation for electricity supply” regarding the

drawing up and the reviewing of the Technical Norm for Manual Disconnection and the Technical Norm for Restrictions.

Qualification of the internal ancillary services suppliers - Code TEL - 07 V OS-DN/154 – ANRE Sanction 46 / 2005. The qualification is a condition to be met by the ancillary services suppliers in order to be able to contract ancillary services.

Long-term plan for the development of the electricity transmission grid (RET). The period 2004 – 2008 to reach 2014 - ANRE Sanction 14/13.05.05. The long-term plan of RET is issued by CN “Transelectrica” SA in compliance with the provisions of the Electricity Law according to which the transmission system operator has the obligation to draw up prospective plans for the transmission of electricity to be consistent with the current stage and the future evolution of the electricity consumption and of the resources, including the import and export of energy.

Certification of Sector Companies and Authorisation of Electricians

Applicable Regulations

ANRE Order 54/2005 brought some amendments to the *Regulation for the certification of sector companies that design, construct and operate electric power facilities in the national power system* among which the most important are:

- Activities corresponding to the A and F certificates were re-written
- A chapter called “*Procedure to requesting the certificate*” was introduced
- The criteria used for the analysis of the certification files and the annexed documentation, ANRE obligations regarding the publication of certification-related information, the cases when certification is granted to companies that do not meet certain conditions requested for the certification were elaborated
- A chapter called “*Procedure for the re-certification*” was introduced
- The competencies needed for each type of certificate were clearly explained
- Clarifications were given to make companies understand that they are subject to verification or control
- Infringements of regulations were defined more accurately.

The *Regulation for the authorisation of electricians that design, construct and operate electric power facilities in the national power system* was amended and approved through **ANRE Order 55/2005**. The amended regulation gives a clear definition of the the employer company obligation to observe the “Labour security norms for the transmission and distribution of electricity”, specifies the professional skills required for each type of authorisation, increases the difficulty regarding the authorisation exam, defines the infringements and the applicable sanctions and provides specifications for cases involving the loss of the authorisation card.

Certification of Sector Companies

In 2005, the average number of certification requests per month was 67 and 819 certificates were issued.

Authorisation of Electricians

A number of 2024 authorisation requests were registered in 2005, 1636 authorisations were issued, 81 requests were rejected, 106 applicants failed to present themselves for examination, 92 applicants was turned down and the authorisation files for 94 applicants were returned upon request.

Consumer Protection, Guidance and Control

In 2005, ANRE Office for Consumer Protection and Control registered and examined a number of 167 complaints (**Table 7**), all being processed and solved within the due deadline.

Table 7

Petitions registered in 2005

Total No. of complaints	167
Complaints solved	167
Complaints submitted via :	
a) letter	161
b) email	6
Complaints submitted by natural persons	144
Complaints submitted by sector companies	23
Complaints concerning:	
- electricity sector	150
- heat sector	17

The main issues addressed in the complaints were:

- Elimination of the reservation fee, a component of the standard tariff
- Abusive disconnections and disconnection without pre-notification
- Incorrect billing and other billing related issues
- Network operator facilities trespassing private properties

The activity of ANRE Office for Consumer Protection and Control in 2005 followed the Annual Programme for Guidance and Control approved by ANRE management, its control missions focussing mainly on the: compliance with the license conditions, practice used upon the conclusion and the unfolding of contracts, implementation and adjustment of tariffs, costs covering, and accuracy of complaints.

The missions for guidance and control were carried out according to the “*Regulation for the identification, notification and penalisation of the violation of electricity and heat sector regulations*” (**ANRE Order 21/2002**).

Control missions were performed to:

- Cogeneration companies: CET Braşov, CET Oradea II, Regie Autonom for Nuclear Activities (RAAN) Drobeta - Turnu Severin
- Electricity distribution and supply companies: S.C. F.D.F.E.E. Electrica Muntenia Sud S.A., S.C. D.F.E.E. Electrica Oltenia S.A and
- The Transmission System Operator C.N. “Transelectrica” S.A.;

- The electricity supply company S.C. PETPROD S.R.L. Bucharest

To companies that hold electricity and heat generation licenses the control mission focused on the:

- compliance with the obligations regarding the fuel stocks
- expenses allocation between the object of the license and other activities of the license holder
- costs approved and incomes obtained on the regulated/competitive market

To companies that hold electricity distribution and supply licenses the control mission focused on the:

- conformity of the supply contracts with the amendments to the framework contract for electricity supply brought by ANRE Order 5/2003
- the system used for the registration, investigation, resolution and report of complaints submitted by the consumers regarding the quality of service, the calculation and/or billing of the electricity consumption
- the way in which distribution tariffs approved by ANRE are applied

To companies that hold electricity supply licenses the control mission focussed on the:

- organisation of activities and draw up of the Financial and the Annual Reports
- separate bookkeeping for the activity of electricity supply in compliance with the requirements in the supply license
- compliance with conditions required upon the issuing of the supply license

As for C.N. "Transelectrica" S.A. the control mission focussed on the compliance with the conditions in the transmission license and with the provisions in the Commercial Code regarding the allocation of interconnection capacities.

In compliance with *Regulation for the certification of sector companies that design, construct and operate electric power facilities in the national power system*, control missions have also been performed to sector companies in the following regions: Braşov (4 companies), Oradea (3 companies), Dâmboviţa (1 company) and in Bucharest (1 company). The mission targeted the:

- existent equipment required for the proper unfolding of the activities certified by ANRE
- works performed
- staff register
- quality management system certification.

The guidance and control team made recommendations for improvement and in certain cases applied fines, as well.

International Co-operation Programmes

The international co-operation activities played an important role in establishing new collaboration relationships with similar institutions in Central and East Europe, in European Union or in the United States of America, in involving the Regulatory Authority in regional and European actions as well as in training for ANRE personnel.

The development of a regional South East European market, to be integrated in the European Union internal market, has required this year, too, intense efforts to identify differences in legislation, institutions, and in development of all the countries involved in the process.

In October 2005, South-East Europe Energy Community Treaty was adopted by the following signatory countries: Albania, Bosnia, Herzegovina, Bulgaria, Croatia, Romania, Serbia and Montenegro, Macedonia and Kosovo. For these countries, it is mandatory to implement the new European Directives regarding the development of an internal electricity and gas market, and to apply all EU requests regarding environmental protection. In 2006, the Treaty has to be approved by the Parliament of each signatory country.

ANRE representatives participated in meetings organised by the group of energy regulators from SE Europe (CEER-SEEER) and by Athens Forum, with relevant contribution regarding the clarification of certain legal aspects regarding the future energy regional market, the proper mechanisms to solve congestion and tariffs for cross border commercial exchanges, the mechanisms for inter-connection allocation.

ANRE is an active member of Regulation Authorities Working Group (CEER-SEEER), one of ANRE's representatives being the leader of subgroup „Internal market”.

In 2005, the Energy Regulators Regional Association (ERRA) has organised: meetings of the presidium (one of the members was ANRE's vice-president), committees and working groups, training and sharing experience activities, the Annual Investment Conference.

ANRE representatives participated at the meetings of the Price/Tariffs and License/Competition Committee, organised with the help of National Association of Regulatory Utility Commissioners (NARUC) and US Agency for International Development (USAID). In 2005 several meetings were held on legal issues within a newly established Working Group. Meetings of EU Integration Working Group were held also during 2005.

ANRE has participated at the annual ERRA investment conference and has been represented to all training activities organised by ERRA and CEER.

Experience gained by ANRE's representatives regarding the regulation process was internationally recognised, associations such as NARUC/USAID inviting them to participate as lecturers in training programs (e.g. Azerbaidjan).

Regarding the Phare technical assistance, the contract for project RO 551.04.09.01, *Consolidation of the Romanian Electricity and Heat Regulatory Authority – ANRE* was concluded in 2005. The procedures to select the consultant for PHARE project 2004/016-772.03.10-01 was also finalised, due to be contracted in 2006.

Permanent connections with European regulators have been maintained. Following the establishment of the European Energy Regulators Group (EREG) by 2003/796/EC Decision, ANRE was invited to participate as an observer to the meetings held by the group. By participating in the Florence Forum meetings, information exchange with experts and businessmen in the field has been constantly improved.

ANRE experts participated in several meetings held with representatives of the European Commission, EBID, WB and IMF. Discussions focused mainly on the stage of sector reform, the legal framework and the compliance with the conditionality assumed through the agreements signed by Romania on electricity and heat.

With the support of USAID through the Programme for Privatisation, Investment and Development in the Energy Sector (PRIDE), training sessions were organised for ANRE staff in 2005. The topics addressed were bilateral contracts, SOLR concept, electricity market monitoring, accounting systems, and load demand for consumers.

Participating at USAID – Romania Plenty Partnership Program ANRE's representatives attended several meetings in Bacau, Cluj and Bucharest, in order to help government officials and other decision makers at national and local level to develop new plans aiming to lower the impact of raising tariffs on population with low incomes.

ANRE also focussed on further developing bilateral regional relations, hosting meetings with representatives from HEO (Hungarian Energy Office), EMRA (Energy Market Regulatory Board) and NERC (Energy Regulation Commission from Ukraine).

Information and Public Relations

The main objectives pursued in developing public relations activity were the prompt and correct information of the dialogue partners, accustoming the sector consumers with the specific regulatory activity, improving in-house communication.

At the beginning of 2005, the Government's PR Agency has organised several working group meetings with all the Romanian public institutions in order to create a common „Strategy of internal and external communication for Romania's EU accession”. Following the actions decided to be taken in this strategy, ANRE's website has been modified, presenting news regarding the integration process. Also, reports of the transparency of public information have been transmitted to the above mentioned agency, according to Law 544/2001 (free access to public information) and Law 52/2003(transparency of the decision making process).

Meetings were held at the University “Politehnica” of Bucharest, regarding the process of electricity market liberalisation in June, and for the supplier of last resort – in September.

The Romanian and English versions of the 2005 Annual Report were issued in 2006 and posted on the web site and sent to institutions, sector companies and to foreign partners.

Table 8

Public information requests received in 2004

1	Total no. of public information requests received	39
2	Total no. of administrative complaints received	0
3	No. of requests favourably resolved	30
4	No. of working days necessary (on average) for sending an answer	4
5	No. of requests addressed by:	
	a) mail	6
	b) electronic mail	33
6	No. of requests addressed by natural persons	29
7	No. of requests addressed by legal persons	4
8	No. of requests dismissed, depending on reason:	
	beyond ANRE competencies	3
	address of sender unknown	0
	others	0
9	Total number of requests concerning	
	Electricity	17
	Heat	2
	Other	20

Public information was carried out through press releases sent to important daily newspapers, TV and radio stations, through interviews and press conferences. Over 119 articles were published in the Romanian press reflecting ANRE's activities, achievements and plans for the future. Main themes referring to the ANRE's activities are presented in **Annex 13**.

A summary of the ANRE's activities was monthly updated, the latest internal and external regulations, being published in the "Energetica" magazine (published by IRE).

In 2005, ANRE participated at many seminars, conferences and workshops with presentations of the energy regulatory activity, and the impact on the actions of the investors and the consumers.



Permanently updated and improved, ANRE web page was another efficient way to disseminate information

Opening the energy market up to 83.5% in 2005 allowing the non residential consumers to choose their supplier, offer new opportunities for negotiating supply contracts. For better informing the consumers about these changes, ANRE has published a

brochure called "Choosing the energy supplier on a free market", distributing it with the help of National Association of Citizens Advice Bureau.

Also during 2005, ANRE has issued Order no. 41/ 19.10.2005 approving procedures for the application of binomial tariffs by heat suppliers

In order to help the consumers better understand the advantages of the new tariff type and to how to decrease the price paid for the heat consumed, a leaflet was published by ANRE with extra information to help the consumer choose between different types of tariffs. The leaflet was freely distributed with the help of heat suppliers.

Announces regarding the above mentioned information materials were also posted on the ANRE's web site, www.anre.ro.

Institutional strengthening and development

At the end of 2005, the number of ANRE staff was 86 and the personnel structure was as follows: 55 engineers, 14 economists, 1 mathematician, 5 legal advisors and 1 sociologist and 1 philologist. The supporting personnel represented the difference up to 86.

ANRE organisational chart for 2005 is given in **Annex 14**.

During 2005, training programs for personnel included activities such as participation in various courses and seminars regarding: organising, participating and closing down negotiations; developing management capabilities as a communicator; negotiation and conflicts; new regulations of contentious matters in the competence of the administrative courts; legal fundamentals of public administration; legal techniques; free access to public information; PR and communication; project management; financial management; risk management fundamentals; energy efficiency; energy market monitoring; new accounting regulations. Many of ANRE's staff has also graduated from post university courses or masters.

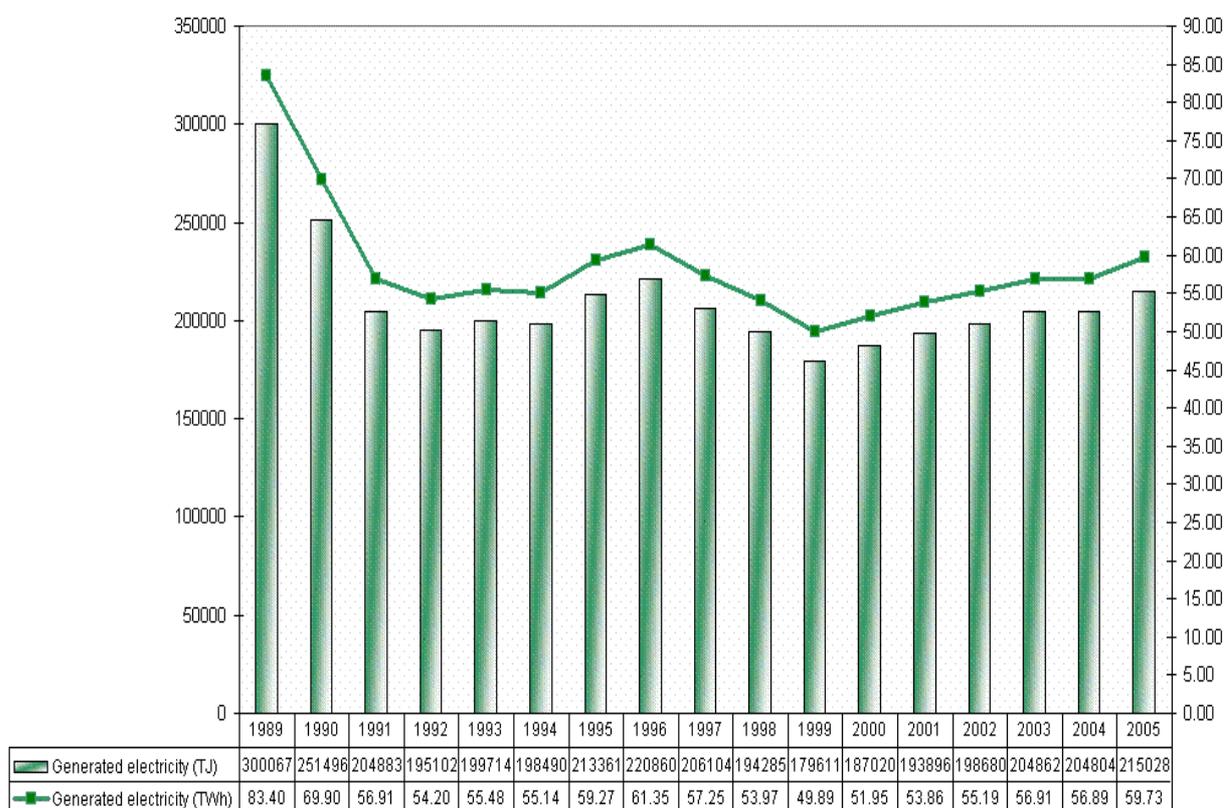
In 2005, the IT activity was directed towards the administration, development and maintenance of ANRE database. The database contains extensive information on granting/setting up of licenses/prices & tariffs, on financial activity, on sector companies, etc.

The work for designing, developing and implementing a Quality Management System in line with the ISO 9001/2000 requirements continued under the supervision of the Quality Management Office. The following documents were issued: the QM policy declaration of ANRE's president, Quality Manual; Operational and system procedures; ANRE QM personnel was trained by TUV Rheinland InterCert.

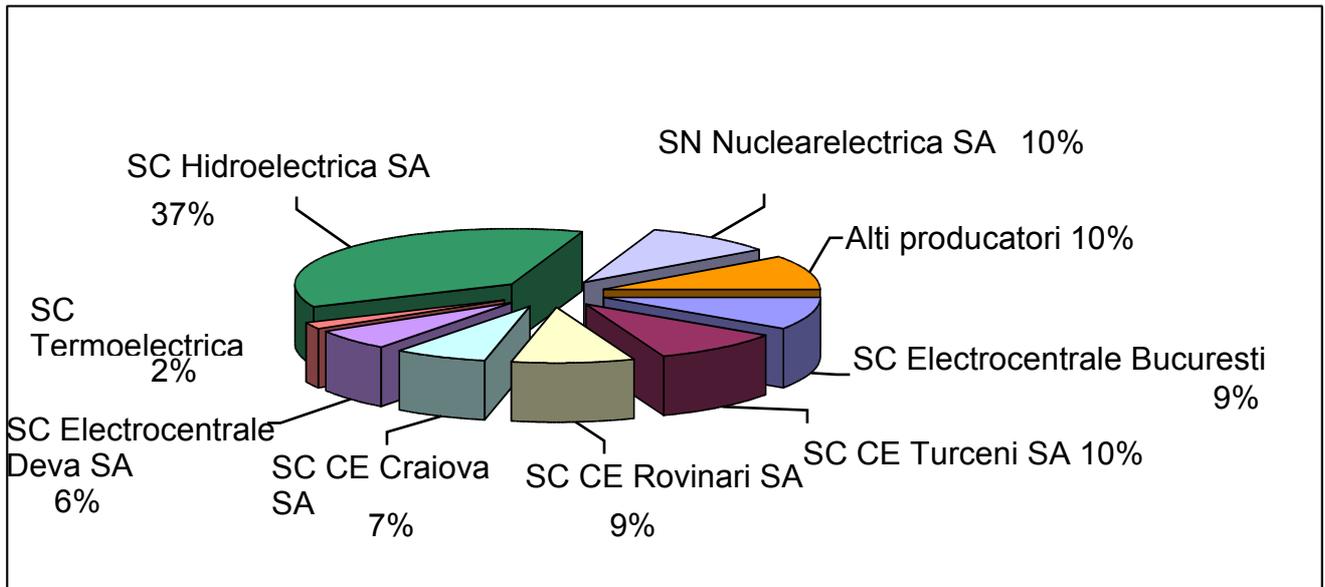


A N N E X E S

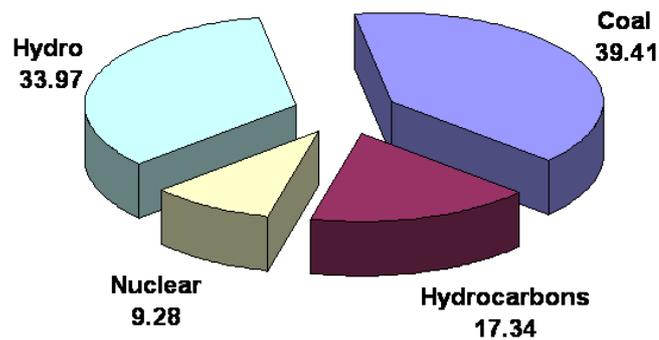
EVOLUTION OF ELECTRICITY GNERATION 1989-2005



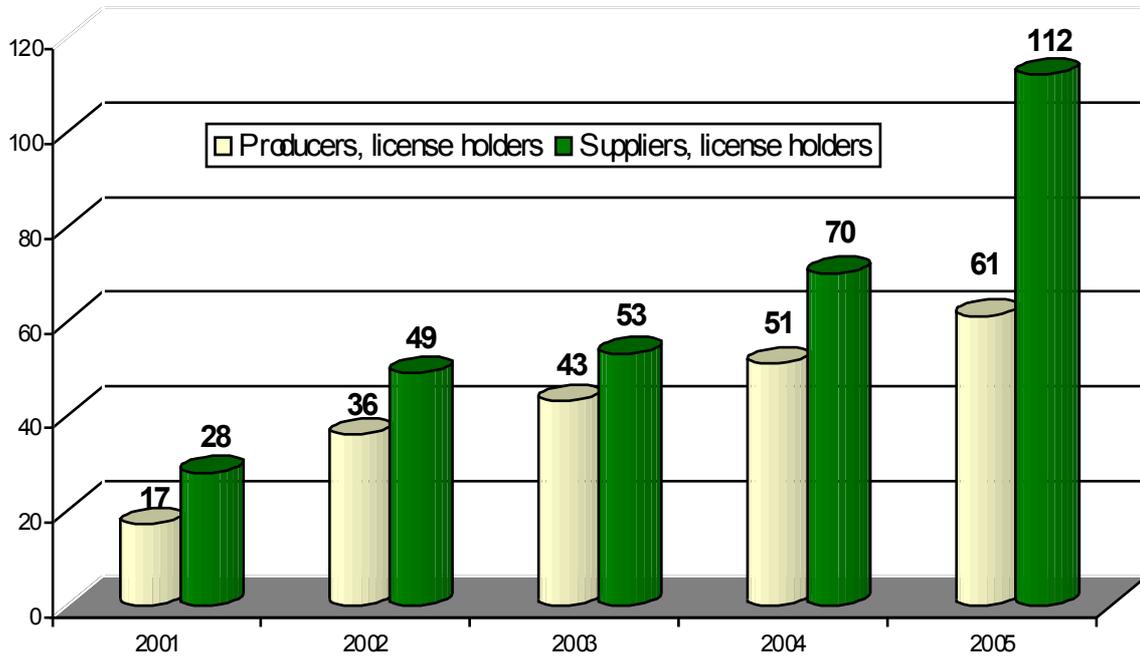
ELECTRICITY GENERATORS MARKET PARTICIPATION IN 2005



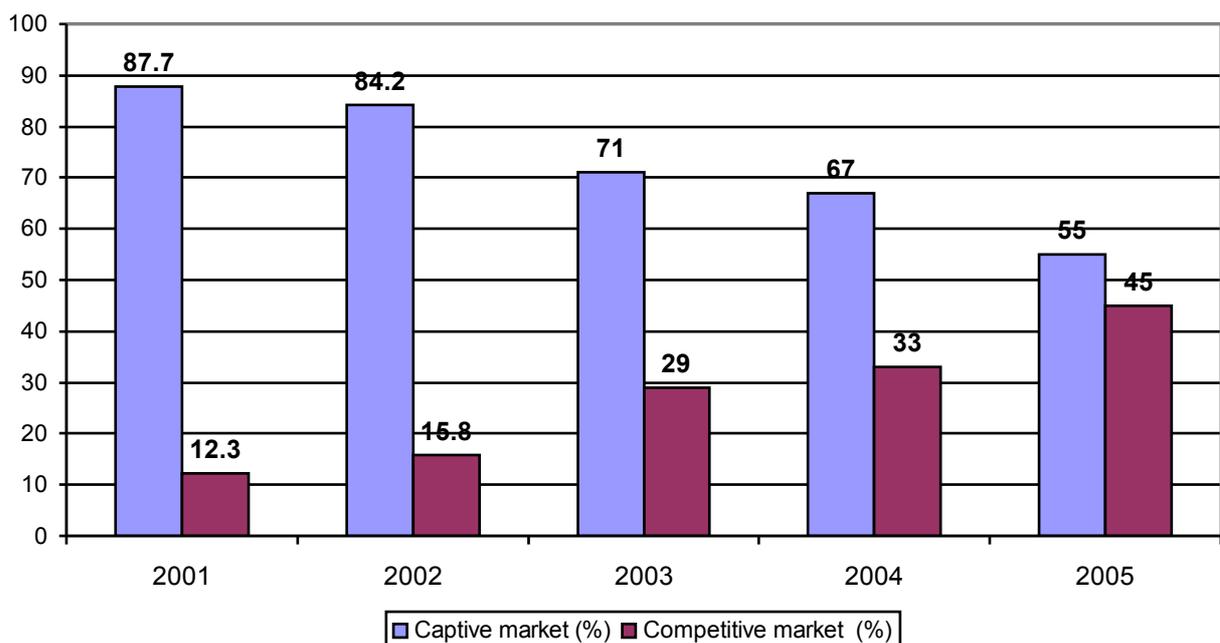
ENERGY SOURCES USED FOR ELECTRICITY GENERATION IN 2005



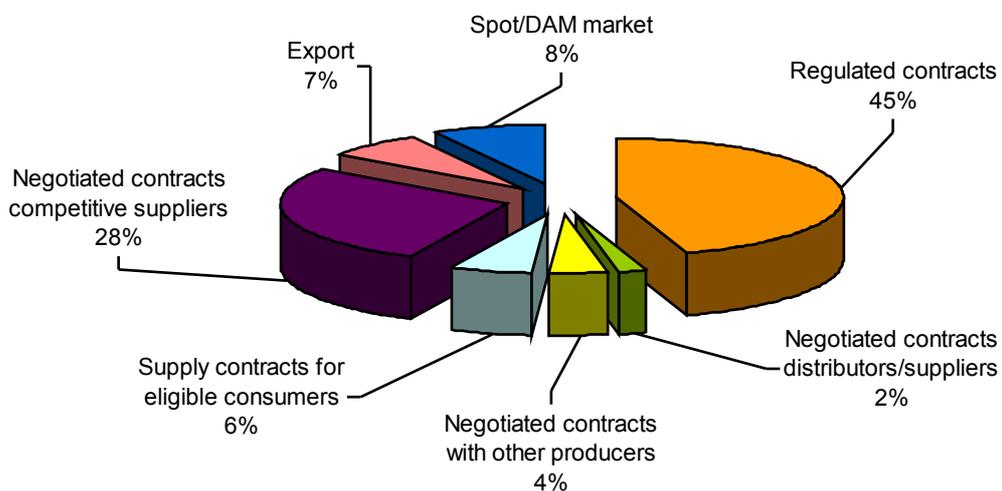
**GENERATORS AND SUPPLIERS EVOLUTION
LICENSE HOLDERS**



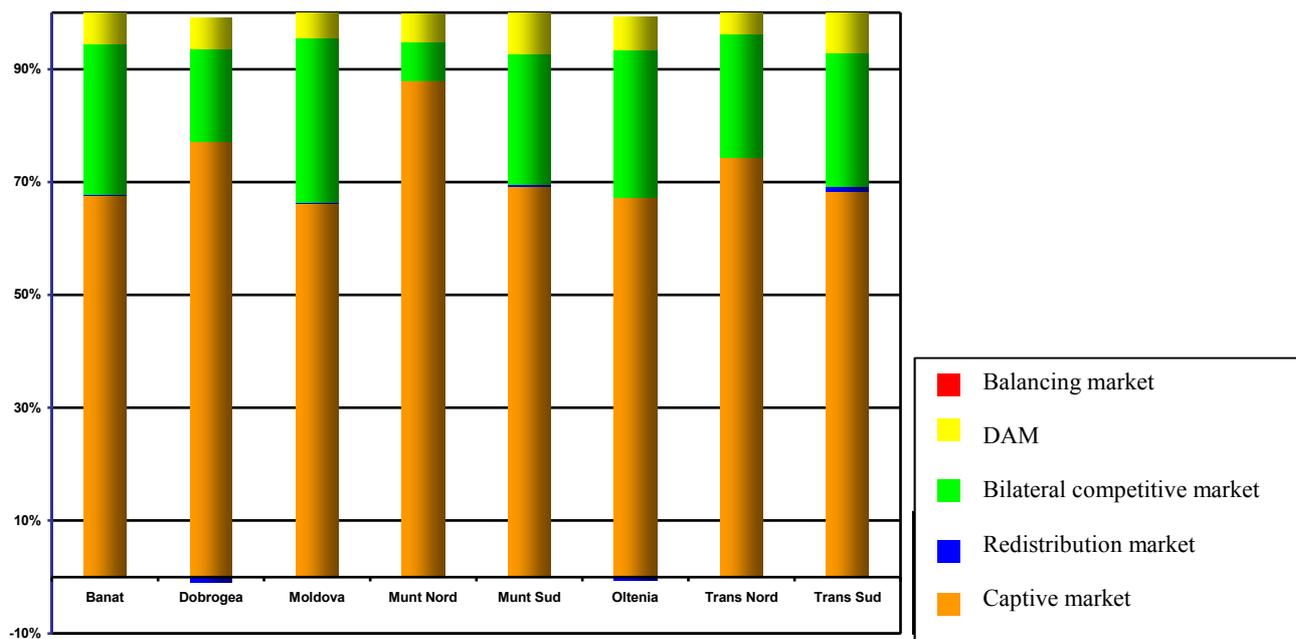
EVOLUTION OF ELECTRICITY WHOLESALE MARKET



STRUCTURE OF ELECTRICITY WHOLESALE MARKET - 2005

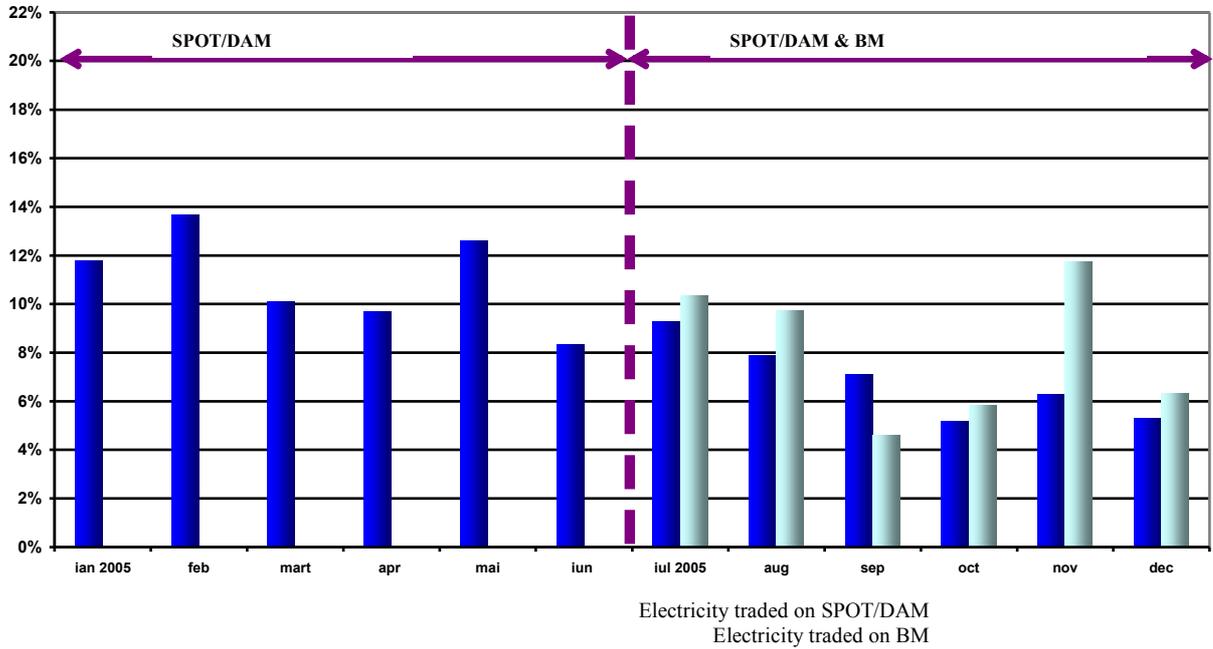


ACQUISITION ON THE ELECTRICITY WHOLESALE MARKET OF DISTRIBUTION/SUPPLY SUBSIDIARIES TO COVER CAPTIVE CONSUMPTION

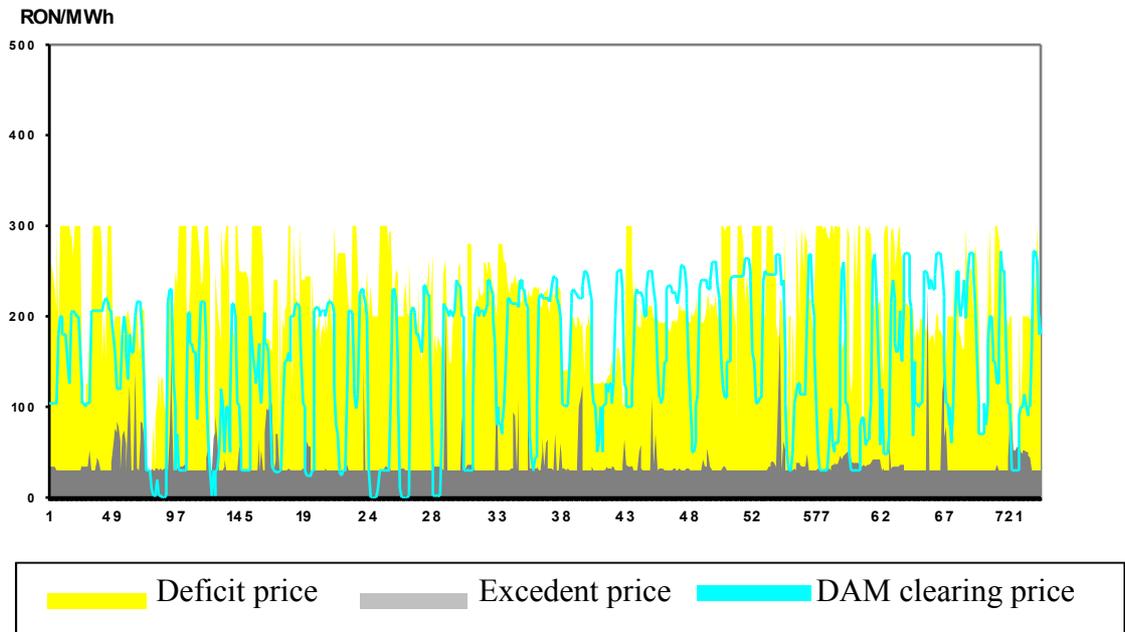


ELECTRICITY TRADED VOLUMES - 2005

% from final consumption

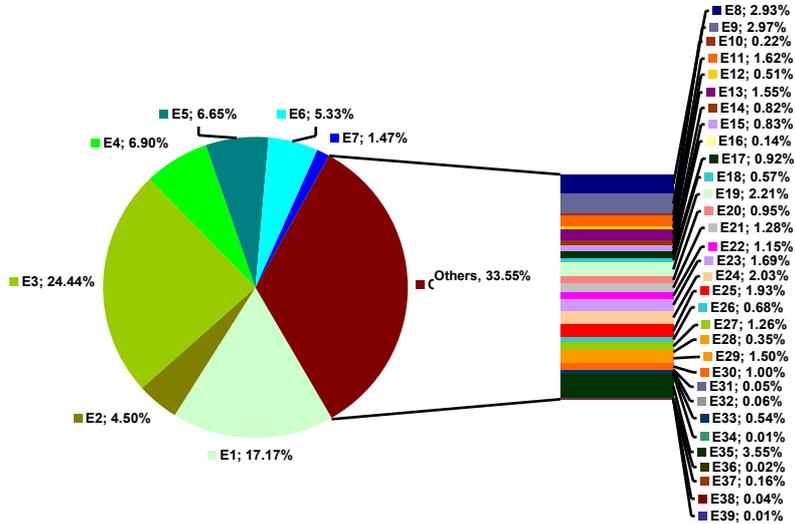


HOURLY SETTLEMENT PRICES DECEMBER 2005

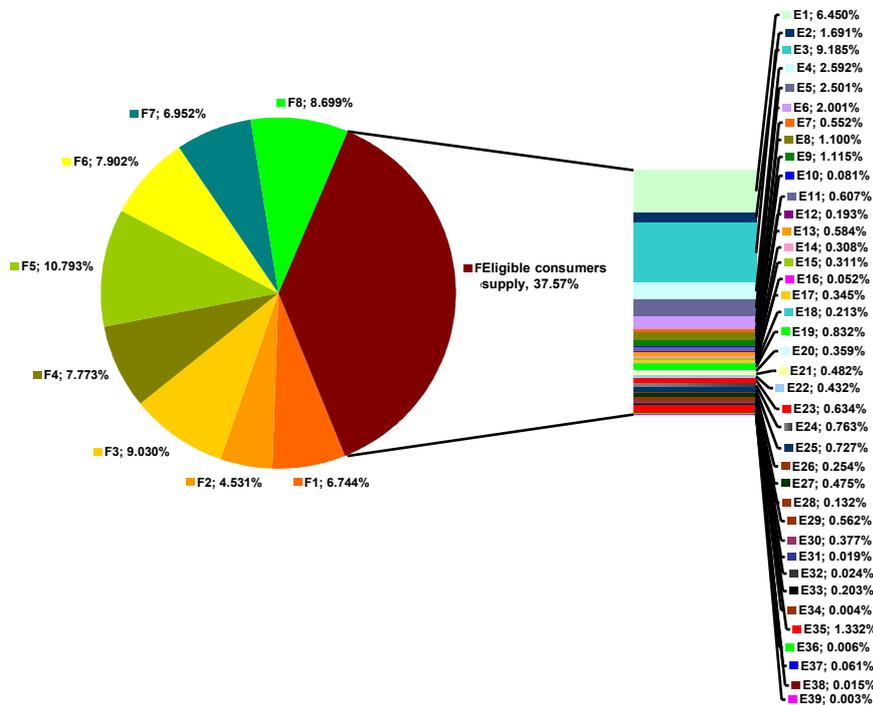


MARKET SHARES OF RETAIL MARKET SUPPLIERS

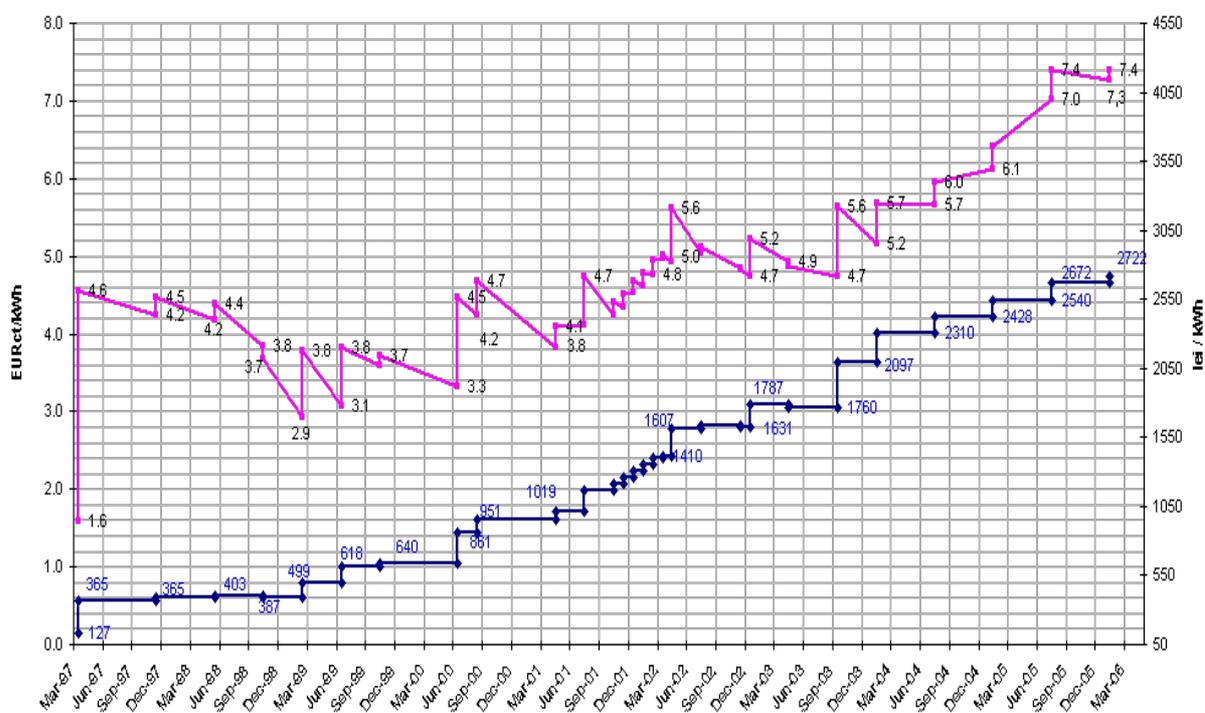
Suppliers for eligible consumers – December 2005



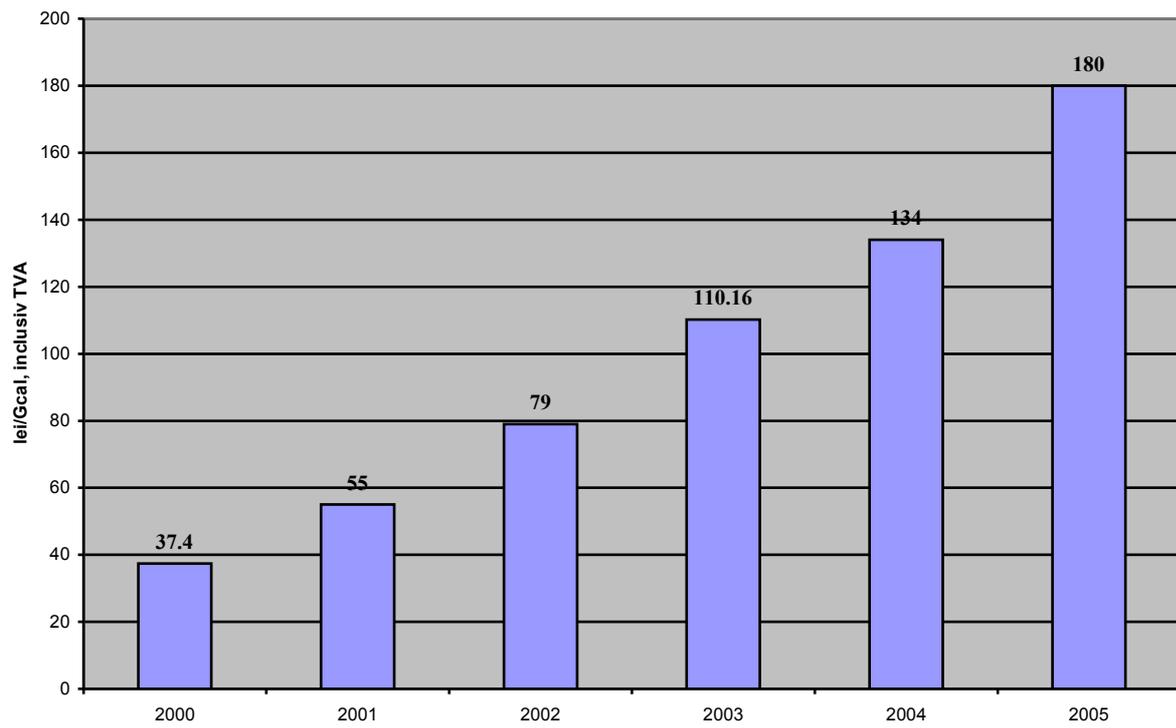
Suppliers for final consumers – December 2005



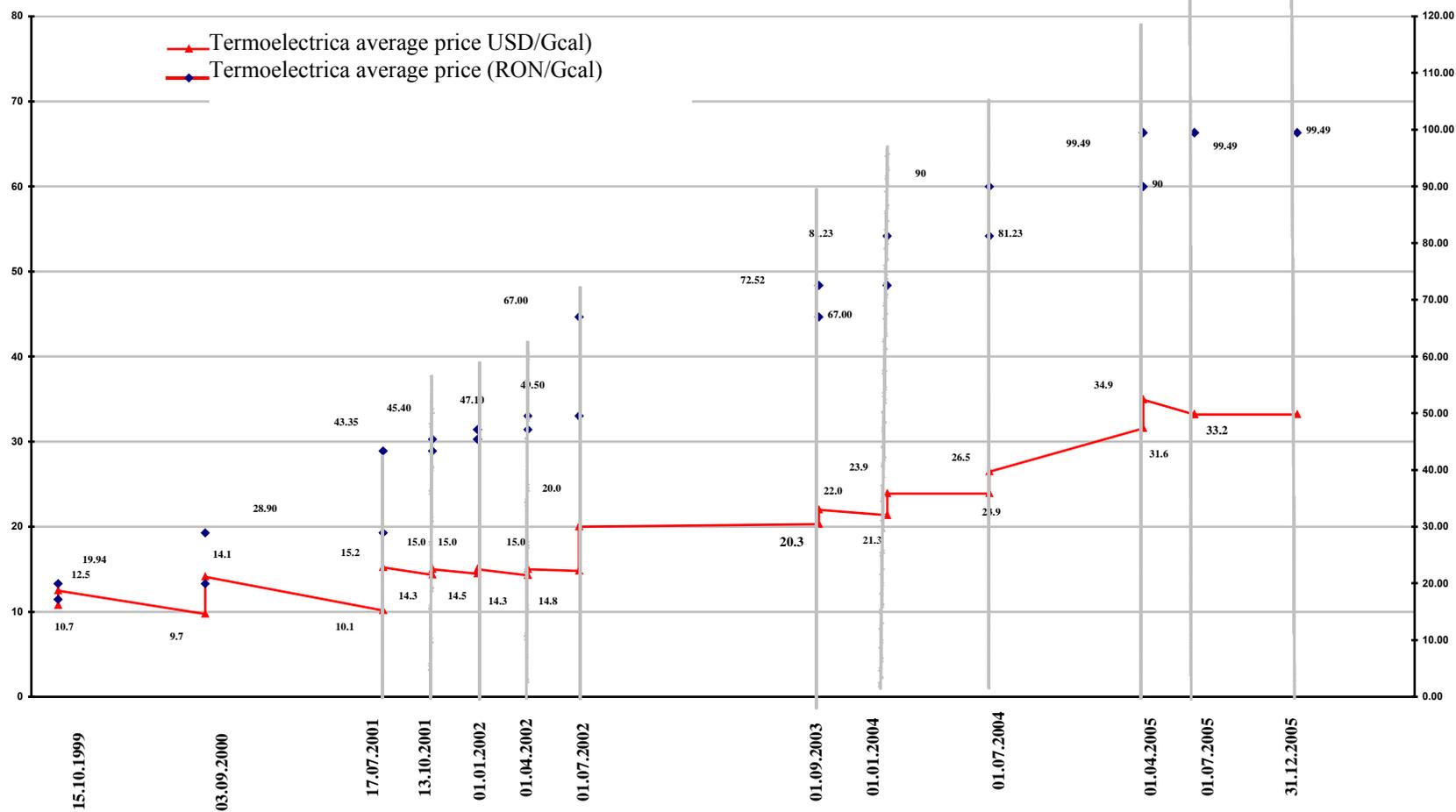
VARIATION OF ELECTRICITY AVERAGE SELLING PRICE WITHOUT TAX
1997 – January 2006



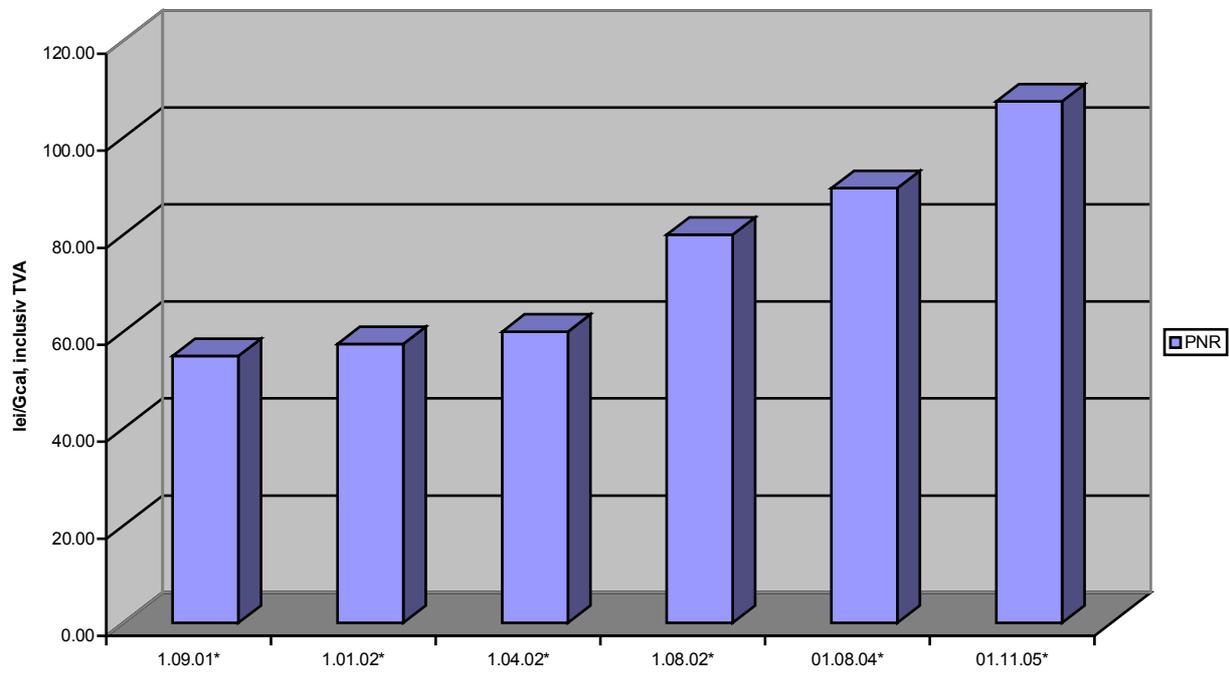
HEAT PRICE EVOLUTION TO POPULATION



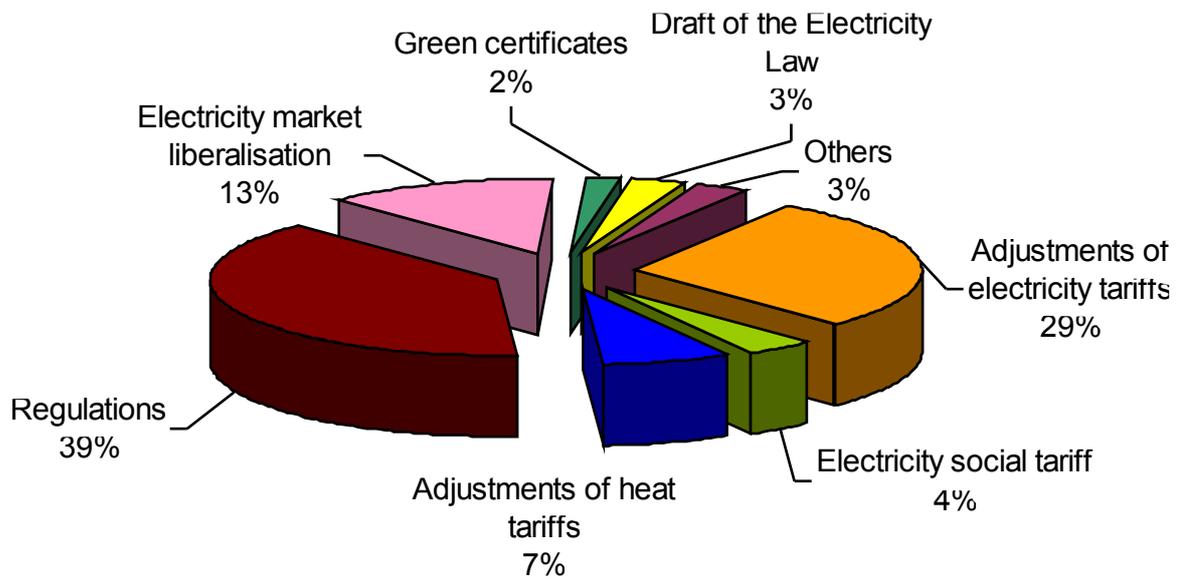
**AVERAGE SELLING PRICE VARIATION OF HEAT SUPPLIED BY
S.C. „TERMOELECTRICA” S.A 1999 – 2005**



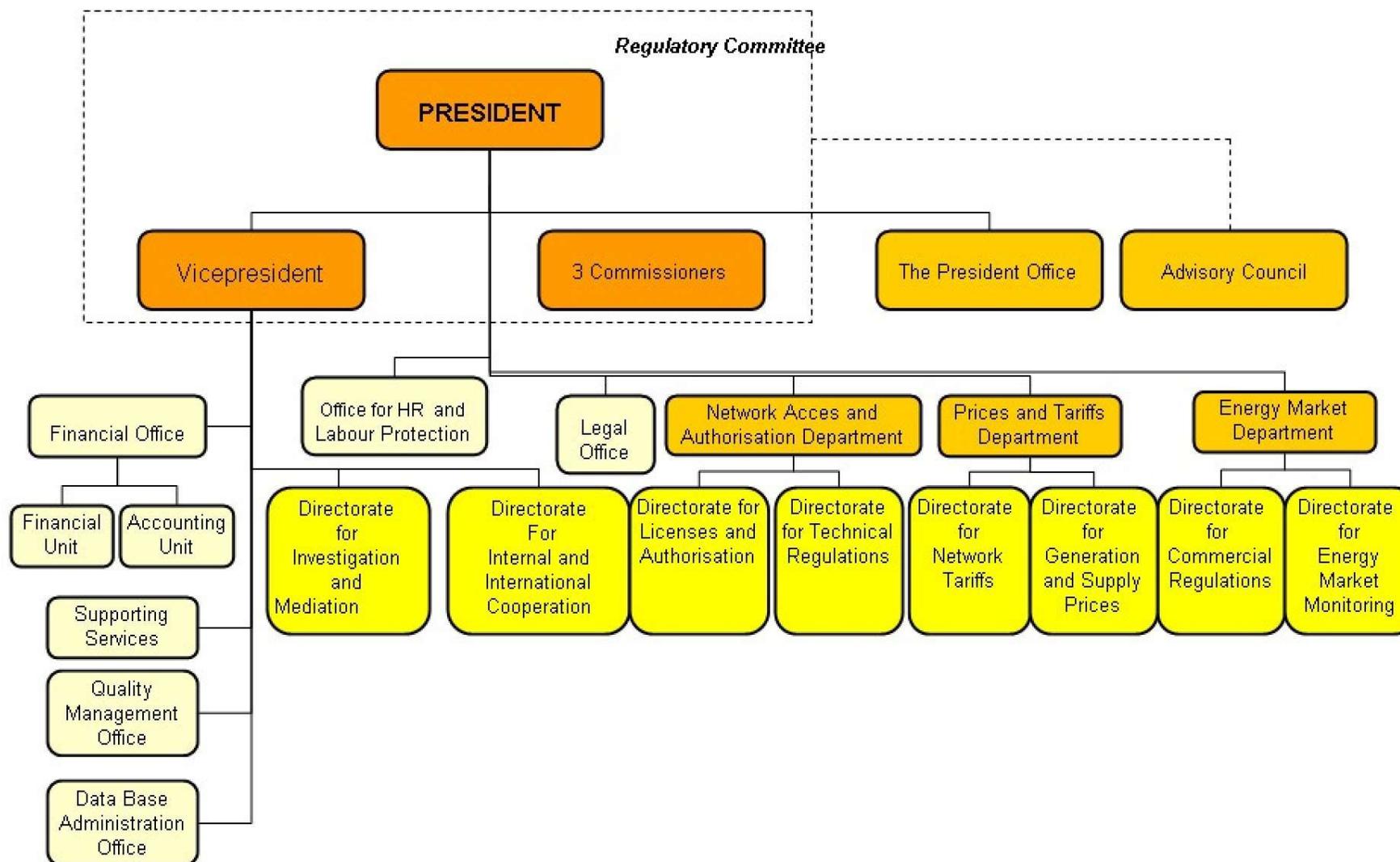
**NATIONAL REFERENCE PRICE EVOLUTION
HEAT**



ANRE ACTIVITY IN MASS-MEDIA



ANRE ORGANISATIONAL CHART



Romanian Energy Regulatory Authority
3, Constantin Nacu st., 020995, Bucharest 37, Romania
Phone:+ (4021) 311 22 44, Fax: + (4021) 312 43 65,
[http:// www.anre.ro](http://www.anre.ro), e-mail: anre@anre.ro

